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Equity Research
5 November 2021

North America Power & Utilities

Q3 Earnings Themes, Trends, and Takeaways: Part 3

| CORE

We highlight commentary on themes from our Q3 preview, top level trends, and key takeaways from earnings reports and conference calls this week for AEE, AWK, CNP, ED, ES, LNT, NI, OGE, PNW, SO, and SRE.

North America Power & Utilities
POSITIVE

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Industry Themes

Capital spending plans

- **AWK:** Accelerated regulated capital investment plans to $13bn-$14bn for the 2022-2026 period and $28bn-$32bn for the 2022-2031 planning period. The capex acceleration results in a near-term dip in EPS power as upsized spending is financed, but long-term rate base CAGR (and ultimately strength of ongoing long-term EPS CAGR) was increased to 8%-9% from 7%-8% previously outlined.

- **SO:** Will wait until its Q4 call to release future capex plans but noted the targeted $4.00 - $4.30 of 2024 EPS is predicated on the existing plan, which should expand post-Vogtle through opportunities in generation and transmission as coal assets are retired. Management alluded to the idea that the fleet in 2040/2050 could be 50% renewables, 20% nuclear, 25% natural gas with CCS, and 5% other such as hydrogen, adding that optionality to purchase natural gas units (acting as net-zero bridging assets) would be economically attractive and complementary to a renewables build-out.

- **LNT:** Increased its 2021-2025 capex plan by $0.5bn to ~$7.0bn as the company sees additional opportunities in storage and wind re-powerings, which should support the 6% rate base growth target. Management made filings for 400 MW of solar + 75 MW battery storage and expects a decision on its CA request for 414 MW of solar in the first half of 2022.

- **PNW:** In capital plans for 2021-2023, PNW has increased investment in traditional generation and transmission and reduced investment in clean generation and distribution infrastructure.

- **SRE:** Raised the capital forecast at Oncor to $15bn from $14bn prior and maintained ~$1bn of incremental capex (at the midpoint) opportunities outside of the formal Oncor spending backlog. The increased spending forecast results in a rate base CAGR of 8% (7% prior).

Customer affordability and natural gas price environment

- **ES:** 1/3 of natural gas supply is in 6.5bcf of regional storage. For the rest, ES has contracted

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Completed: 05-Nov-21, 21:18 GMT Released: 05-Nov-21, 21:20 GMT Restricted - External

additional capacity on Algonquin and Tennessee pipelines to access Marcellus/Utica hub prices ($3-$5/Dth) instead of NE Citygate prices ($20-$25/Dth). Management expects the commodity portions of customer bills to increase 20% y/y, and overall bills could increase 15% y/y on average (+$30/month) during heating months. On the electric side, management anticipates an additional $0.02-$0.03/kwh increase (+$20-$25/month) on top of the usual $0.015-$0.02/kwh retail price increase between the summer and winter months.

- **AEE:** IL and MO natural gas is 75-85% price hedged, and 60% of winter supply is purchased in the summer and stored in AEE's 12 underground storage fields. MO electric is 1.5-2 GW long generation, and any off-systems sales flow back to customers the the Fuel Adjustment Clause. In IL, 99% of electric customers are either on fixed priced power supply from AEE or receive power from alternative retail electric suppliers.

- **LNT:** Emphasized its strategy for continued O&M reductions as an offset to rising commodity costs in addition to ongoing hedging mechanisms.

Federal Legislation

- **SO:** Emphasized the importance of incentives within the proposed reconciliation and infrastructure bills as mechanisms to keep U.S. energy competitive, saying there are several positives within the bills but acknowledging the fluidity of the situation. On a minimum corporate tax, SO's calculations suggest the impact would average to a nominal +1% tax effect annually.

- **LNT:** Believes direct pay/PTCs from federal legislation could supplant the ~$1bn in tax equity planned (25-40% range for individual project financing from tax equity partners) over the next five years for solar projects and believes the company would be exempt from a corporate minimum book tax if the $1bn book income requirement remains.

- **ED:** Management does not see a minimum corporate tax increase having much effect in the 2020s due to a significant supply of unmonetized ITCs, and any effects from direct pay provisions on project costs, similar to supply chain inflation, are likely to be passed through to PPA prices.

- **ES:** Primarily focused on tax credits in the infrastructure plan, which would be a tailwind.

Transmission

- **LNT:** Highlighted the importance of a transmission build-out for connecting renewables, and the company weighs-in on FERC ROE adder conversations where necessary, but management believes any outcomes would be reasonable and supportive of investment, which is largely baked-in to capital plans already.

Energy Transition

- **SO:** Provided clarity into its fleet transition opportunity away from coal assets, highlighting 6,730 MW of coal capacity that will be retired or repowered by 2028, which would be an ~80% reduction from a 2007 base year. Renewables spending should benefit post-Vogtle, as IRPs in GA and AL are slated for 2022. Freed up O&M from Vogtle and coal retirements, as well as possible asset sales and equity DRIP financing should help to fund renewables spending while appropriately managing the customer bill.

- **NI:** Identified its preferred technological plan for the 2021 IRP, which includes plans to retire all coal during 2026-2028 and make up to $750m in replacement power investments.

Supply chain

- **ES:** Management has worked to solidify contracts for offshore wind components but retains some supply chain exposure. Regardless, ES remains confident in construction schedules and ROE expectations.

- **ED:** Has contracted ~1 year of solar components and believes any price increases due to supply chain dynamics is likely to be passed through to PPA prices given the continued robust demand backdrop.

Company Specific Takeaways

- **AEE**: Management increased FY21 EPS guidance to $3.75-$3.95 (previously $3.65-$3.85), and expects 6-8% LT EPS CAGR off of $3.75 base. AEE plans to roll forward guidance at Q4 earnings. In August, the US Court of Appeals affirmed a September 2019 order to install a flue gas desulfurization system at Rush Island Energy Center. AEE has filed for a rehearing, but a material change to the 2020 IRP preferred plan, such as the retirement of Rush Island before 2039, would require an update to the IRP to incorporate additional generation or transmission investments needed to support reliability. IL Staff recommended a $58m increase in electric rates ($59m request), and a decision is expected in December. MoPSC staff recommended a $188m electric rate increase ($299m request) and a $4m gas rate increase ($9m request). Hearings in MO are scheduled to begin November 29. Management believes the $750m ATM program can support equity needs through 2023 and expects $300m of equity to be needed in FY22 ($30m sold YTD under forward contract), though this does not include financing needed for 1,200 MW of renewables from the 2020 MO IRP.

- **AWK:** Following the sale of HOS, AWK lowered its long-term EPS CAGR guidance to 7%-9% and provided 2022 EPS guidance that missed expectations. On the positive side, AWK effectively accelerated regulated capital investment plans to $13bn-$14bn for the 2022-2026 period and $28bn-$32bn for the 2022-2031 planning period. The capex acceleration results in a near-term dip in EPS power as upsized spending is financed, but long-term rate base CAGR (and ultimately strength of ongoing long-term EPS CAGR) was increased to 8%-9% from 7%-8% previously outlined. The HOS sale also allows AWK to push out planned equity issuance one year further within the previously outlined planning construct. 2022 EPS guidance of $4.39-$4.49 compares unfavorably to our estimate of $4.64 and comes in below YoY implied growth rates outlined by AWK, but meets the previously-outlined long-term EPS CAGR off of 2020 weather normalized EPS, as 2021 growth proved outsized to plans.

- **CNP:** 3Q21 EPS of $0.33 beat consensus of $0.28 on the back of strong ENBL operating performance. Utility EPS decreased YoY by $0.04 as CARES act benefits flowed back YoY and weather / lower usage led to a $0.03 drag. Management raised FY21 utility-only EPS guidance by a penny at the midpoint to a range of $1.26-$1.28. Following the September analyst day, management reiterated five and ten year capital plans ($18bn and $40bn) and the resulting 8% EPS CAGR through 2024 and high end of 6%-8% following.

- **ED:** Management reaffirmed $4.15-$4.30 FY21 EPS guidance. In Q3, there was a -$0.05 drag from uncollectible accounts write offs of ~$16m over March 2020-September 2021. ED resumed the collection of late fee payments from customers in Q3. In October, the NYPSC filed a settlement agreement for a 3-yr rate plan that includes the recovery of 2020 late payment charges. Hearings are scheduled to begin December 8.

- **ES:** Management reiterated FY21 guidance of $3.81-$3.93 (excludes ~$0.25 in charges from CT settlement, storm related bill credits, and ES Gas Co of MA integration costs. LT annual EPS growth is expected to be in the upper half of the 5-7% range through 2025 excluding offshore wind. ES expects a Record of Decision on South Fork in January and construction to begin shortly thereafter. Sunrise Wind will be the first US project to use an HVDC submarine cable, and management continues to expect mid-teens equity returns for the offshore wind portfolio. A legislative push by Gov. Baker in MA to remove the price cap and incentivize economic development over lowest cost project could make MA more attractive for future offshore wind contracts. 2022 RFPs are likely in NY, CT, RI, and MA. Actual ROEs at CL&P have ranged from 8.6-9.0%, and while there are tracking mechanisms that cover 50% of capex, management believes it could be a challenge to effectively manage costs to support earnings until the rate freeze ends in 2024. ES expects regulatory approvals for EV, AMI and grid modernization initiatives in MA and CT to occur in 2022.

- **LNT:** Story remains on-track with positive weather trends supporting a raise in full-year guidance to $2.61 - $2.67 (from $2.50 - $2.64). LNT provided 2022 full-year guidance of $2.65 - $2.79 and raised the 2021-2025 capex plan by $0.5bn to $7.0bn on aggregate, although some spending on storage, wind re-powerings, and solar have been shifted to the later years based on current supply chain and inflation headwinds. LNT expects a decision on its WPL electric and gas rate review (6680-UR-123) in Q4 2021 after requesting $70.3mn for electric and $15.4mn for gas.

- **NI:** Management is targeting the top end of the FY21 EPS range of $1.32-$1.36 and initiated FY22 EPS guidance of $1.42-$1.48. NI has identified its preferred technological plan for the 2021 IRP, which includes plans to retire all coal during 2026-2028 and make up to $750m in replacement power investments. Clarity into ownership structure and specific projects will increase as RFPs are evaluated in 1H22. Ongoing regulatory proceedings include a proposed order to approve the PA rate settlement ($58.5mn increase), a settlement in KY ($18.6mn increase), a proposed order in MD (2.6mn increase), and a recently filed NIPSCO gas rate case ($115mn increase requested. A decision is expected in 2022 on the OH $221mn increase request. NI seeks opportunities to evaluate hydrogen and emerging storage technologies to gain technological knowledge.

- **OGE:** OGE realized $1.26 3Q21 EPS compared to $1.19 consensus. Utility EPS contribution was $1.12 (12% increase YoY) as weather provided the core driving benefit, helped by customer growth in the service territory remains strong and rate relief from investment flows through. ENBL provided a $0.10 YoY help ($0.15 contribution compared to $0.05 3Q20). FY21 EPS guidance range was improved to $1.79-$1.83 (previous expectations for low end of the $1.76-$1.86 range). Management continues to expect a close in the ENBL / ET combination by year end.

- **PNW:** Following the final outcome of the 2019 rate case, management established guidance for FY21 EPS of $5.25-$5.35, FY22 EPS of $3.80-$4.00, and 5-7% LT CAGR off a FY22 base. The rate case results in a $4.8mn rate decrease, net of adjustor mechanisms, the disallowance of a portion ($216m) of Four Corners SCR investments, and an ROE reduction to 8.7% from 10%. APS plans to pursue legal challenges to mitigate this outcome and gain certainty regarding the prudency standard in AZ. APS will file a request for rehearing, then the ACC has 20 days to respond, and then APS can pursue a judicial review. Management forecasts 3-4% sales growth in FY22 (up from 1-2%). Financing plans through 2024 include $1bn in APS debt, $200m-$300m in PNW debt, and $400m-$500m in PNW equity and alternatives (though no equity is planned before the end of the next rate case). Management plans to pursue a settled outcome in the next rate case. PNW expects a ~$25m O&M reduction in FY22. In capital plans for 2021-2023, PNW has increased investment in traditional generation and transmission and reduced investment in clean generation and distribution infrastructure.

- **SO:** Earnings come-in ahead of consensus helped by strong customer usage and load growth, with full-year adjusted EPS now expected to be above the guidance range of $3.25 - $3.35 (company presentation highlights $3.40). Q&A was dominated by conversation around timing and cost of Vogtle Units 3 and 4 ($197mn after-tax charge in the quarter), which were negatively affected by larger-than-expected remediation costs, higher attrition, and slower onboarding of electricians and engineers. Timing for delivery of the 103G letter for nuclear fuel load (as early as January) and submittals of ITAACs (aiming for April) pose continued schedule variability, but fuel load remains expected in May followed by an in-service date in Q3. Other noteworthy highlights include on the SEEM bilateral exchange's role in improving electric service and costs in the Southeast, visibility into coal plant retirements and overall fleet transition, and the possibility of asset sales or equity DRIP to cover incremental incurred Vogtle costs, as well as supporting post-Vogtle capital plans.

- **SRE:** SRE realized $1.70 3Q21 EPS, matching consensus and maintained guidance to achieve the high end of the FY21 EPS range of $7.75-$8.35 and FY22 guidance of $8.10-$8.70. SRE raised the capital forecast at Oncor to $15bn from $14bn prior and maintained ~$1bn of incremental capex (at the midpoint) opportunities outside of the formal Oncor spending backlog. The increased spending forecast results in a rate base CAGR of 8% (7% prior). SRE reiterated expectations that it can meet the upsized financing needs for its improved capex plan with internally generated funds and incremental debt issuances, avoiding any block equity financing. We continue to monitor the off-cycle cost of capital proceeding and the upcoming 'on cycle' cost of capital application next year.

FIGURE 1. **Third Quarter Guidance Changes to Full-Year EPS for 2020 & 2021**

Full-Year EPS	Full-Year 2020			Full-Year 2021		
Guidance	As of 3Q'20	Prior Guide	New Guide	As of 3Q'21	Prior Guide	New Guide
AEE	Narrow	3.40 - 3.60	3.40 - 3.55	Increase	3.65 - 3.85	3.75 - 3.95
AWK	Increase	3.79 - 3.89	3.87 - 3.93	Reaffirm	4.18 - 4.28	4.18 - 4.28
CMS	Reaffirm	2.64 - 2.68	2.64 - 2.68	Narrow	2.61 - 2.65	2.63 - 2.65
CNP	Narrow	1.25 - 1.38	1.27 - 1.38	Increase	1.25 - 1.27	1.26 - 1.28
DTE	Increase	6.47 - 6.75	6.90 - 7.10	Increase	5.62 - 5.92	5.70 - 5.98
ED	Narrow	4.15 - 4.35	4.15 - 4.30	Reaffirm	4.15 - 4.35	4.15 - 4.35
EIX	Narrow	4.37 - 4.62	4.47 - 4.62	Decrease	4.47 - 4.62	4.42 - 4.52
ES	Reaffirm	3.60 - 3.70	3.60 - 3.70	Reaffirm	3.81 - 3.93	3.81 - 3.93
FE	Reaffirm	2.40 - 2.60	2.40 - 2.60	Increase	2.40 - 2.60	2.55 - 2.65
LNT	Narrow	2.34 - 2.48	2.40 - 2.46	Increase	2.50 - 2.64	2.61 - 2.67
NEE	Reaffirm	2.18 - 2.30	2.18 - 2.30	Reaffirm	2.40 - 2.54	2.40 - 2.54
NI	Reaffirm	1.28 - 1.36	1.28 - 1.36	Reaffirm	1.32 - 1.36	1.32 - 1.36
NWE	Reaffirm	3.30 - 3.45	3.30 - 3.45	Reaffirm	3.43 - 3.58	3.43 - 3.58
OGE	Decrease	1.72 - 1.78	1.68 - 1.70	Narrow	1.76 - 1.86	1.79 - 1.83
PCG	Reaffirm	1.60 - 1.63	1.60 - 1.63	Reaffirm	0.95 - 1.05	0.95 - 1.05
PEG	Narrow	3.30 - 3.50	3.35 - 3.50	Increase	3.50 - 3.65	3.55 - 3.70
PNW	Increase	4.75 - 4.95	4.95 - 5.15	Established		5.25 - 5.35
POR	Decrease	2.20 - 2.50	1.40 - 1.60*	Reaffirm	2.70 - 2.85	2.70 - 2.85
SO	Reaffirm	3.10 - 3.22	3.10 - 3.22	Reaffirm	3.25 - 3.35	3.25 - 3.35
SRE	Reaffirm	7.20 - 7.80	7.20 - 7.80	Reaffirm	7.75 - 8.35	7.75 - 8.35
WEC	Increase	3.71 - 3.75	3.74 - 3.76	Increase	4.02 - 4.05	4.05 - 4.07
WTRG	Reaffirm	1.53 - 1.58	1.53 - 1.58	Reaffirm	1.64 - 1.69	1.64 - 1.69
XEL	Narrow	2.73 - 2.83	2.75 - 2.81	Narrow	2.90 - 3.00	2.94 - 2.98

* Indicates pre-released guidance before earnings release
Source: Company Presentations, Barclays Research

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Materially Mentioned Stocks (Ticker, Date, Price)
Alliant Energy Corporation (LNT, 05-Nov-2021, USD 56.42), Equal Weight/Positive, A/CE/D/E/J/K/L/M

Ameren Corp. (AEE, 05-Nov-2021, USD 85.50), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

American Water Works Company, Inc. (AWK, 05-Nov-2021, USD 169.66), Equal Weight/Positive, CE/J

CenterPoint Energy, Inc. (CNP, 05-Nov-2021, USD 26.67), Overweight/Positive, CD/CE/D/J/K/L/M

Consolidated Edison, Inc. (ED, 05-Nov-2021, USD 78.21), Underweight/Positive, A/CD/CE/D/E/J/K/L/M

Eversource Energy (ES, 05-Nov-2021, USD 84.41), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

NiSource, Inc. (NI, 05-Nov-2021, USD 25.31), Overweight/Positive, A/CD/CE/D/J/K/L/M

OGE Energy Corp. (OGE, 05-Nov-2021, USD 34.60), Equal Weight/Positive, CD/CE/J

Pinnacle West Capital Corporation (PNW, 05-Nov-2021, USD 64.56), Equal Weight/Positive, CD/CE/D/E/J/K/L/M

Sempra Energy (SRE, 05-Nov-2021, USD 127.35), Overweight/Positive, CD/CE/D/J/K/L/M

The Southern Company (SO, 05-Nov-2021, USD 63.10), Overweight/Positive, A/CD/CE/D/E/J/K/L/M

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5 November 2021 | 1:18AM EDT

NiSource Inc. (NI): Robust growth intact, consistent execution key; Buy

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We remain Buy rated on regulated utility NiSource as we view the current 10% P/E discount to Regulated Utilities as meaningfully under-appreciating the company's robust rate base and EPS growth visibility driven by generation fleet de-carbonization. While consistent execution of results remain key to unlocking a premium relative valuation to peers, we view NI as a relatively de-risked story that warrants multiple expansion from current levels. Our unchanged $29, 12-month price target implies 19% total return versus 12% for regulated peers.

We highlight some key takeaways and thoughts following 3Q earnings and conference call:

- **The upcoming NIPSCO Integrated Resource Plan (IRP) presents potential for up of $750mn of generation investments in Indiana.** NIPSCO expects to file its formal Integrated Resource Plan (IRP) by mid-November with investments in transmission and renewable generation as it seeks accelerated retirement from coal between 2026-2028. NI intends to host an Analyst Day in 1H2021 post conclusion of the currently ongoing request for proposal (RFP) process and give more details on NIPSCO's portion of the renewable investments needed to replace the Michigan City coal plant. Assuming NI owns 50%, these investments could add around 2% to rate base (on 2023E), although not likely spent until the mid-2020's.
- **NI remains open to assessing potential gas utility divestitures if accretive to overall growth;** given long-term, robust investment visibility exists at its gas utilities, a potential rotation out of one or more of these assets would require financing the right alternative investment opportunity.
- **NI expects dividend growth to trend close to earnings growth long-term,** while maintaining a 60-70% payout ratio target. We note the company increased the dividend by 5% over the past two years; with our estimated robust EPS growth through 2024, we see upside to dividend growth as well. Our model embeds 6%/7%/7% growth in 2022-2024, respectively, resulting in a 62% payout by 2024.

We raise our 2021-2024 EPS estimates to $1.35/$1.47/$1.58/$1.73 from $1.33/$1.44/$1.57/$1.66, reflecting an 8.6% CAGR from 2021-2024 which now screens above the mid-point of NI's 7-9% EPS CAGR guidance for the period; our estimates screen 2-4% above FactSet consensus. Primary drivers of the revisions include updates to various rate case updates (including settlement agreement terms), updated estimates for NIPSCO Electric revenue increase effective mid-2023, as well as modest updates to operating and financing assumptions. We highlight multiple items to monitor in the months ahead, including (1) OH gas rate case progress and chances of a settlement, (2) 2021 NIPSCO Integrated Resource Plan (IRP) filing scheduled on November 15th, 2021, and (3) construction progress on Indiana Crossroads wind project.

Our unchanged $29, 12-month price target embeds an 18x P/E on the gas segment 2023 EPS estimate, in line with our baseline multiple, while applying a 19x P/E on the electric segment 2023E EPS, a 1x premium to our baseline multiple to reflect the segment's above-average (versus peers) growth through 2024E. **Key downside risks** include 1) regulatory approval process for the planned renewable investments in Indiana, 2) cash impact due to COVID-19, 3) unfavorable outcome in the outstanding and upcoming rate cases which lowers allowed returns (especially in OH), 4) NI fails to realize rate base additions and instead has more PPA generation, and 5) construction risk at the ongoing projects.

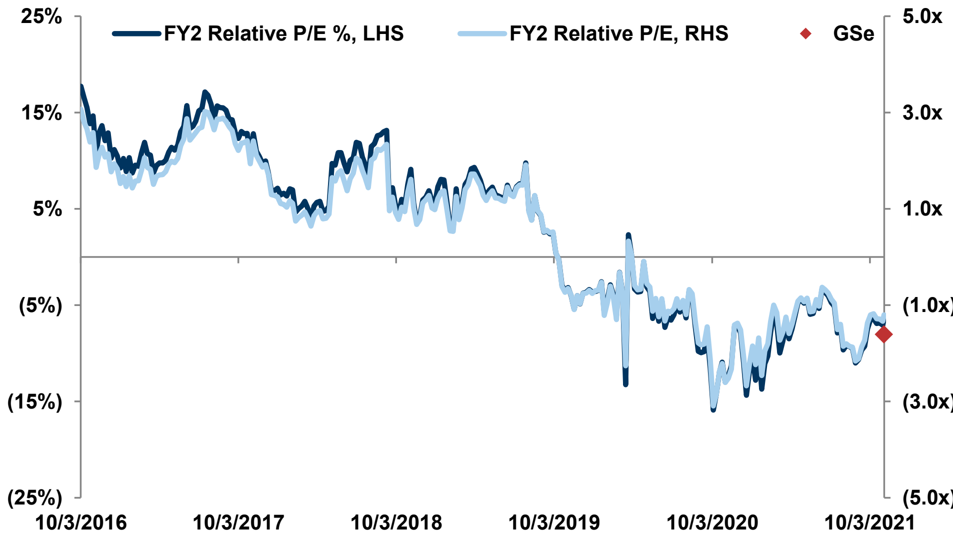
NI in Exhibits

Exhibit 1: We raise our estimates and now screen above consensus through 2024...
EPS New vs Old vs Consensus

	EPS Estimates			% Difference	
	GS-New	GS-Old	Cons.	vs. Old	vs. Cons.
2021E	$1.35	$1.33	$1.34	2%	1%
2022E	$1.47	$1.44	$1.42	2%	4%
2023E	$1.58	$1.57	$1.53	1%	3%
2024E	$1.73	$1.66	$1.69	4%	2%
CAGR	8.6%	7.8%	8.1%	1%	1%

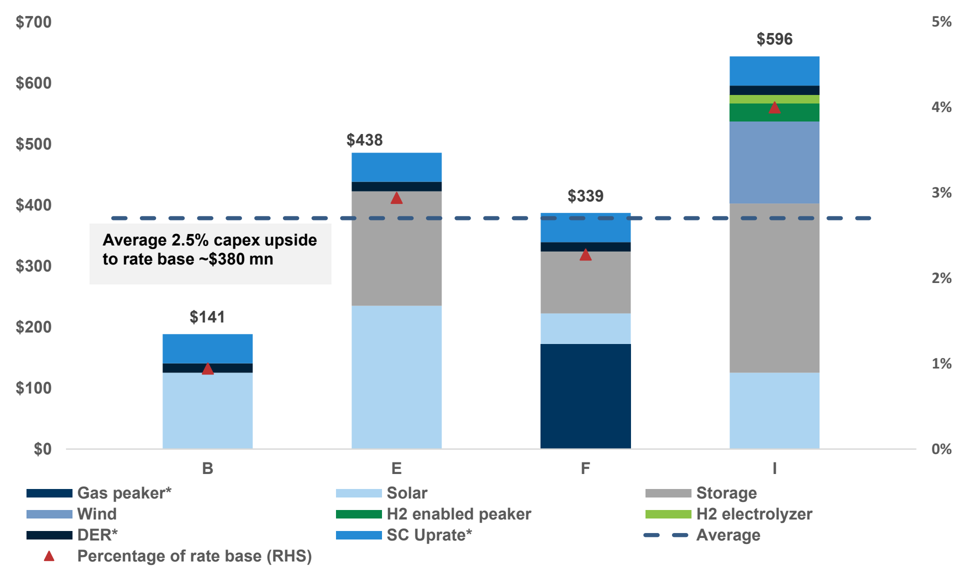
Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 2: We see NI's relative P/E discount to regulated peers as unwarranted
FY2 Relative P/E vs Regulated Utilities



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 3: We see potential for further capital upside beyond 2024
Capital investments under preferred scenarios highlighted in NIPSCO's pre-IRP filings, $ millions



*Assuming equal split between utility-owned/PPA for capacity investments except for Gas Peaker, Sugar Creek Uprate & Distributed Energy Resources (DER) wherein 100% of investments are assumed to be utility-owned. Calculation of % of rate base utilizes 2021E rate base figures.

Source: Goldman Sachs Global Investment Research, NIPSCO

NI	12m Price Target: **$29.00**	Price: **$25.07**	Upside: **15.7%**

Buy

Market cap: $9.8bn
Enterprise value: $21.3bn
3m ADTV: $83.6mn
United States
Americas Utilities
M&A Rank: 3

GS Forecast

	12/20	12/21E	12/22E	12/23E
Revenue ($ mn) New	**4,681.7**	**4,738.7**	**4,986.8**	**5,289.2**
Revenue ($ mn) Old	4,681.7	4,627.5	4,897.8	5,146.2
EBITDA ($ mn)	1,687.3	1,775.3	2,009.7	2,216.2
EBIT ($ mn)	961.4	1,019.6	1,181.7	1,291.3
EPS ($) New	**1.32**	**1.35**	**1.47**	**1.58**
EPS ($) Old	1.32	1.33	1.44	1.57
P/E (X)	18.6	18.6	17.0	15.8
Dividend yield (%)	3.4	3.5	3.7	4.0
Net debt/EBITDA (X)	5.7	5.4	5.3	5.5

	9/21	12/21E	3/22E	6/22E
EPS ($)	0.11	0.35	0.78	0.13

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 4 Nov 2021 close.

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Reg AC

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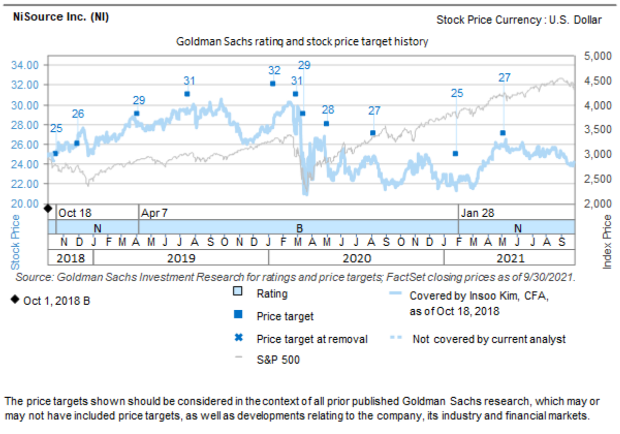

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Price Target Change — November 3, 2021

Diversified Electric Utilities
Independent Power Producers
Infrastructure
Natural Gas LDCs
Regulated Electric Utilities

11/3 Earnings Round-Up: BIP/BIPC, BKH, ETR, ES, EXC, EVRG, NI & ØRSTED

Our Call

We provide thoughts on nine of our covered utility/infrastructure companies that provided Q3 earnings updates on 11/3. In general, Q3 results have kept the companies on track to meet or exceed the mid-point of '21 EPS guidance and LT growth outlooks are intact with positive momentum on regulated investment opportunities. The other common theme - not surprisingly – is discussions on upside opportunities and/or additional financing flexibility tied to proposed legislation on nuclear/clean energy tax credits.

Q3 takeaways for BIP/BIPC, BKH, ETR, ES, EXC, EVRG, NI & ORSTED are included in the body of the note.

We are updating our price target for BKH and ETR as well as our EPS estimates for BKH, ES, EVRG & NI.

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Financials

$ Company Name (Ticker)	Rating Curr.	Rating Prior	Price 11/03/21	FY EPS 2020A	FY EPS 2021E Curr.	FY EPS 2021E Prior	FY EPS 2022E Curr.	FY EPS 2022E Prior	FY P/E 2021	FY P/E 2022	Price Target To	Price Target From
Diversified Electric Utilities												
Exelon Corporation (EXC)	1	NC	$54.05	3.22	2.80	NC	3.50	NC	19.3x	15.4x	$62.00	NC
Independent Power Producers												
Orsted A/S (ORSTED)	1	NC	DKK877.80	35.95	12.82	NC	13.85	NC	68.5x	63.4x	DKK1,330.0(	NC
Infrastructure												
Brookfield Infrastructure Corporation (BIPC)*	1	NC	$62.95	3.13	3.57	NC	4.13	NC	17.6x	15.2x	$70.00	NC
Brookfield Infrastructure Partners L.P. (BIP)*	1	NC	$59.31	3.13	3.57	NC	4.13	NC	16.6x	14.3x	$63.00	NC
Natural Gas LDCs												
NiSource Inc. (NI)	1	NC	$25.29	1.32	1.36	1.34	1.45	1.42	18.6x	17.5x	$29.00	NC
Regulated Electric Utilities												
Black Hills Corporation (BKH)	2	NC	$67.61	3.73	3.92	3.90	4.08	4.05	17.3x	16.6x	$71.00	$73.00
Entergy Corp. (ETR)	1	NC	$103.36	5.66	6.05	NC	6.40	NC	17.1x	16.2x	$120.00	$125.00
Evergy Inc. (EVRG)	2	NC	$63.82	3.10	3.55	3.38	3.58	NC	18.0x	17.8x	$68.00	NC
Eversource Energy (ES)	1	NC	$84.52	3.64	3.84	3.68	4.16	NC	22.0x	20.3x	$95.00	NC

** For BIPC estimates represent FFO/Share*
** For BIP estimates represent FFO/Share*
Source: Company data and Wells Fargo Securities, LLC estimates, and Refinitiv.
1 = Overweight, 2 = Equal Weight, 3 = Underweight, NR = Not Rated, SR = Suspended
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful

ØRSTED. Ørsted affirmed '21 EBITDA toward the lower end of DKK 15-16B guidance range as poor wind speeds dominated the narrative in Q3 (OSW site EBITDA was down ~DKK 1.4B vs. Q3'20). Fortunately, the Bioenergy business was able to take advantage of high power and natural gas prices and helped meaningfully offset the negative EBITDA impact of the lower wind resource. While the abnormal wind speeds resulted in yet another earnings hiccup from the core OSW operations, in the end the (often forgotten) CHP operations helped preserve the full-year outlook. Looking ahead, our positive thesis on Ørsted continues to depend on the company's ability to secure enough project wins (investment) at compelling enough returns (+200-300 bps vs. WACC) to justify the growth embedded in the share price. To that end, the upcoming busy auction schedule will be telling. We reiterate our Overweight rating and maintain both our price target of DKK 1,330/sh and '21-25E EBITDA of DKK 15.2bn, DKK 16.5bn, DKK 18.9bn, DKK 21.1bn & DKK 24.5bn.

There is no shortage of OSW wind opportunities in the near-term. Upcoming OSW award announcements include 400-1,200 MW in MD in 2H'21 (Ørsted bid a 760 MW project) and ~1,500 MW in Japan by early '22 or sooner (Ørsted submitted 3 bids with local partners). Other notable upcoming opportunities include the 800-1,000 MW Thor tender in Denmark, a large U.K. auction in 1H'22 for 6,000-12,000 MW, Netherlands (3,000-4,200 MW in '22), Japan (1,400 MW in '22), Taiwan (3,000 MW in '22), Germany (930 MW in '22), and several expected in the US in '22 including NJ, CT, RI, MD & NY for a total of ~6,700 MW.

Other tidbits: (1) mgmt. was encouraged by DOI's recent announcement to look into several additional seabed lease areas off the east, west and Gulf coasts in the U.S. Given Ørsted's growing presence in the U.S. (offshore and onshore), we fully expect the company will participate in seabed lease auctions. (2) Solar panel delivery delays have caused the CODs for the Old 300 and Helena solar projects in TX to slip from 1H'22 to "later in '22." Solar panel supply disruptions related to supply chain issues (including tariffs) are impacting several developers. While we think these issues will prove to be temporary, the situation bears monitoring.

EXC. The Q3 update lacked much in the way of new information as the company continues to work toward the spin-off of Exelon Generation (Constellation) in early '22. Upon completion, EXC plans to host an analyst day and provide updates to the longer-term financial outlook. In the meantime, shares have caught wind; outperforming the S&P Utilities by ~10% since 10/11, which we think is in part due to growing momentum for federal nuclear PTCs (included in the $1.75T reconciliation package). We estimate that the nuclear PTC would increase ExGen's EBITDA by $400-450mm annually during '22-25 (vs. our current EBITDA estimates of $2.7-$2.8B annually). The contribution could be closer to $1B should power prices revert to pre-2021 levels.

We reiterate our Overweight rating as we think there is still plenty of runway left in the shares with or without the PTCs. Our "base case" forward price target remains $62/sh while we continue to stand behind a "PTC case" forward price target of $71/sh (see Exhibit 1).

Exhibit 1: Our PTC Case Price Supports 30%+ Total Return

PV Analysis	SOTP	Assumptions	Notes
Base Case = $58-61	Utiities/Parent = $40-43	16.5-17.5X our 23E EPS of $2.43	0-5% discount (regulatory risks)
	ExGen = $18	9X our 23E EBITDA of ~2.7B*	Previously 9X on $2.5B
PTC Case = $66-69	Utiities/Parent = $40-43	16.5-17.5X our 23E EPS of $2.43	
	ExGen = $26	10X 23E EBITDA of ~3.2B*	Higher multiple / supported by DCF
Base Case FV	$62/sh		Forward Price Target
PTC Case FV	$71/sh		

*23E EBITDA:
Base Case - excludes the impact of potential federal nuclear PTC legislation
PTC Case - pro forma for federal nuclear PTCs ($15/MWh phased out beginning at market revenues above $25/MWh)

Source: Wells Fargo Securities, LLC., estimates

ES. ES announced Q3'21 non-GAAP EPS of $1.02, which excludes the impact of the CL&P's recently approved rate settlement ($65mm bill credit). We increase our 21E EPS to/from $3.84/$3.68 as our prior estimate included the bill credit in ongoing EPS. No change to our 22-24E EPS of $4.16, $4.40 & $4.75. We nudge our 25E EPS down to/from $5.15/$5.25 to reflect 6-month COD delays to the

Revolution (mid '25) and Sunrise (late '25) offshore wind projects. We reiterate our Overweight rating and maintain our SOTP-based forward price target of $95/sh.

Our EPS outlook results in a ~6.5% CAGR during the period '21-25 excluding the offshore wind and 7% with the offshore wind (ES continues to point to core regulated utility EPS growth within the upper half of the 5-7% EPS CAGR range during the period '21-25). We continue to include ~$700mm of incremental regulated capex during the period '21-25 vs. ES's guidance of $17.0B. Potential upside drivers include proposed AMI programs in CT & MA of $475mm & $575mm, respectively, additional transmission investment (offshore wind is a potential catalyst), grid modernization spend and/or higher natural gas & water pipeline investment.

Lastly, while we were pleased with the CT PURA's recent approval of CL&P's constructive rate settlement, we point out that Chairman Gillett dissented, which suggests to us that there could still be some friction between the Chairman and ES. We highlight this because CL&P still has several important regulatory items pending including the AMI proposal. Positively, CL&P has the ability to stay out from a base rate filing until '25 (under the settlement, there can be no new base rate increases until at least 1/1/24).

BIP/BIPC. Another upbeat quarterly update! Brookfield Infrastructure reported a strong Q3'21 with FFO per unit/share increasing to $0.89, above our $0.85 estimate, vs. $0.79 in Q3'20. Organic growth was driven by higher inflation (70% of revenues are indexed to local inflation), higher volumes across the enterprise driven by elevated economic activity, higher commodity prices at the midstream segment (20% of midstream revenues are market sensitive) as well as the partial addition of Inter Pipeline (IPL) during the quarter. We maintain our 2021-25E FFO per unit/share of $3.57, $4.13, $4.67, $5.10 & $5.58 – this results in a 12% CAGR off the '20 base of $3.13. However, if the global inflationary environment and economic activity persist at current levels, it could prove our nearer-term estimates conservative.

In terms of larger scale M&A activity, BIP acquired 76% of IPL during Q3 with the remainder closing on 10/28 deploying a total of $2.5B ($1.9B BIPC stock plus cash). In addition, BIP plans to invest $500M as part of BAM's agreement to acquire publicly-traded Australian utility AusNet Services Ltd. AusNet is predominately a regulated electric (distribution and transmission) and gas (distribution) utility and the deal is expected to close in Q2'22. On the capital recycling front, BIP agreed to sell its remaining Chilean toll road stake for $160M and continues to advance three processes that could generation an additional $1B over the next 6-8 months with a target of generating over $5B of asset sale proceeds over the next 3-5 years.

We reiterate our Overweight ratings and DDM-based 12-18 month price targets of $63/unit for BIP and $70/share for BIPC.

ETR. ETR narrowed the '21 EPS guidance range to $5.90-$6.10 from $5.80-$6.10 and affirmed the '22-24 EPS guidance and 5-7% CAGR goal. No change to our 21-25E EPS of $6.05, $6.40, $6.75, $7.15 & $7.45. ETR remains one of our top value picks as shares continue to trade at a material discount to Regulated Electric peers – on a P/E basis, ETR trades at ~13% discounts to peers on our 21-23E EPS. We continue to view the discount as excessive given comparable EPS growth prospects and an improving financial position (mgmt. expects external equity needs for '21-24 will be <50% of the previously articulated guidance of $2.4B). We see the discount narrowing over time pending continued successful financial execution and constructive resolution of outstanding issues such as the SERI challenge at FERC and storm cost recovery requests related to several hurricanes in '20 & '21 (including Ida) along with Winter Storm Uri. We expect to dive more into these topics at next week's EEI conference.

We reiterate our Overweight rating and lower our forward price target to $120/sh (16.5-17.0X our 23E EPS) from $125/sh due solely to lower peer group multiples.

EVRG. The Q3 update was constructive and generally consistent with the recent Analyst Day, which highlighted renewable capex opportunities. EVRG raised '21 EPS guidance to $3.50-3.60 from $3.20-3.40; while a large portion of the uplift relates to non-recurring items (5 cents at non-utility and 18 cent YTD weather benefit vs. normal), mgmt. indicated that strong underlying results also contributed to the revision. The company stopped short of saying there's now a cushion baked into '22 guidance, which remains $3.43-3.63, but mgmt. expressed confidence in the execution into next year and also noted that COVID recovery should continue into '22 as the sales rebound was less pronounced than expected in '21. On that note, weather-normalized sales were down 1.2% in Q3'21 bringing the YTD trend to +0.9% (vs. the original expectation of +2%). Looking ahead, EVRG affirmed long-term growth targets (6-8% through '25E off the $3.30 midpoint of original '21 guidance) and discussed recent activity on the generation transformation front. Specifically, the company filed for predetermination of a plan to own 190 MW of solar and to retire (and securitize) 487 MW of coal at the Lawrence Energy Center; an order is expected in 1H'22. EVRG also issued an RFP for 800 MW of wind targeted for the '24/25 time frame; negotiations are expected to conclude in mid-'22. Lastly, the company continues to evaluate the opportunity to buy-in and repower projects under existing PPAs.

We raise our '21E EPS to $3.55 from $3.38 and maintain our '22-25E of $3.58, $3.80, $4.05 & $4.25, respectively. Overall, we are encouraged by the continued execution and upside capex opportunities tied to renewables. Our enthusiasm is tempered, however, by the below-average regulatory environment in KS. We reiterate our Equal Weight rating and maintain our forward price target of $68/sh (18X our '23E EPS).

NI. The Q3'21 conference call marked one of the best updates we've heard from the company since before the late '18 Merrimack Valley incident. Not only was there an upward revision to the numbers, but the message and forward-looking expectations were very clear. We view this as another step in NI reestablishing itself as a high quality utility with a predictable story and an under-promise/over-deliver bias. We continue to see a path for multiple re-ratings with shares trading at 0-2% discounts to gas/electric peers on our upwardly revised '21-23E EPS. Our $29/sh price target (18.7X our '23E EPS) embeds a 5% premium to peers. Our new/old '21-25E EPS are $1.36/1.34, $1.45/1.42, $1.54/1.50, $1.70/1.66 & $1.80/1.75.

Based on solid YTD execution along with progress on regulatory initiatives, NI (1) targets the top end of the '21 EPS guidance range of $1.32-1.36 guidance, (2) initiates '22 guidance of $1.42-1.48 and (3) re-bases the 7-9% CAGR through '24 off the high end of the '21 range (of note, CAGR is still 5-7% thru '23E before bigger step-up in '24E). Further, the identification of the preferred plan in the '21 IRP is supportive of $750mm of investment, which will be a mix of owned and contracted projects, to support a complete exit from coal during the 2026-28 time frame and the retirement of a couple old peaking units. The portion of the $750mm that will be owned by NI will be determined via additional due diligence on RFP bids. The technology breakdown of the preferred plan is as follows: 30-53 MW Sugar Creek uprate, 100-250 MW solar, 135-370 MW storage, up to 300 MW gas peaking and 20 MW hydrogen electrolyzer pilot. On the regulatory front, settlements are in place in the PA & KY gas rate cases and key cases are pending in OH (filed 6/30) and IN (filed 9/29) with new rates to be effective mid-'22 & September '22, respectively. NI plans to provide a growth refresh and extension at an Analyst Day in 1H'22.

BKH. The Q3 update was generally positive as BKH (1) narrowed the '21 guidance to $3.85-4.00 from $3.80-4.00 despite an unplanned outage at Wygen I and (2) raised the '21-25E capex plan by ~$150mm, or 5%. Among other drivers, the capex raise reflects the inclusion of the 285-mile Ready Wyoming transmission project, which is designed to improve access to power markets and renewables. The company plans to file an application with the WY PSC in Q1'22 with construction expected to begin in '23. While our '21-25E capex remains largely unchanged at $3.4B (vs. BKH plan of $3.2B+), we are encouraged that BKH has made significant progress in filling in capex placeholders. In tandem with the higher capex plan, the company's planned equity for '22 increased to $100-120mm from $60-80mm. On the regulatory front, both Uri-related and rate proceedings appear to be progressing well including a notable rate case settlement in CO. Looking ahead, BKH plans to file rate cases in AR (gas) and WY (electric).

Based on the updated YTD results and new disclosures, we increase our '21E to $3.92 from $3.90 and our '22E to $4.08 from $4.05 (BKH affirmed '22 guidance of $3.95-4.15) and maintain our '23-25E of $4.30, $4.55 & $4.75. We reiterate our Equal Weight rating and lower our forward price target to $71/sh (16.5X our '23E) from $73/sh on slightly lower peer group multiples.

Ørsted Earnings Model (DKK millions except per share data)	2020	2021E	2022E	2023E	2024E	2025E
Revenues	**$52,601**	**$53,644**	**$52,304**	**$55,701**	**$59,066**	**$62,215**
Expenses						
Cost of Sales	26,708	28,256	25,451	26,024	27,490	26,255
Other O&M	8,645	9,448	9,828	10,256	10,573	11,558
Depreciation	7,588	7,604	8,447	9,145	9,451	10,868
Other	(876)	(8,192)	(5,889)	529	(71)	(4,251)
Total Expenses	**$34,477**	**$29,513**	**$29,390**	**$36,810**	**$37,992**	**$33,562**
EBIT	**$10,536**	**$16,528**	**$14,468**	**$9,747**	**$11,624**	**$17,785**
EBITDA	**$18,124**	**$24,131**	**$22,915**	**$18,892**	**$21,074**	**$28,653**
Other Income	5,779	344	344	344	344	344
Interest Expense	2,106	1,117	1,048	1,310	2,123	2,810
Income Taxes	2,123	1,025	1,102	1,317	1,477	1,671
Tax Rate	*11%*	*7%*	*8%*	*15%*	*15%*	*11%*
Earnings						
Income from Continuing Operations	$16,727	$14,730	$12,662	$7,464	$8,368	$13,648
Discontinued/Extraordinary Operations	(11,647)	(8,921)	(6,418)	0	0	(4,180)
Adjustment for Non-Controlling Interest	427	421	421	421	421	421
Net Income	**$15,110**	**$5,389**	**$5,824**	**$7,043**	**$7,948**	**$9,048**
Avg. Diluted Shares Outstanding	420	420	420	420	420	420
EPS	$35.95	$12.82	$13.85	$16.76	$18.91	$21.52
Non-Recurring	0.00	0.00	0.00	0.00	0.00	0.00
Ongoing EPS	**$35.95**	**$12.82**	**$13.85**	**$16.76**	**$18.91**	**$21.52**
Q1A EPS	7.90	2.80				
Q2A EPS	0.95	(0.10)				
Q3A EPS	2.14	1.17				
Q4A/Q4E EPS	24.35	8.95				

Orsted Supplemental Information	2020	2021E	2022E	2023E	2024E	2025E
Dividend Information						
Dividends Paid Per Share (DKK)	11.31	12.18	13.12	14.13	15.21	16.39
Payout Ratio	31%	95%	95%	84%	80%	76%
Cash Flow & Balance Sheet Items						
Capital Expenditures (DKK millions)	26,957	33,704	26,052	47,544	56,098	58,461
Book ROE	19.6%	6.3%	6.2%	7.2%	8.0%	8.8%
FFO/Debt	N/M	41%	61%	28%	19%	20%
Debt/EBITDA	2.8x	3.0x	2.8x	3.8x	5.3x	5.1x
Common Equity as % of Total Capitalization	62%	63%	65%	56%	46%	45%

Source: Wells Fargo Securities, LLC estimates and company filings

EXC Earnings Model ($ millions except per share data)	2020	2021E	2022E	2023E	2024E	2025E
Revenues	**$33,039**	**$24,697**	**$27,000**	**$27,648**	**$28,347**	**$28,891**
Expenses						
Purchased Power/Fuel/Power Cost Adjustments	14,104	5,962	5,982	5,995	6,014	6,028
Other O&M	9,408	7,940	8,361	8,452	8,571	8,692
Depreciation & Amortization	5,014	3,916	4,285	4,496	4,703	4,911
Other	1,690	1,627	1,680	1,695	1,709	1,723
Total Expenses	**$30,216**	**$20,474**	**$21,451**	**$21,782**	**$22,139**	**$22,497**
EBIT	**$2,823**	**$4,222**	**$5,549**	**$5,867**	**$6,208**	**$6,394**
EBITDA	**$7,837**	**$8,138**	**$9,834**	**$10,363**	**$10,910**	**$11,305**
Other Income	1,145	800	498	498	478	458
Interest Expense	1,635	1,668	1,567	1,480	1,446	1,377
Income Taxes	373	532	794	846	892	914
Tax Rate	*16%*	*16%*	*19%*	*19%*	*19%*	*19%*
Earnings						
Income from Continuing Operations	$1,954	$2,731	$3,431	$3,650	$3,865	$3,991
Nonrecurring	1,186	0	0	0	0	0
Adjustment for Non-Controlling Interest	9	10	10	10	10	10
Net Income	**$3,149**	**$2,741**	**$3,441**	**$3,660**	**$3,875**	**$4,001**
Avg. Diluted Shares Outstanding	977	979	983	989	994	999
EPS	$2.01	$2.80	$3.50	$3.70	$3.90	$4.00
Non-Recurring	(1.21)	0.00	0.00	0.00	0.00	0.00
Ongoing EPS	**$3.22**	**$2.80**	**$3.50**	**$3.70**	**$3.90**	**$4.00**
Q1A EPS	0.87	(0.06)				
Q2A EPS	0.55	0.89				
Q3A/Q3E EPS	1.04	1.09				
Q4A/Q4E EPS	0.76	0.88				

EXC Supplemental Information	2020	2021E	2022E	2023E	2024E	2025E
Dividend Information						
Dividends Per Share - YE Rate	$1.53	$1.53	$1.38	$1.46	$1.55	$1.64
Dividends Paid Per Share	1.53	1.53	1.38	1.46	1.55	1.64
Payout Ratio	47%	72%	60%	60%	60%	61%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$8,048	$8,350	$8,425	$8,300	$8,349	$8,348
Book ROE	9.7%	8.2%	9.8%	9.7%	9.6%	9.3%
FFO/Debt	11%	18%	20%	21%	21%	22%
Debt/EBITDA	5.0x	5.1x	4.3x	4.1x	4.0x	3.9x
Common Equity as % of Total Capitalization	46%	45%	46%	47%	48%	50%

Source: Wells Fargo Securities, LLC estimates and company filings

ES Earnings Model ($ thousands except per share data)	2020	2021E	2022E	2023E	2024E	2025E
Revenues	**$8,904,430**	**$10,717,309**	**$11,030,079**	**$11,298,371**	**$11,662,007**	**$11,952,901**
Expenses						
Purchased Power/Fuel/Power Cost Adjustments	2,987,840	3,172,853	3,181,857	3,191,067	3,200,487	3,210,122
Other O&M	1,480,252	2,809,324	2,804,301	2,799,573	2,808,961	2,815,650
Depreciation	981,380	1,092,759	1,177,367	1,264,611	1,351,198	1,432,446
Amoritization	177,679	168,048	153,048	124,636	124,636	124,636
Energy Efficiency Programs	535,760	521,350	521,350	521,350	521,350	521,350
Other Taxes	752,785	767,330	790,405	814,241	838,867	864,310
Total Expenses	**$6,915,696**	**$8,531,664**	**$8,628,328**	**$8,715,479**	**$8,845,499**	**$8,968,514**
EBIT	**$1,988,734**	**$2,185,645**	**$2,401,751**	**$2,582,892**	**$2,816,507**	**$2,984,387**
EBITDA	**$3,147,793**	**$3,446,452**	**$3,732,166**	**$3,972,139**	**$4,292,342**	**$4,541,469**
Other Income	108,590	197,730	199,070	208,130	226,972	321,749
Interest Expense	538,452	635,205	693,106	751,931	809,635	867,281
Income Taxes	346,186	417,066	453,266	480,165	529,257	566,907
Tax Rate	*22%*	*24%*	*24%*	*24%*	*24%*	*23%*
Earnings						
Reported Net Income	$1,205,167	$1,323,584	$1,446,929	$1,551,407	$1,697,068	$1,864,429
Other Non-recurring Items	0	0	0	0	0	0
Earnings for Common	**$1,205,167**	**$1,323,584**	**$1,446,929**	**$1,551,408**	**$1,697,070**	**$1,864,432**
Avg. Diluted Shares Outstanding	339,847	344,542	348,091	352,944	357,522	361,841
EPS	$3.55	$3.84	$4.16	$4.40	$4.75	$5.15
Non-Recurring	(0.09)	0.00	0.00	0.00	0.00	0.00
Ongoing EPS	**$3.64**	**$3.84**	**$4.16**	**$4.40**	**$4.75**	**$5.15**
Q1A EPS	1.02	1.08				
Q2A EPS	0.76	0.79				
Q3A EPS	1.01	1.02				
Q4A/Q4E EPS	0.86	0.95				

ES Supplemental Information	2020	2021E	2022E	2023E	2024E	2025E
Dividend Information						
Dividends Per Share - YE Rate	$2.27	$2.41	$2.55	$2.71	$2.87	$3.04
Dividends Paid Per Share	2.27	2.41	2.55	2.71	2.87	3.04
Payout Ratio	6243%	6273%	6146%	6160%	6047%	5905%
Cash Flow & Balance Sheet Items						
Capital Expenditures (thousands)	($2,942,996)	($3,524,000)	($3,641,000)	($3,745,000)	($3,543,000)	($3,276,000)
Book ROE	9.2%	9.2%	9.5%	9.6%	9.8%	10.1%
FFO/Debt	10%	13%	13%	12%	12%	20%
Debt/EBITDA	5.5x	5.6x	5.7x	5.9x	5.9x	5.5x
Common Equity as % of Total Capitalization	44%	43%	42%	41%	41%	43%

Source: Wells Fargo Securities, LLC estimates and company filings

ETR Earnings Model ($ thousands except per share data)	2020	2021E	2022E	2023E	2024E	2025E
Revenues	**$10,113,636**	**$11,214,178**	**$11,158,069**	**$11,401,549**	**$11,807,863**	**$12,192,219**
Expenses						
Purchased Power/Fuel/Power Cost Adjustments	2,652,796	3,484,356	3,509,999	3,535,919	3,562,117	3,588,599
Other O&M	3,002,626	2,967,930	2,777,377	2,692,659	2,738,794	2,785,797
Depreciation	1,613,086	1,699,151	1,752,207	1,836,812	1,953,828	2,072,241
Other	1,075,933	851,347	837,173	828,319	844,794	861,603
Total Expenses	**$8,344,441**	**$9,002,784**	**$8,876,756**	**$8,893,710**	**$9,099,534**	**$9,308,239**
EBIT	**$1,769,195**	**$2,211,394**	**$2,281,312**	**$2,507,839**	**$2,708,329**	**$2,883,980**
EBITDA	**$3,778,751**	**$4,104,578**	**$4,231,332**	**$4,546,323**	**$4,867,771**	**$5,165,859**
Other Income	301,615	164,671	166,171	164,671	164,671	164,671
Interest Expense	785,663	727,345	754,923	828,873	886,499	945,611
Income Taxes	(121,506)	382,681	412,159	426,486	456,763	481,637
Tax Rate	*-9%*	*23%*	*24%*	*23%*	*23%*	*23%*
Earnings						
Income from Continuing Operations	$1,406,653	$1,266,039	$1,280,402	$1,417,151	$1,529,738	$1,621,403
Discontinued Operations	0	0	0	0	0	0
Preferred Dividend Requirements	18,319	16,518	16,518	16,518	16,518	14,637
Net Income	**$1,388,334**	**$1,229,521**	**$1,339,884**	**$1,400,633**	**$1,513,220**	**$1,606,766**
Avg. Diluted Shares Outstanding	201,102	201,966	204,048	207,548	211,706	215,628
EPS	$6.90	$6.09	$6.57	$6.75	$7.15	$7.45
Non-Recurring	1.24	(0.10)	0.37	0.00	0.00	0.00
Ongoing EPS	**$5.66**	**$6.05**	**$6.40**	**$6.75**	**$7.15**	**$7.45**
Q1A EPS	1.14	1.47				
Q2A EPS	1.37	1.34				
Q3A/Q3E EPS	2.44	2.45				
Q4A/Q4E EPS	0.71	0.79				

ETR Supplemental Information	2020	2021E	2022E	2023E	2024E	2025E
Dividend Information						
Dividends Per Share - YE Rate	$3.74	$3.80	$4.04	$4.28	$4.52	$4.76
Dividends Paid Per Share	3.74	3.80	4.04	4.28	4.52	4.76
Payout Ratio	66%	61%	65%	63%	63%	64%
Cash Flow & Balance Sheet Items						
Capital Expenditures (thousands)	$4,694,076	$3,490,000	$3,560,000	$4,600,000	$4,500,000	$4,500,000
Book ROE	10.7%	10.8%	10.9%	10.8%	10.8%	10.7%
FFO/Debt	10%	14%	14%	14%	15%	15%
Debt/EBITDA	8.2x	6.0x	5.9x	5.7x	5.5x	5.4x
Common Equity as % of Total Capitalization	31%	32%	33%	34%	35%	36%

Source: Wells Fargo Securities, LLC estimates and company filings

EVRG Earnings Model ($ millions except per share data)	2020	2021E	2022E	2023E	2024E	2025E
Revenues	**$4,913**	**$5,134**	**$5,207**	**$5,330**	**$5,462**	**$5,615**
Expenses						
Purchased Power/Fuel/Transmission	1,362	1,398	1,398	1,400	1,403	1,406
Other O&M	1,163	1,078	1,063	1,025	980	954
Depreciation & Amortization	880	946	980	1,039	1,105	1,180
Other	364	376	388	400	413	427
Total Expenses	**$3,770**	**$3,798**	**$3,828**	**$3,865**	**$3,901**	**$3,967**
EBIT	**$1,144**	**$1,336**	**$1,379**	**$1,465**	**$1,561**	**$1,648**
EBITDA	**$2,024**	**$2,282**	**$2,359**	**$2,504**	**$2,666**	**$2,828**
Other Income	(36)	(25)	(25)	(25)	(25)	(25)
Interest Expense	384	372	390	411	431	457
Income Taxes	102	130	135	147	161	172
Tax Rate	*14%*	*14%*	*14%*	*14%*	*15%*	*15%*
Income from Equity Inv., net	8	18	8	8	8	8
Earnings						
Income from Continuing Operations	$630	$828	$838	$891	$953	$1,003
Adjustment for Non-Controlling Interest	12	12	12	12	12	12
Net Income	**$618**	**$816**	**$826**	**$880**	**$941**	**$991**
Avg. Diluted Shares Outstanding	228	230	231	231	232	233
EPS	$2.72	$3.55	$3.58	$3.80	$4.05	$4.25
Non-Recurring	0.38	0.00	0.00	0.00	0.00	0.00
Ongoing EPS	**$3.10**	**$3.55**	**$3.58**	**$3.80**	**$4.05**	**$4.25**
Q1 EPS	0.41	0.55	0.57			
Q2 EPS	0.68	0.85	0.88			
Q3 EPS	1.73	1.98	1.86			
Q4 EPS	0.28	0.17	0.27			

EVRG Supplemental Information	2020	2021E	2022E	2023E	2024E	2025E
Dividend Information						
Dividends Per Share - YE Rate	$2.14	$2.29	$2.43	$2.55	$2.68	$2.81
Dividends Paid Per Share	2.05	2.18	2.32	2.46	2.61	2.77
Payout Ratio	66%	61%	65%	65%	64%	65%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$1,560	$1,953	$2,016	$1,993	$2,055	$2,417
Book ROE	8.1%	9.1%	8.9%	9.1%	9.4%	9.6%
FFO/Debt	18%	17%	16%	16%	17%	17%
Debt/EBITDA	4.9x	4.6x	4.7x	4.7x	4.6x	4.6x
Common Equity as % of Total Capitalization	47%	46%	46%	45%	45%	44%

Source: Wells Fargo Securities, LLC estimates and company filings

BKH Earnings Model ($ thousands except per share data)	2020	2021E	2022E	2023E	2024E	2025E
Revenues	**$1,696,941**	**$1,735,173**	**$1,791,119**	**$1,849,925**	**$1,912,243**	**$1,972,929**
Operating Expenses						
Cost of Gas / Fuel	492,404	500,329	505,204	510,120	515,079	520,080
O&M	495,404	549,391	555,923	562,542	567,687	572,884
Depreciation & Amortization	224,457	234,080	252,274	269,686	289,957	310,566
Other	56,373	0	0	0	0	0
Total Expenses	**$1,268,638**	**$1,283,801**	**$1,313,400**	**$1,342,348**	**$1,372,723**	**$1,403,530**
EBIT	**$428,303**	**$451,372**	**$477,718**	**$507,577**	**$539,519**	**$569,398**
EBITDA	**$652,760**	**$685,453**	**$729,992**	**$777,262**	**$829,476**	**$879,964**
Other Income	**($7,691)**	**($832)**	**($832)**	**($832)**	**($832)**	**($832)**
Interest Expense	**144,931**	**145,692**	**152,721**	**156,215**	**159,909**	**164,859**
Income Taxes	**32,918**	**37,176**	**43,406**	**48,312**	**53,387**	**57,871**
Tax Rate	*11.9%*	*12.2%*	*13.4%*	*13.8%*	*14.1%*	*14.3%*
Income from Continuing Operations	242,763	267,672	280,759	302,218	325,392	345,837
Loss from Discontinued Ops.	0	0	0	0	0	0
Noncontrolling Interest	15,155	18,179	14,606	15,129	15,692	16,269
Net Income Attributable to BKH	**227,608**	**249,494**	**266,154**	**287,089**	**309,701**	**329,568**
Average Shares - Diluted	62,439	63,709	65,312	66,770	68,092	69,351
GAAP EPS	3.65	3.92	4.08	4.30	4.55	4.75
Adjustments	$0.08	$0.00	$0.00	$0.00	$0.00	$0.00
Adjusted EPS	**$3.73**	**$3.92**	**$4.08**	**$4.30**	**$4.55**	**$4.75**
Q1 EPS	1.59	1.54	1.65			
Q2 EPS	0.33	0.40	0.36			
Q3 EPS	0.58	0.70	0.65			
Q4 EPS	1.23	1.28	1.42			

BKH Supplemental Information	2020	2021E	2022E	2023E	2024E	2025E
Dividend Information						
Dividends Per Share - YE Rate	$2.26	$2.38	$2.50	$2.63	$2.76	$2.89
Dividends Paid Per Share	2.17	2.29	2.41	2.54	2.67	2.80
Payout Ratio	58%	58%	59%	59%	59%	59%
Statistics						
Capital Expenditures (thousands)	$767,404	$679,000	$660,000	$650,000	$734,000	$678,000
Book ROE	8.5%	8.7%	8.6%	8.7%	8.8%	8.8%
FFO/Debt	14%	13%	13%	14%	15%	15%
Debt/EBITDA	5.8x	5.9x	5.7x	5.5x	5.4x	5.2x
Common Equity as % of Total Capitalization	41%	42%	42%	43%	44%	45%

Source: Wells Fargo Securities, LLC estimates and company filings

NI Earnings Model **($ millions except per share data)**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Revenues	**$4,697**	**$4,650**	**$4,830**	**$5,028**	**$5,345**	**$5,544**
Expenses						
Cost of Gas, Purchased Power & Fuel	1,109	1,065	1,071	1,078	1,085	1,091
O&M	1,495	1,384	1,389	1,423	1,428	1,443
Depreciation & Amortization	762	751	807	886	969	1,024
Other	299	303	308	312	316	321
Total Expenses	**$3,665**	**$3,503**	**$3,576**	**$3,699**	**$3,799**	**$3,880**
EBIT	**$1,031**	**$1,147**	**$1,254**	**$1,329**	**$1,546**	**$1,664**
EBITDA	**$1,794**	**$1,897**	**$2,061**	**$2,215**	**$2,515**	**$2,689**
Other Income	32	34	34	34	34	34
Interest Expense	371	349	365	360	401	431
Income Taxes	127	200	221	241	283	304
Tax Rate	*18%*	*24%*	*24%*	*24%*	*24%*	*24%*
Earnings						
Net Operating Earnings	$566	$633	$701	$762	$896	$963
Preferred Dividends	55	55	55	55	55	55
Noncontrolling Interest	3	3	3	3	3	3
Income from Continuing Operations	**$508**	**$574**	**$643**	**$703**	**$838**	**$905**
Avg. Diluted Shares Outstanding	384	423	445	458	494	503
Ongoing EPS	**$1.32**	**$1.36**	**$1.45**	**$1.54**	**$1.70**	**$1.80**
Q1A EPS	0.76	0.77	0.82			
Q2A EPS	0.13	0.13	0.13			
Q3A/Q3E EPS	0.09	0.11	0.12			
Q4A/Q4E EPS	0.34	0.35	0.38			

NI Supplemental Information	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Dividend Information						
Dividends Per Share - YE Rate	$0.84	$0.88	$0.93	$0.99	$1.06	$1.14
Dividends Paid Per Share	0.84	0.88	0.93	0.99	1.06	1.14
Payout Ratio	64%	65%	65%	65%	63%	63%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$1,758	$1,982	$2,517	$3,703	$2,223	$2,290
Book ROE	10.1%	9.5%	8.9%	8.8%	9.4%	9.9%
FFO/Debt	11%	15%	15%	15%	16%	16%
Debt/EBITDA	5.7x	5.1x	5.2x	5.5x	5.0x	4.9x
Common Equity as % of Total Capitalization	32%	40%	40%	41%	41%	41%

Source: Wells Fargo Securities, LLC estimates and company filings

BIP & BIPC Earnings Model ($ in millions except per unit/share data)								
Revenue	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Utilities	$1,055	$1,432	$1,434	$1,520	$1,678	$1,830	$1,984	$2,140
Transport	1,612	1,614	1,573	1,851	2,059	2,235	2,396	2,560
Midstream	668	491	572	589	616	645	668	692
Data Infrastructure	170	336	519	662	724	788	854	923
Total Segment Revenue	**$3,505**	**$3,873**	**$4,098**	**$4,621**	**$5,077**	**$5,498**	**$5,902**	**$6,314**
Adjustments	1,147	2,732	4,787	5,398	5,931	6,422	6,894	7,376
Reported Revenue	**$4,652**	**$6,605**	**$8,885**	**$10,019**	**$11,008**	**$11,920**	**$12,797**	**$13,690**
Cost	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Utilities	($322)	($582)	($580)	($615)	($679)	($740)	($802)	($865)
Transport	(930)	(781)	(767)	(903)	(1,004)	(1,090)	(1,168)	(1,248)
Midstream	(340)	(171)	(193)	(199)	(208)	(218)	(225)	(233)
Data Infrastructure	(77)	(161)	(253)	(323)	(353)	(384)	(417)	(450)
Total Segment Cost	**($1,669)**	**($1,695)**	**($1,793)**	**($2,038)**	**($2,244)**	**($2,432)**	**($2,613)**	**($2,797)**
Adjustments	(539)	(1,700)	(3,050)	(3,467)	(3,817)	(4,136)	(4,444)	(4,758)
Reported Cost	**($2,208)**	**($3,395)**	**($4,843)**	**($5,506)**	**($6,060)**	**($6,568)**	**($7,057)**	**($7,555)**
EBITDA	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Utilities	$733	$850	$854	$905	$999	$1,090	$1,181	$1,274
Transport	682	833	806	948	1,055	1,145	1,228	1,312
Midstream	328	320	379	390	408	427	443	458
Data Infrastructure	93	175	266	339	371	404	438	473
Total Segment EBITDA	**$1,836**	**$2,178**	**$2,305**	**$2,583**	**$2,834**	**$3,066**	**$3,290**	**$3,517**
Corporate G&A	(223)	(279)	(312)	(396)	(435)	(469)	(512)	(545)
Adjustments	608	1,032	1,737	1,931	2,115	2,286	2,450	2,618
EBITDA to BIP	**$2,221**	**$2,931**	**$3,730**	**$4,117**	**$4,513**	**$4,882**	**$5,228**	**$5,590**
FFO	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Utilities	$576	$672	$659	$685	$754	$837	$928	$1,021
Transport	518	603	590	676	787	886	983	1,086
Midstream	269	244	289	449	603	685	715	747
Data Infrastructure	77	136	196	304	346	389	431	476
Corporate	(209)	(271)	(280)	(428)	(477)	(521)	(575)	(613)
Total Segment FFO	**$1,231**	**$1,384**	**$1,454**	**$1,685**	**$2,014**	**$2,277**	**$2,483**	**$2,716**
Diluted Average Units/Shares*	439	453	465	472	487	487	487	487
FFO per Unit/Share	**$2.80**	**$3.06**	**$3.13**	**$3.57**	**$4.13**	**$4.67**	**$5.10**	**$5.58**
FFO	1,231	1,384	1,454	1,685	2,014	2,277	2,483	2,716
Maintenance CapEx	(249)	(288)	(281)	(335)	(342)	(349)	(356)	(363)
Adjusted FFO	**$982**	**$1,096**	**$1,173**	**$1,350**	**$1,672**	**$1,928**	**$2,127**	**$2,353**
AFFO per Unit/Share	**$2.24**	**$2.42**	**$2.52**	**$2.86**	**$3.43**	**$3.96**	**$4.37**	**$4.83**
Distributions / Dividends	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Distributions/Dividends per Unit/Share	**$1.69**	**$1.81**	**$1.94**	**$2.04**	**$2.20**	**$2.40**	**$2.62**	**$2.85**
Payout Ratio on FFO	75%	74%	78%	72%	67%	65%	65%	64%
Segment - % of Total Cash Flow	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Utilities	47%	49%	45%	41%	37%	37%	37%	38%
Transport	42%	44%	41%	40%	39%	39%	40%	40%
Midstream	22%	18%	20%	27%	30%	30%	29%	28%
Data Infrastructure	6%	10%	13%	18%	17%	17%	17%	18%
Corporate & Other	-17%	-20%	-19%	-25%	-24%	-23%	-23%	-23%

* Adjusted for 3:2 unit split in 2016 as well as the BIPC shares that were split out of BIP units in a 1-for-9 exchange on 3/31/20

Source: Wells Fargo Securities, LLC estimates and company filings

BIP & BIPC Cash Flow Model ($ in millions)	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Operating Cash Flow								
Net Income	$806	$650	$904	$1,182	$1,539	$1,822	$2,043	$2,297
Depreciation, Amortization & Accretion	801	1,214	1,705	1,785	1,923	2,065	2,209	2,355
Deferred Income Taxes	46	28	54	0	0	0	0	0
Other	(291)	251	(133)	0	0	0	0	0
Cash From Operations	**$1,362**	**$2,143**	**$2,530**	**$2,967**	**$3,462**	**$3,887**	**$4,252**	**$4,653**
Investing Cash Flow								
CapEx	($816)	($1,144)	($1,426)	($1,335)	($1,342)	($1,349)	($1,356)	($1,363)
Other	(4,748)	(10,228)	(3,183)	(2,500)	(300)	0	0	0
Net Investing Cash Flow	**($5,564)**	**($11,372)**	**($4,609)**	**($3,835)**	**($1,642)**	**($1,349)**	**($1,356)**	**($1,363)**
Financing Cash Flow								
Equity Issued	($16)	$781	$9	$1,430	$0	$0	$0	$0
Proceeds from Preferred Units	341	72	195	200	0	0	0	0
Issuance of Long Term Debt	3,955	3,971	2,293	700	1,375	1,375	3,075	1,375
Issuance of Short Term Debt	0	0	0	0	0	0	0	0
Retirement of Long Term Debt	0	0	0	(488)	(1,157)	(1,477)	(2,669)	(1,680)
Dividends	(919)	(1,027)	(1,134)	(1,220)	(1,355)	(1,475)	(1,607)	(1,750)
Other	1,057	5,745	763	0	0	0	0	0
Net Financing Cash Flow	**$4,418**	**$9,542**	**$2,126**	**$622**	**($1,137)**	**($1,577)**	**($1,201)**	**($2,055)**
Net Change in Cash	216	313	47	(247)	683	961	1,695	1,234
Adjustments	(50)	(26)	(7)	0	0	0	0	0
Cash at beginning of period	374	540	827	867	620	1,304	2,264	3,959
Cash at end of period	**$540**	**$827**	**$867**	**$620**	**$1,304**	**$2,264**	**$3,959**	**$5,193**

Metrics	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
FFO/Debt *	8%	7%	6%	7%	9%	10%	10%	12%
Debt/EBITDA *	9.4X	11.1X	11.6X	10.7X	9.8X	9.1X	8.6X	7.9X
EBITDA/Interest Coverage	4.0X	3.2X	3.2X	3.2X	3.4X	3.8X	4.1X	4.4X

** Based off of Consolidated Debt (rather than Proportionate Debt) so metrics look higher than they actually are*

Capital Structure ($ in millions)	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Common Equity	$13,732	$21,242	$20,543	$22,130	$22,529	$23,115	$23,817	$24,658
LT Debt	15,106	21,019	23,178	23,390	23,608	23,506	23,912	23,607
ST Debt	0	0	0	0	0	0	0	0
Preferred	936	935	1,130	1,330	1,330	1,330	1,330	1,330
TOTAL	**29,774**	**43,196**	**44,851**	**46,850**	**47,467**	**47,951**	**49,059**	**49,595**
% Common Equity	46%	49%	46%	47%	47%	48%	49%	50%
% LT Debt	51%	49%	52%	50%	50%	49%	49%	48%
% ST Debt	0%	0%	0%	0%	0%	0%	0%	0%
% Preferred	3%	2%	3%	3%	3%	3%	3%	3%

Source: Wells Fargo Securities, LLC estimates and company filings

Acronyms

AMI - Advanced MEtering Infrastructure

CHP – Combined Heat Power

COD – Commercial Operation Date

DOI – Department of Interior

EEI - Edison Electric Institute

FERC - Federal Energy Regulatory Commission

IRP - Integrated Resource Plan

PSC - Public Service Commission

PTC - Production Tax Credit

PURA - Public Utilities Regulatory Authority

RFP - Request for Proposals

SERI - Systems Energy Resources, Inc.

OSW - Offshore Wind

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Equity Research
12 November 2021

North America Power & Utilities

EEI Financial Conference Key Themes

At the EEI conference, we discussed six key themes with each company management. We highlight their responses and other company-specific takeaways below.

North America Power & Utilities
POSITIVE

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Theme Summary

Federal Tax Policy

15% Minimum Corporate Tax

Overall, most companies described the situation as evolving given a minimum book tax can be at odds with clean energy tax credits. Furthermore, for utilities the continual investment profile would result in an ever growing balance of tax credits that would not be able to be monetized given the difference between GAAP and book depreciation schedules. Additionally, the small to midcap companies with pretax income below $1B would not be required to pay a minimum book tax. There could be situations where a subsidiary would not have to pay a minimum book tax but the holding company would, resulting in tax allocation issues. Overall, on the margin a 15% minimum book tax would likely provide a small reduction in FFO/debt on the credit metric side.

- **AGR:** Seeks analysis on the extent to which tax credit carryforward balances can be used to offset minimum corporate book tax.
- **SO:** Noted that it is currently paying taxes of around 15% so any impact would be minimal.
- **XEL:** Noted that it is not a material cash tax payer and can offset ~7.5% of taxes with tax credits but is waiting to see if final rules allow use of renewable tax credits.
- **PCG:** Sees working out any impact with the CPUC but does not expect any impact over the 5 year planning period.
- **DTE:** Expects to be a non-cash taxpayer through 2024 and can manage a minimum corporate book tax with its tax credit carryforward balance.
- **ED:** CF impact from minimum corporate book tax could slightly increase financing needs.
- **CNP:** Not likely to breach threshold for minimum book tax immediately, however noted ~8% cash tax position.
- Companies under $1bn net income estimates and unlikely to breach threshold: SJW, AWR,

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Completed: 12-Nov-21, 15:42 GMT Released: 12-Nov-21, 15:44 GMT Restricted - External

NWE, PNM, POR, OGE, WTRG, PNW, NI, LNT, AWK, CMS, CNP, and AGR.

Direct Pay Tax Credits

All companies discussed the favorability of direct pay, while noting that normalization would still be an issue for the solar ITC; however, a solar PTC appears to be on the table, eliminating the normalization issue. Solar PTC and direct pay provisions put utility ownership on a more level playing field with PPAs, and overall have the potential to both create bill headroom and improve FFO/debt for credit metrics.

- **AGR:** The requirement to use domestic supply chains for project components could limit the impact of direct pay for offshore wind projects beginning construction after 2023.
- **ES:** Direct pay is beneficial, particularly with respect to offshore wind, as it provides financing flexibility. CF benefit could reduce equity needs in the future. ES plans to update financing guidance at Q4.
- **PNW:** Direct pay could benefit in 2024+ and is unlikely to influence financing plans
- **CMS:** Direct pay would be a tailwind as CMS is unlikely to have a tax appetite until the mid-decade. Management sees 10-20 bps of FFO-to-debt benefit from direct pay.
- **LNT**: Direct pay and solar PTC could allow for them to avoid the tax equity on solar and own the entire project while still benefiting customers financially.

Additional Tax Credits (renewables, hydrogen, transmission, storage, nuclear)

New tax credits for emergent technologies such as hydrogen, storage, and carbon capture could be significant drivers of LCOE compression and spur developer interest. Tax credits for traditional renewables are likely to be passed through to offtakers via lower PPA prices for future projects and could bolster already strong demand for renewables development. While tax credits directed at transmission could be a tailwind, issues surrounding cost allocation and siting are much larger impediments to development activity.

- **DTE**: A nuclear PTC could be a significant positive, while changes considered to accelerated depreciation could be a headwind.
- **NEE:** Turkey Point and St. Lucie would be unlikely to qualify for the nuclear PTC since revenues associated with the projects are above the threshold.
- **CMS:** Solar PTCs would resolve the normalization issue and makes owned development more cost competitive with PPAs.
- **PEG**: Nuclear PTC would be a direct benefit for its ownership in the Pennsylvania plants and would offset ZECs dollar for dollar, but ZECs revenues are taxable while PTCs are tax credits.
- **AEE**: Still looking into nuclear PTC but see the opportunity to create additional customer bill headroom.
- **XEL**: As written, would provide customer bill headroom given current locational marginal pricing for plants.

Natural Gas Prices

The gas LDC businesses all note that customer bills will increase for the winter heating season, the level of increase is based on relative percent of bill driven by commodity, physical and financial hedging levels. On the electric side, the impact is generally driving higher fuel costs, but depending on fuel clause construct and whether the utility has a net long position for selling off system power, the impact can be partially offset or even benefit the customer.

- **NI:** ~70% of supply is hedged for the heating season through spring purchases, and the commodity portion comprises 30-50% of customer bills on average.
- **NEE:** Does not hedge natural gas commodity prices per previous settlement agreement with FL PSC.
- **AEE:** Electric customers will benefit based on off-system sales. Gas customer will see double digit bill increases.
- **CMS:** On the gas business, every $1/Mcf increase is ~$7 on monthly gas bills (+10%). 70% of supply is hedged to <$3/Mcf through spring gas purchases. On the electric business, every $1/Mcf increase is ~$2 on monthly electric bills.

Transmission-enabling Regulation

Most companies point to the need for additional transmission to enable a cost-effective transition to renewables. Companies continue to focus on current transmission opportunities but await larger, RTO-driven plans such as the MISO MTEP process for visibility into regional projects. Even with the transmission components of the infrastructure bill, transmission investment is still restricted by several key issues. Most of our meetings came to the conclusion that the processes behind transmission planning, cost allocation and generation interconnection issues all need to be improved. There is some hope that if done properly, the Advanced Notice of Proposed Rule Making (ANOPR) at the FERC will address these issues and remove constraints to necessary transmission build out. At the very least, it is clear that transmission has been a key focus area of the Biden Administration, and supportive policy change is likely to come in the future.

Resiliency Spending

Given recent weather events, wildfires, hurricanes and grid issues in TX, the sector has a more direct focus on resiliency. In most cases this focus is on storm hardening. We find that utilities are increasingly discussing extreme weather resiliency spending programs as spending drivers. Often, the most effective way to mitigate outages is through increased vegetation managements, though certain areas of the country have greater need for undergrounding.

- **AGR:** Substantial climate resiliency capex opportunities across all jurisdictions, but particularly in NY and ME.
- **ES:** Best way to shore up resiliency is through increased vegetation management. Management expects storms will continue to be a headwind.
- **ED:** Significant storm hardening opportunities in NY area.
- **CMS:** Vegetation management and pole replacement are the primary methods to mitigate weather-related outages and enhance resiliency. CMS uses AI in the storm restoration process to proactively identify potential problem areas.
- NI and WEC commented that service territory is less exposed to extreme weather events.

Company-specific Commentary

Jump to:

AGR - AWK - CMS - CNP - EIX - FE - LNT - NEE - NI - NWE - OGE - PEG - PNW - SO - SRE - WEC - WTRG

Avangrid (AGR)

Resiliency Spending

AGR sees climate resiliency plans driving capex in all jurisdictions, with substantial opportunities in NY and ME. This spending would be incremental to plans and would likely occur beyond 2023.

Offshore Wind

The returns profile in MA projects to some extent relies on synergies between projects such as Park City Wind and the proposed Commonwealth Wind. Management continues to expect double digit levered returns for Vineyard Wind I. MA legislators are pushing to remove the offshore wind price cap and add incentives for projects bringing economic development initiatives to the state. However, should Commonwealth win the 3rd MA procurement (awards announced 12/17/21), AGR would have no remaining capacity in the MA/RI lease areas for future procurements. AGR is working on bids into the NY Bight lease auction, expected in early 2022, but stresses financial discipline. AGR does not expect to issue new equity through 2022.

NECEC

AGR has launched a lawsuit challenging the constitutionality of the ballot initiative. AGR is seeking an injunction to prevent the implementation of the ballot initiative seeking to block construction of NECEC and expects to make a decision on the continuation of construction by EOY, depending on the results of the injunction.

PNM Acquisition

Management reiterated confidence that the PNM acquisition will ultimately be approved by the NM PRC and will close as planned. AGR believes there are other concessions that could be made before getting that would accomplish the same outcome regarding autonomy and customer service reliability in order satisfy the NM PRC. Management expressed confidence that AGR will find a way to close the deal.

American Water (AWK)

Water quality and accountability

Both New Jersey and Pennsylvania are exploring legislation to strengthen water quality and accountability rules and tighten enforcement surrounding the rules. We view enforcement as the missing ingredient that could ultimately lead to more municipalities potentially selling their water systems.

Earnings trends

Given the sale of Home Owner Services, the regulated utility capital investment profile will be accelerated. The lost earnings from HOS will be overcome by utility growth to keep the long term EPS CAGR and base in tact. The 2022 and 2024 rate case cycles will need to be complete to recover the additional capital investment, likely meaning AWK will be back on trend by 2025.

CMS Energy (CMS)

IRP

IRP rebuttal testimony is expected by the end of the month, followed by evidentiary testimony, hearings, an ALJ preferred decision in early March, and a draft PSC decision in early April.

Rate Case

Potential opportunities for upside to the preferred rate case decision come from ROE, reliability-related disallowances in light of severe August storms, and O&M disallowances.

CenterPoint Energy (CNP)

Gas Prices

Seeing some tailwinds to strip longer term as private equity backed E&P companies begin drilling in select basins that CNP sources from and hedging programs begin to roll off for public E&Ps. CNP sits at 40%-70% hedged position into 21/22 winter period. Management also noted low bill impacts from commodity prices are unlikely to prove material at $6-$10 monthly impacts.

Energy Transition

Capital program is biased toward ‘future proof’ investment categories on the electric front via investment focus on grid hardening, weatherization, additional renewable generation opportunities provide downstream benefits to CNP via transmission and integration. EV enablement remains an important capital opportunity, with an estimated $80 of net benefit per EV added across CNP’s service territory (Houston has formal policy to add 500k EVs by 2030). CNP anticipates filing balance of owned and contracted renewable generation in Indiana during 4Q21 and ultimate approval of gas CT proposal in 2022.

Affordability

CNP sees itself as advantaged on affordability relative to peers given uniquely robust load growth in the TX market combined with the O&M targets embedded in the long-term plan. Management also noted that securitization costs representing 10% of customer bills is set to roll off, providing sizable near-term rate headroom. CNP is not currently at the threshold to trigger minimum book tax, however when earnings do breach the theoretic threshold, CNP is already at an 8%-10% cash tax effective rate.

Edison International (EIX)

Affordability

Management believes focus on affordability from a comprehensive energy cost perspective is the best approach (consistent with CPUC en banc and prior Edison white papers). CPUC appreciates the importance of attracting capital to the state and commissioners have improved capital market sophistication that will play a role in the current cost of capital proceeding. ALJ proposed decision always has potential for revisions as commissioners seek to marry the highly legal requirements analyzed by the ALJ to more ‘real world’ capital market conditions.

Tax

Normalization requirements would still flow through CPUC and the commission could require an ‘opt in’, thus making federal changes to normalization requirements less impactful. Minimum book tax would be more of a timing issue (though incrementally negative to cash flow) and require extensive CPUC proceeding to work through.

Energy Transition and Extreme Weather

Wildfire mitigation plan (WMP) has been using the original WMP covering 2020-2022 as the base and simply iterating off of it, which management expects to continue when EIX files new WMP in February 2022. Covered conductor program approved in EIX's rate case (2300 miles) likely covers anticipated investment through 2023, with the door still open for additional covered conductor investment possible thereafter when the CPUC has tangible data on efficacy.

First Energy (FE)

Transmission Sale and Equity Raise

2022 guidance assumes some level of pre-sale contribution reflecting mid 2022 closing expectations. 40x LTM multiple likely translates to ~32x-34x NTM multiple (Barclays estimate). Sale and equity proceeds for deleveraging likely to take effect over coming 24 months as $1.4bn of paper maturing in 2023 and 2024 is organically taken out, leading to glide path of FFO/debt target beginning in 2023. Proceeds are also expected to be used to re-capitalize some of the OpCo balance sheets. Management is also considering a voluntary pension contribution to shore up future obligations and avoid longer-term equity. Cash flow and FFO/debt also benefits from current capital program as investments move to rider-eligible categories covering ~70% of investment.

Remaining HB 6 Items

Show cause proceeding around political spending in OH is set for additional filings in the next couple weeks. Other states continue their own corporate and management audits (recent filings in MD as example).

Alliant Energy (LNT)

Gas and Electric Affordability

Gas

LDC represents 10% of total LNT revenue. Gas position is 50%-60% hedged with firm supply hedged above peak. Potential 40% increase to customer bills (remains a low portion of wallet - Barclays estimates $20 monthly impact for LNT). Customer costs are mitigated by $28mn storm recovery costs that are set to roll by December.

Electric

Hedged with low $3's / mmbtu on electric supply gas costs and ~$10/ton coal locked in. Coal delivery is traditionally maintained at certain base level (traditionally minimum of 30 days on pile) and 100-110 days for more critical peak in areas that see it more often. Currently on the lower end of the normal range for coal supply. Impacts: Iowa gets full pass through of supply input costs, whereas WI requires a fuel case with target level that sees IOU eat +/- first 2%, with customer sharing thereafter.

Tax Changes

Weather normalized $600-$700 earnings range exempts LNT from minimum book tax. Direct pay combined with solar ITC would be significantly beneficial for LNT. Depending on final legislative outcomes, LNT could move to full ownership of projects that currently operate under tax equity constructs. Management is evaluating the impacts, but likely make sense even with additional equity need that would be required.

Load Growth

Seeing 3% rebound vs 2% decline in Covid and 1.5% meter growth is an under-looked positive. Expect longer-term normalization back toward 0.5%.

Energy Transition

Line replacement and upgrade / integration opportunity with 5% of system at 25kv. LNT averages 1.5% of system replacement each year. Undergrounding helps lower O&M longer term with fewer truck rolls and removal of vegetation management. Seeing potential MISO capacity additions from storage. Remains optimistic on transmission. Coming out of the ANOPR, management is assuming reasonable level of ROE (not as high as before but still enough to attract capital on a relative basis). Gas LDC investment and pipe replacement is only 5% of capex and prudency standard is heavily scrutinized internally to ensure no stranded cost issues.

Capex and inflation pressure

1500mw generation development accounts for most of LNT's capex inflation seen in most recent guidance. Anticipating an extension of Section 201 tariffs and assuming some level of anti-dumping action as well. Overall cost inflation of 10%-20% higher than original ask for first CA of solar. Netting toward $1400/kw; 800mw still need approval – accounts for amount that was pushed to 2024.

NextEra Energy (NEE)

Management is taking a toe-in-the-water approach with respect to water infrastructure and other next-gen technological opportunities (H2, RNG, wastewater treatment, floating solar, etc). NEE bid into the NJ OSW transmission RFP, which could be a billion dollar capex opportunity. Awards are expected in 2H22.

NiSource (NI)

Management expects a staff report on the Ohio rate case in 1Q22.

Hydrogen

NI is in early commercial discussion with developers regarding actionable projects and expects to have more information by mid-2022. NI has abundant natural gas storage facilities that could be able to store hydrogen and also sees blue hydrogen opportunities given proximity to Marcellus/Utica basins.

RNG

Management expects additional state and local incentives for RNG in the future and sees an opportunity in this space, though at the moment the LCFS mechanism in CA is the most attractive incentive.

NorthWestern Energy (NWE)

Guidance and Growth

NWE provide 2022 EPS guidance of $3.20-$3.40, well below expectations driven by increased equity expectations as well as increased regulatory lag given the decision to proceed with the Laurel Generating Station without pre-approval. The company still expects long term EPS growth of 3-6% annually off of the 2020 base, but will trend below that line for the next several years. Additionally, to maintain credit metrics, NWE expects equity will be needed as financing in any year where capital spending exceeds $400M.

OGE Energy (OGE)

Growth Opportunities

OGE noted that current rate base growth is sustainable, but the company has challenged the operational departments to explore what level of spending would make sense if budget was not an issue. While not expecting a specific report or update, this could lead to a higher sustained level of rate base growth. These opportunities would be beyond the identified solar projects in the IRP and grid spend. Transmission projects all need to be competitively bid in Oklahoma, making any transmission capacity less certain than for other states.

PSEG (PEG)

Nuclear production tax credits

The impact was described as a sliding scale where the PTC is $15/mwhr when all in energy and capacity price combined are at $25/mwhr and phasing out when energy and capacity prices combined are at $40/mwhr. Given the PTC is a tax credit and the ZEC is not a $15 PTC is worth $15 while a $10 ZEC is worth ~$8 . (The numbers were meant to be illustrative but ballpark).

Offshore wind

PEG bid multiple solutions into each of the three transmission RFPs for NJ offshore wind. While winning bidders will not be known until mid 2022, PEG believes that incumbent utilities (PSE&G, Atlantic City Electric, and JCP&L) should have an advantage given right of way and access for the offshore transmission solutions landing onshore in the incumbent service territory.

Pinnacle West (PNW)

PNW plans to litigate the results of the 2019 APS rate and to file a new rate case in 2022, which the company hopes to resolve via settlement agreement while the litigation is ongoing. Population growth and business interest in AZ will help support earnings and urban sprawl is leading to additional transmission opportunities (69 kV+ projects eligible for FERC ROE and tracking mechanisms). Hydrogen and EV activity in the state could provide attractive opportunities.

Southern Company (SO)

Southern continues to see solid customer growth and the associated growth capital opportunities. We expect the ongoing and future Georgia and Alabama IRPs to result in additional renewable opportunities, especially given indications from the Effluence Limitation Guidelines. Vogtle continues to be in focus, with Unit 3's schedule being more tied to workforce availability and productivity than anything technical. We believe that the gap between the Southern listed schedule and the GA PSC staff will be narrower in the upcoming VCM filing.

Sempra Energy (SRE)

Cost of Capital

SRE noted that the current 'off cycle' cost of capital proceeding has the potential to develop into the long-term cost of capital benchmark depending on how the facts and proposed outcomes develop (rather than the one-year stop gap of a triggered mechanism). CPUC remains aware of importance of attracting capital to the state given robust investment plans and challenged valuations of pure-play peers.

SIP

Management remains optimistic on the overall outlook for SIP despite perceived volatility in Mexico and an ongoing valuation bifurcation between infrastructure and utility investors (as evidenced by public mark from sale). Sanguine on LNG prospects despite ongoing price pressure from Qatar exports and noted improvements to forward curves in Europe and Asia. Management noted European structural demand with recent power issues leading to spike in coal consumption and the long-term role of natural gas in a 'high electrification' scenario in Europe. SRE sees some potential to increase LNG marketing operational flexibility for future projects, assuming contracted volumes hit hurdle rates and expansion capacity is available to capitalize on favorable market dynamics (we note stock price and financial benefits realized by Cheniere not translating to SRE in current gas market).

Energy Transition

SoCalGas continues to explore RNG and hydrogen opportunities as management remains committed to gas given critical role amidst broad state targets to decarbonize buildings and industrial sector. Comfortable with likely outcomes in NEM and distributed resource (sister proceeding to NEM 3.0).

WEC Energy (WEC)

Oak Creek Natural Gas Conversion

WEC plans to accomplish the conversion in several phases. The first phase to get to 30% blended fuel will take minimal investment. Phase II to reach 60% will require spending to change out the burners, which could require ~$30m investment. Phase III to reach 100% natural gas could require $150m-$180m of investment and could occur in the 2030-2035 range. Management sees potential for longer-term hydrogen blending at the plant if the natural gas conversion goes according to plan.

Upside to Growth Trajectory

Could come from additional capex, tax incentive, additional renewables demand, potential EV spending, financing flexibility, transmission projects, and growth to match economic development.

Essential Utilities (WTRG)

Cost Inflation and Rate Case

Chemical and fuel cost inflation has potential to prove material and result in rate case revisions (up to 50% fuel cost inflation being seen. Cost adjustments in Aqua PA rate case expected to be filed within next five weeks. Settlement discussions will likely begin shortly thereafter with potential limited issue settlements throughout December.

Extreme Weather and Resiliency

The importance of WTRG's resiliency spend was reinforced following Hurricane Ida when the company lost its Pickering plant due to flooding. WTRG's management team noted its track record of prudent planning around flood walls (built higher than commission precedent in some cases) and the need to continue to invest for climate resiliency. WTRG expects to see potentially material investment (some covered by insurance) needed to get the plant operational and increase resiliency (starting with easy items like moving electric operations behind flood protected barriers).

Legislation and FMV

WTRG remains confident that it will receive approvals and ultimately win both Chester county and Delcora assets (note significant geographic overlap and $12mn up-front cash proceeds in Chester bolster bid in our view). WTRG continues to monitor PA legislation on water quality (recently out of committee on consumer affairs) that could bolster additional enforcement and eventual FMV activity.

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Materially Mentioned Stocks (Ticker, Date, Price)
Alliant Energy Corporation (LNT, 11-Nov-2021, USD 55.31), Equal Weight/Positive, A/CE/D/E/J/K/L/M

Ameren Corp. (AEE, 11-Nov-2021, USD 84.10), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

American Water Works Company, Inc. (AWK, 11-Nov-2021, USD 170.65), Equal Weight/Positive, CE/J

Avangrid, Inc. (AGR, 11-Nov-2021, USD 50.51), Equal Weight/Positive, CD/D/E/J/K/L/M/N

CMS Energy Corporation (CMS, 11-Nov-2021, USD 60.08), Overweight/Positive, A/CD/CE/D/E/J/K/L/M

CenterPoint Energy, Inc. (CNP, 11-Nov-2021, USD 26.77), Overweight/Positive, CD/CE/D/J/K/L/M

Consolidated Edison, Inc. (ED, 11-Nov-2021, USD 77.58), Underweight/Positive, A/CD/CE/D/E/J/K/L/M

DTE Energy (DTE, 11-Nov-2021, USD 112.49), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

Edison International (EIX, 11-Nov-2021, USD 65.22), Equal Weight/Positive, A/CD/D/J/K/L/M

Essential Utilities, Inc. (WTRG, 11-Nov-2021, USD 46.93), Equal Weight/Positive, A/CD/CE/D/J/K/L/M

Eversource Energy (ES, 11-Nov-2021, USD 82.51), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

FirstEnergy Corp. (FE, 11-Nov-2021, USD 39.03), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

NextEra Energy, Inc. (NEE, 11-Nov-2021, USD 85.37), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

NiSource, Inc. (NI, 11-Nov-2021, USD 25.09), Overweight/Positive, A/CD/CE/D/J/K/L/M

NorthWestern Corporation (NWE, 11-Nov-2021, USD 58.00), Equal Weight/Positive, CD/CE/J

OGE Energy Corp. (OGE, 11-Nov-2021, USD 34.38), Equal Weight/Positive, CD/CE/J

PG&E Corporation (PCG, 11-Nov-2021, USD 12.35), Overweight/Positive, A/CD/CE/D/E/J/K/L/M

PNM Resources, Inc. (PNM, 11-Nov-2021, USD 48.71), Underweight/Positive, CE/FA/J

Pinnacle West Capital Corporation (PNW, 11-Nov-2021, USD 65.26), Equal Weight/Positive, CD/CE/D/E/J/K/L/M

Portland General Electric Company (POR, 11-Nov-2021, USD 49.88), Underweight/Positive, A/CD/CE/D/E/J/K/L/M

Public Service Enterprise Group (PEG, 11-Nov-2021, USD 62.19), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

SJW Group (SJW, 11-Nov-2021, USD 71.95), Equal Weight/Positive, CD/CE/J

Sempra Energy (SRE, 11-Nov-2021, USD 121.60), Overweight/Positive, CD/CE/D/J/K/L/M

The Southern Company (SO, 11-Nov-2021, USD 63.05), Overweight/Positive, A/CD/CE/D/E/J/K/L/M

WEC Energy Group, Inc. (WEC, 11-Nov-2021, USD 89.04), Equal Weight/Positive, A/CD/CE/D/J/K/L/M

Xcel Energy Inc. (XEL, 11-Nov-2021, USD 63.50), Overweight/Positive, A/CD/CE/D/E/J/K/L/M

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Our coverage analysts use a relative rating system in which they rate stocks as Overweight, Equal Weight or Underweight (see definitions below) relative to other companies covered by the analyst or a team of analysts that are deemed to be in the same industry (the "industry coverage universe").

In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

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Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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Positive - industry coverage universe fundamentals/valuations are improving.

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North America Power & Utilities

Alliant Energy Corporation (LNT)	Ameren Corp. (AEE)	American Electric Power Company, Inc. (AEP)
American States Water Company (AWR)	American Water Works Company, Inc. (AWK)	Avangrid, Inc. (AGR)
Brookfield Infrastructure Partners LP (BIP)	Brookfield Infrastructure Partners LP (BIP_u.TO)	CenterPoint Energy, Inc. (CNP)
CMS Energy Corporation (CMS)	Consolidated Edison, Inc. (ED)	Dominion Energy (D)
DTE Energy (DTE)	Duke Energy Corporation (DUK)	Edison International (EIX)
Essential Utilities, Inc. (WTRG)	Eversource Energy (ES)	Exelon Corporation (EXC)
FirstEnergy Corp. (FE)	NextEra Energy, Inc. (NEE)	NiSource, Inc. (NI)
NorthWestern Corporation (NWE)	OGE Energy Corp. (OGE)	PG&E Corporation (PCG)
Pinnacle West Capital Corporation (PNW)	PNM Resources, Inc. (PNM)	Portland General Electric Company (POR)
Public Service Enterprise Group (PEG)	Sempra Energy (SRE)	SJW Group (SJW)
The Southern Company (SO)	WEC Energy Group, Inc. (WEC)	Xcel Energy Inc. (XEL)

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November 11, 2021 | 00:19 ET | 00:19 ET~

Utilities, Power & Renewables

Direct Pay Is the Songbird of Its Generation - EEI 2021 Takeaways

Bottom Line:

In general, this year's conference had a more limited set of the company-specific updates with the largest topic of discussion coalescing around the pending budget reconciliation bill, commodity price impacts to customer bills, renewable project cost, and timing due to supply chain challenges and the incremental impacts of upcoming IRPs. Most managements continue to be positive on the elements included in the proposed but evolving legislation but the odds of passage (most likely in December) had a larger distribution with a range of 60-80% given the razor thin Democratic majority and recent Virginia election. Additionally, except for AEP, most company's foresee no material impact from the 15% AMT proposal prior to the impact of any direct pay tax incentives. **Overall investor sentiment was most favorable toward the updates from LNT, XEL, DTE, AEE, NI, EXC, CMS, and DUK. AEP was the primary disappointment given its CAPEX/Equity updates and AMT exposure.**

Key Points

Inside the note we present detailed summaries of all of our 21 meetings, but we highlight the following key positive incremental updates:

LNT — Was one of the biggest potential winners from the reconciliation bill as direct pay and tax credit optimization could drive significant incremental investment.

XEL — Was another potential winner from direct pay possibly significantly lowering its stated equity needs, and we already see potential upside to its conservative 10-year capital program that drives 6.5% rate base growth.

DTE — We were encouraged by the company's rhetoric around their 2022 and 2023 guidance ranges, accelerated decarbonization plans, and MIGreenPower growth and potential long-term tailwinds from EV adoption load growth.

AEE — We believe the commentary around Rush Island was incrementally positive given its modest impact should a rehearing not be granted.

NI — We see NI laying the building blocks for an extension of its growth rate through 2024 by tapping into a robust $40 billion in incremental renewable and reliability capex opportunities.

EXC — EXC's updates around potential lower equity at the utilities, the likelihood of both a nuclear and hydrogen PTC and associated business opportunities at Constellation, high-level asset allocation discussion, and low leverage profile we viewed positively.

CMS — We viewed management commentary around the staff IRP recommendation and updates on the growth outlook associated with its green tariff as both incrementally positive.

DUK — We see increased decarbonizing capital opportunities/growth associated with NC legislation and potential insights into succession planning as the key positive drivers coming out of the meeting.

On the negative side, we believe **AEP's** update was likely disappointing to investors as it is currently one of the few companies in the sector with a negative impact from the ATM provision of the reconciliation bill and investors were discouraged by the reduced transmission spending and likely higher-than-expected equity needs in '24-26.

For disclosure statements, including the Analyst Certification, please refer to page(s) 9 to 11.

IN Fact

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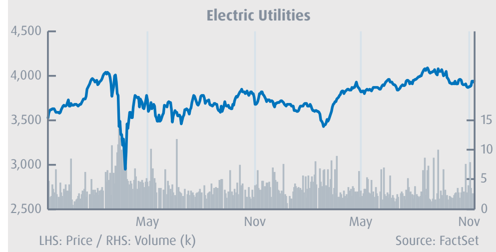

BMO Top 15 List

BMO Top 15 List Member

Dominion Energy (D) Income Stock
Entergy (ETR) Income Stock

Industry Research

Glossary

BMO Capital Markets

Individual Company Summaries

Alliant Energy (Market Perform, $56.08) – LNT spoke favorably about the impacts of the reconciliation bill if it passes. Notably, the company should not be subject to the AMT as it falls below the potential $1 billion book net income threshold. If the tax credits are extended and direct pay is implemented, the company could look to reevaluate its $1.1 billion of tax-equity financing in the capital plan, which would increase capital spending and rate base. Furthermore, the company has 600MWs of wind from the 2008-2012 vintage that could be primed for repowering if the company can find a way to utilize the tax credits. We believe that even with some potential equity issuance, the additional spending could nudge the growth rate closer to the top end of the 5-7% range.

Ameren (Outperform, $84.42) – Though management believes that it is too early to put firm numbers around the reconciliation bill, it did offer the opinion that qualitatively there appear to be more plusses than minuses and they see a > 50% chance it gets done. On Rush Island, the company is seeking rehearing, but also preparing alternative plans. We believe that it may not make sense to spend ~$1 billion to add scrubber technology to the plant. We also note that the company is currently long capacity. In the scenario it chooses to retire the plant and securitize the ~$400 million remaining book value, the company will also be able to deploy the securitized balance into renewables spending to help offset the lost earnings. Furthermore, a potential retirement may also require additional transmission/reliability spending as evidenced by the ~$100 million of upgrades required when they closed the Merrimack plant. On the rate case, the company remains optimistic about engaging in settlement talks and notes that issues in the recent SR (not covered) order do not apply to them as their ST debt balances (currently zero on 9/30/21) do not exceed CWIP balances. In terms of positive read throughs from that order, the commission used the subsidiary's capital structure instead of the parent and also used the staff ROE, which would be 9.5% in the AEE MO electric case.

American Electric Power (Outperform, $84.18) – The only apparent current laggard in the sector on with the application of the AMT tax provision even net of direct pay at ($100 million) or 20-30 b/p of FFO/Debt. 2022 guidance range was in line with our $4.85-5.05 preview range ($4.95 midpoint) but $0.03 light of Street's $4.97 and our $4.99. Investors pushing back on the composition of it five-year capex refresh (now '22-26), which while up ~$700 million versus previous plan ('21-25 plan) includes lower ($3.1 billion) transmission spending despite nearly $5.4 billion increase in regulated renewable spending. The $8 billion of regulated renewable investments reflects a risk-adjusted view by management of the company's ownership in the projects or approximately 50% depending on jurisdiction. The flattish capex rollforward reflects a facilitated shift in capex buckets we believe was telegraphed by the company in an effort to continue to improve its balance sheet and supports a 7.3% rate base CAGR. While investors prefer transmission spending due to higher ROEs/equity layers/low business risk, management was clear the shift did not reflect a change in investment opportunity but more so the company's effort to preserve credit quality and any decreases other spending could be filled in with an increase in transmission spending. On the balance sheet the company gave five-years of financing/cashflow guidance versus its traditional three-years which shows about $600-700 million of equity/year (all ATM-related) in 2024-2026 which was consistent with our expectations to continue to improve its credit metrics but higher we believe than investors views. External funding creates ~1.5% drag to growth that with the 7.3% rate base CAGR implies ~6.0-6.5% EPS growth. Management continues to expect to be in the upper half of its 5-7% growth rate with an improvement in ROEs (30 b/p) and the benefit of improved authorized equity layers at their regulated opcos the path to achieving their upper half of the range growth objective. Some investors expressed concerns that the company's consolidated 60% leverage target could create risk on the regulatory front relative to its recent authorized regulatory equity layers ranging from 43-55% (51% on average). However, parent debt as a percentage of total debt remains in the 22-23% range (target of < 25%) supporting its BBB/Baa Stable rating.

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CenterPoint Energy (Market Perform, $26.58) – Management continues to highlight the incremental investment that is not currently included in its current $40 billion, 10-year plan ($1 billion of reserve capital). With no incremental equity contemplated in the current plan which drivers NT EPS growth at 8% and rate base growth at 9%, any incremental opportunities further solidify this premium outlook including: 1) accelerated undergrounding and grid hardening in Texas. With only 35k of over 550k miles currently addressed and each day of outage representing 1.5 billion in GDP, there is a real incentive to continue to add to resiliency; 2) transmission upgrades and mobile generation provided for under the recently passed Texas legislation; 3) expanded and accelerated EV infrastructure rollout to help facilitate the already 1.3% in incremental load growth the company (and now other utilities) are seeing from a 25-30% parabolic adoption of electric vehicles relative to new car sales; and 4) potential expansion of renewable deployment in Texas. Management continues to see strong reverse inquiries on its remaining natural gas LDC but will look to monetize incremental assets subject to capital plan equity needs. On natural gas prices the company sees its current portfolio at ~$4.00/MMBtu with the average residential bill in TX and MN at about $30 and $70, respectively. Taking its cue from ET and ENBL the company still sees the close of its ENBL by year-end and its plan to exit its remaining midstream exposure by YE2022 remains on track with the announced forward sale and an expeditious disposition of the ET convertible soon after close given the liquidity in the market.

CMS Energy (Outperform, $60.89) – CMS does not see a material impact from any passage of an AMT provision in the budget reconciliation plan given the sale of its EnerBank subsidiary in 2021 (three-year average) relative to the $1 billion net income threshold contemplated in the current draft and the ability for renewable tax credits to offset up to 75% of any minimum-related tax liability. The company feels the staff recommendation in its 2021 IRP is “supportive” given the endorsement of a regulatory asset treatment for the retiring coal assets, a higher potential renewable ownership structure (> 50%), and the ability to buy out PPA’s after year 10 of its 15 year life. Settlement remains a possibility with the parties likely having to come to a consensus on the acquisition cost of the DIG & peaker assets (market option relative to carrying value) and the retirement timing (later retirement) and ultimate replacement portfolio for the Campbell 3 coal plant (which could have a higher heat rate/fuel cost). Finally, customer demand remains extremely robust for its voluntary green tariff program which with four different options to customers could be additive to the current plan and bolstered by a solar PTC. The company now sees nearly 1GW of demand potential in the 2024-2027 time frame

Dominion Energy (Outperform, $75.68) – EEI updates were generally quiet for D following the triennial review settlement and offshore wind updates on the 3Q call. On the political front, the company still expects to be able to work constructively with Governor-elect Youngkin and that the offshore wind projects and attached economic development should continue to be viewed favorably, though the beginning of the legislative session must be watched as always even with additional seats flipped republican. Lastly, we note on the offshore wind LCOE, D’s estimate includes additional strategic onshore transmission upgrades to tie into the 500KV system and thus the capital costs per KW may not be apples to apples with other projects given the onshore work.

DTE Energy (Market Perform, $113.17) – Very confident in its 2022 EPS guidance ($5.70-5.97 – $5.84 midpoint or 6% growth versus the Street at top end at $5.94 given company history or beating and raising) and are derisking its 2023 actively right now. The company sees building blocks that can push its growth to the top end of its 5-7% growth range, which makes DTE shares screen incrementally attractive (5-7% cheap) to it peers. DTE Electric will its file next IRP in October of 2022 which will finalize its retirement and conversion of its Belle River coal plant and will address the accelerated retirement of its 3GW Monroe plant. We would expect the company to move forward its retirement date to the early 30s from 2040 (~$2.5 billion undepreciated rate base) now which should provide incremental renewable opportunities as the plant transitions to a non-fossil, voltage support role. In total management sees 5-7GW of renewables, 1GW of battery storage and 1GW of gas CCGT’s. In total the company’s sees its capex plan leading to only 2.5-3.0% increases in customer rates through its forecast period when combined with its lean O&M cost program. Utility capex increased $1 billion with five-year refresh; however, the company still sees a $40 billion investment opportunity over 10-year period with $35 billion of this ('22-31) including clean generation, grid resiliency and the balance tech and base infrastructure with EV adoption driving upside. DTE Vantage growth still pegged at ~$15 million a year with some assumptions of asset optimization in embedded in its '22-26 time or $160-170 million of net income by 2026. The traditional three-year financing plan continues to assume no equity in 2023 or 2024 and AMT is not expected to be a major impact but provisions including direct pay and/or a nuclear PTC in the reconciliation bill could add $75-150 million in cash flow. Like CenterPoint management, the company is bullish on the accelerating impact of EV adoption with each personal vehicle representing almost one-third the demand of a normal household hold, which could create significant headroom in rates through high-margin, top-line growth even before the impact of commercial and industrial fleet transitions and transportation sector adoption.

Duke Energy (Outperform, $101.62) – Management continues to see the passage of HB951 as strengthening and likely enhancing its 5-7% (6% midpoint) growth rate and should be in a position in early 2022 to better refine the impact and timing of its revised $60-65 billion of 22-26 capital plan with a final portfolio decision and cost clarity with the NCPSC final order in December. However, as the company works through its CMR process with stakeholders we believe the company could be in position to further refine the potential upside at an analyst day in mid 2022. The company remains open to looking at all forms of financing alternatives to meet any incremental requirements including equity, convertibles and asset rotation including its current Commercial Renewables segment. Discussions with Elliott are ongoing and we would hope if it can reach an agreement with management the company could also address longer-term succession planning within the company with any change at the board level. We believe the company's management transition planning has been ongoing and at least one if not two internal candidates have been identified as likely candidates to setup over the next several years across multiple positions in the company's C-Suite.

Entergy Corp (Outperform, $103.44) – ETR's EEI presentation provided its traditional updated three-year capex forecast which continues to support its 5-7% growth rate. With the update ETR re-instated its 2024 range which was unchanged at $6.95-7.25 despite ~$1 billion of lower capex in 2024 likely reflecting the lower expected equity needs. The company's 5-7% EPS growth remains unchanged and with this quarter its DPS growth is now aligned with earnings growth as the company had discussed. The five-year capital plan ('22-24) is now $11.7 billion, which while only up modestly ($100 million versus the '21-23 capital plan) remains focused on resiliency, reliability and decarbonization (49% Distribution ($5.7 billion), 33% Generation ($3.9 billion – Mainly Solar & H2 capable generation), 18% Transmission ($2.1 billion). However, management also further outlined additional and visible upside to the current plan (as foreshowed on 2Q/3Q call) with $5-15 billion of resilience acceleration spending through 2030. In addition to the resilience spending, the company highlighted several customer-driven opportunities including: 1) Opportunity to help customers hit scope 1 emissions – 30TWh addressable market; 2) Sees 1.7GW of green tariff opportunities across 25 customers (petchem, manufacturing, tech, retail, metals and healthcare) – more renewable capex; 3) Outlines 2.2GW of renewables by 2024 with ~50% owned by ETR or more modest $700 million of investment (investors likely to have expected more in NT); and 4) 8.5GW of more renewable opportunities '25-30 with utility owning 75% – cadence of spend yet to be defined. Regarding its resiliency programs the company hopes to have additional clarity on this investment opportunity over the next six months as the engage with stakeholders to build a consensus that balances interests. Additionally, the company sees very robust load growth drivers through additional electrification investments in the latter part of its '20-24 program, which could accelerate materially (130TWhs/12GWs) into the 2030 time frame as the company helps customers address Scope 1 emissions reductions especially in LA and TX.

Evergy (Not Covered, $64.69) – Our meeting with EVRG focused on the long-term plan. Management remains in execution mode and meeting their guidance targets. In the near term, that includes O&M reductions and efficiencies to help drive EPS growth of 6-8% with 5-6% rate base growth. Over the longer term, it continues to see a robust opportunity for decarbonization spending, which it believes may help EPS and rate base growth converge over time. Furthermore, the company sees coal declining from 30% of rate base in 2020 to 19% in 2025 with a net-zero carbon target in 2045. The company has rate cases in MO and KS in 2022 and 2023 but note that the cases are more blocking and tackling and that the requested capital recoveries will have been previewed in both states in the STP workshop processes. Nevertheless, it remains focused on achieving constructive outcomes for all stakeholders and continuing to build a track record.

Eversource Energy (Outperform, $83.74) – We believe that the year-end update is shaping up to be positively skewed for ES. The company could have clarity on its AMI and new grid mod programs in MA ahead of the capital roll forward and possibly in CT as well, though the latter remains less predictable on timing. ES also has teased out the possibility for additional transmission spending on the year-end call. We expect that incremental transmission spend in NH would be reliability focused with assets coming to the end of their life and spend in MA/CT will be a result of interconnection for renewables. The biggest update on the call will be the roll forward on the growth rate. We believe at this point the company is leaning toward leaving Revolution and Sunrise wind out of their core EPS growth rate and still supporting the upper half of their 5-7% EPS growth rate. We also believe that the company intends to provide some indication of the financial impact/upside from the offshore wind projects, but the specific type of information to be disclosed is still under consideration.

Exelon Corp (Outperform, $54.45) – While acknowledging the energy side versus the social side of CBO scoring is easier, management remains constructive on the potential for the passage of budget reconciliation legislation in the December time frame with potential benefits to the Constellation side of the house should we see the incorporation of a nuclear and/or hydrogen PTC. Constellation continues to look forward at cultivating new business opportunities with recent announcements including a hydrogen partnership with NEL as well as an investment in Rolls Royce who is continuing to develop modular nuclear capacity for the U.K.. The equity requirement for its Exelon Utilities could be lower than the initial $1 billion that was outlined at the time of the split given performance at ExGen including a special dividend with more details coming at an Analyst day post the corporate separation. Longer term, management views its investments at Constellation Energy Ventures as non-core and a source of cash available within its yet-to-be defined asset allocation strategy at Constellation post spin. On the M&A front EXC acknowledged it is still evaluating the sale of its ERCOT CCGT fleet as well as adding to the Constellation portfolio over time including other nuclear facilities or complimentary assets. The company remains optimistic on a settlement in NY regarding the spin of Constellation with the primary intervenors (AG, Staff) focused on ExGen investment grade balance sheet and keeping the assets open and extending their useful life including potential economic development with the application of hydrogen (has DOE-funded pilot at Nine Mile Point).

NextEra Energy (Outperform, $85.20) – While still tempering odds of passage before the end of the year due to normal political dysfunction, NEE is likely the largest beneficiary of the passage of the budget reconciliation. With the extension of existing wind and tax credits enhancing the relative affordability of its renewable products ($10 billion on the regulated side), the creation of a solar PTC open new repowering opportunities (very positive for NEP) and the creation of stand-alone storage and hydrogen tax credits could further accelerate renewable deployment and management believes it could put storage on nearly every one of its existing portfolio assets. NEE once again highlighted that it has 1.7GW of solar panels in inventory that are safe harbored giving it a competitive advantage in what is currently a supply-chain constrained market. The applications and market opportunity associated with the codification of a $3/kg hydrogen PTC would allow the hydrogen market to explode as NEER continues to find new market opportunities on the C&I side for its renewable products (ammonia/refiners) as it provides cost effect solutions for its deep customer relationship base. Management envisions building a terminal network for hydrogen to facilitate its adoption and opening logistics for its usage. Under this PTC scenario the company sees green hydrogen from solar + storage as more competitive (~2c) than pink hydrogen (~5c). Additionally, this could accelerate the development of the application of hydrogen blending through the retrofitting of gas plants as the next step to the longer-term, final solution for taking carbon out of the power supply stack but there still remains a longer tail to this solution. Management could see the company playing a part in nearly 100% of the supply chain on the transportation side as hydrogen evolves with the exception for refueling (ergo gas stations). As discussed in an October set of meetings, the company sees an expanding opportunity in residential solar albeit on the financing side (fin-tech 15% of the market) where it could build a loan portfolio book through providing financing solutions.

NiSource Inc (Outperform, $25.31) – The company feels confident in the its ability to not only execute on its 7-9% EPS CAGT through 2024, but it is beginning to lay the building blocks for an extension of their growth rate beyond 2024 through tapping into a robust $40 billion in incremental renewable and reliability capex opportunities. Gas and electric infrastructure/reliability spending through its tracked recovery mechanism which has a long and accelerating runway through the end of the decade in addition to its upcoming additional renewable investments. We will get a final ownership percentage of its $750 million IRP spending proposal in IN to retire its remaining coal in 2022 and the company is optimistic it could own 100% of this new portfolio. We look for an Analyst Day sometime in 2022 where the company will lay out the next leg (post 2024) of growth for the company which should provide an upward bias its 5-7% growth rate.

Pinnacle West (Not Covered, $64.53) – Conversations with PNW mostly focused on the recent rate case outcome and regulatory strategy going forward. PNW plans to file an appeal for the partial disallowance on the Four Corners SCR. Management also plans to file another rate case in the first half of 2022 with expected resolution in 2023. It hopes that without the unique circumstances surrounding the last case plus at least one new commissioner, it will be able to reach a more constructive outcome. Furthermore, they highlighted the investment underlying the next case will be clean energy and growth investments rather than more politically charged coal investments. Even with the lower 2022 guidance range, management remains committed to growing the dividend and having a long-term payout ratio in the 65-75% range.

PPL Corporation (Not Covered, $28.78) – PPL remains focused on closing their announced acquisition of Narragansett Electric. Management reiterated that the procedural schedule has a 2/25/22 target decision date and that RI has a no-harm standard for M&A transactions. The company reiterated their focus on B/S strength and maintaining FFO/Debt metrics in the 16-18% range, which is where it sees the high-quality names in the universe. On the decarbonization front, the company notes that its last rate case provided them rider-recovery over a 10-year period and full cost of capital for early retirements. After completing the Narragansett Electric acquisition, the company plans to have an analyst day where it said it will more fully discuss capital allocation including organic capital opportunities and share buybacks that is consistent with peer growth.

Public Service Enterprise Group (Market Perform, $62.72) – PEG recently filed its Infrastructure Advancement Program to spend $848 million over four-years. The plan pulls forward more traditional reliability/replacement programs in effort to stimulate the economy and provide jobs. While we expect some level reduction from the ask in the final approved program, we do believe the proven nature of the programs and importance of economic stimulus should drive a constructive outcome. The company remains bullish on the nuclear PTC passing as part of the reconciliation bill and we note that the federal payment would have the added benefit of displacing the NJ ZEC program, which would provide additional regulated rate headroom. Lastly, though Senate President Sweeney was instrumental in the formation of the ZEC program, we believe his loss in the mid-term elections should not be a major setback given the state's continued infrastructure and decarbonization focus with Governor Murphy's reelection.

Sempra Energy (Market Perform, $124.61) – After a very modest set of updates into 3Q21, SRE's EEI was similarly quiet. Any AMT provision if enacted in the budget reconciliation bill would likely represent a modest impact to the company's overall financials. The company continues to guide 2021 to the "upper end" of $7.75-8.35 versus BMO at $8.15 and its 2022 outlook was also reaffirmed at $8.10-

8.70 ($8.40 midpoint) with BMO/Street largely there also $8.55/$8.45, respectively. Management discussed in a bit more detail its traditional Fall update at Oncor where it raised its capex by ~$1 billion to $15 billion over the '22-26 period while still preserving an incremental $775-1,250 million of upside opportunities. This was the second increase in 2021 (2Q21 update raised the '22-26 outlook by $1.8 billion) and continues to demonstrate the robust growth opportunities at the company's Texas segment tied to premise growth (2%) resiliency, storm hardening and underlying organic growth in its service territory. The new four-year capital plan which represents about 67% growth capex overall and is 97% tracker eligible can be broken down into ~55% transmission-related, 40% distribution and the balance spent on IT/Technology. In CA we are looking for a scoping memo next in SDG&E's off-cycle cost of capital application with the CPUC, which would not increase customer rates and has an expected decision in 1H22. If the application is not accepted by the CPUC the company's Cost of Capital Adjustment Mechanism (CCM) would become effective on 1/1/22 and automatically reduce SDG&Es ROE to 9.62% from its current 10.20% level. If triggered, the 1/1/22 change would reflect an update in the cost of debt based on actual costs and the authorized ROE would be adjusted by one-half of the difference between the actual interest rate and benchmark rate. SRE believes the risk to any CCM trigger is in the $0.05-$0.10 range at SDG&E in 2022 as it manages its O&M into any impact and therefore remains confident in meeting its recently initiated guidance expectations.

Southern Company (Market Perform, $63.86) – The company appears to be well down the path on the process for potential asset sales after receiving some reverse inquiries following their 2Q21 call. Compared to previous conversations, the company's definition "core versus non-core" appears to have changed slightly with all of the regulated utilities falling into the core bucket at this point. Still, while it did not commit to a firm number, the company referred to the total amount of the available ancillary assets/businesses as significant. Furthermore, the recent renewal of the ATM was simply a preference for always having one available and not an indication of planned equity issuance. The rhetoric on Vogtle was the same as the recent call with additional confidence/hopefulness around the new schedule as the company has now completed the walk through of all rooms in the nuclear island. The biggest challenge likely remains completing the identified electric work rather than finding additional work. On the fleet transition, comments also echoed the call with the company poised to revisit its capital plan during the year if material changes occur from the AL and GA IRP processes. In the long-term and out-years of the plan, these processes seem poised to solidify the company in their 5-7% long-term growth rate and they remain committed to its $4.00-4.30 2024 range. At this point, the focus remains on arriving at the 2024 range more than the specific path to get there as near-term impacts of any Vogtle ROE penalties should alleviate themselves when the units go into service.

Xcel Energy (Market Perform, $64.39) – Management continues to be cautiously optimistic on the potential passage of reconciliation bill, possibly in the December time frame, and note that the tax credits appear to be a relatively uncontroversial portion of the bill. Nevertheless, the company's base plan does not assume that the bill passes, but direct pay could significantly reduce its equity needs and the entire package inclusive of the AMT could still increase FFO/Debt by 75-100bps. The company disclosed a 10-year capital plan with $36-40 billion of spending in the 2027-2031 time frame that supports a base 6.5% rate base CAGR. However, the plan notably excludes PPA buyouts and wind repowering opportunities that should become even more attractive if the tax credit extenders get passed. The PPAs can occur anytime throughout the plan, but we expect repowering opportunities to be focused on the 2027-2031 time frame, about 10-years from XEL's wind buildout. On the regulatory front, we note that recent comprehensive settlement in CO could allow for more productive settlement talks on the IRP and rate case in the Thanksgiving and year-end time frames.

WEC Energy Group (Not Covered, $90.64) – Management sees the AMT provision of the reconciliation bill as a modest drag at $10-20 million headwind to operating cash flow, but direct pay would provide an offset and potentially provide additional investment opportunities to support its 6-7% EPS growth rate. The company also discussed its recent announcement to eliminate coal as an energy source by 2035. It plans to seek approval from the PSC after receiving environmental permits for the coal to gas conversion. The conversion would be in phases with 30% gas fired generation in the next 1-2 years, 60% by 2030, and 100% by 2035. Notably, management said the company will receive recovery for the capital expenditures under the original terms of the lease, preserving the 12.7% ROE on the project.

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Hold	Market Perform	46.5 %	21.5 %	39.3 %	44.0 %	38.7 %	37.5%
Sell	Underperform	1.3 %	57.1 %	3.0 %	1.4 %	1.3 %	4.8%

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US Electric Utilities & IPPs

The 'Guess Who's Back?' 2021 EEI Q-Bank: Our Tough Questions List

Industry Overview | 04 November 2021 | (Corrected) | Equity | United States | Electric Utilities

Key takeaways

- Key questions for EEI Conference are inflation, renewables supply chain, Federal infra bill, activism, & regulatory.
- Positive updates: AEE, BKH, CMS, EVRG, FE, IDA, NEE, NI, POR, & WEC. Cautious: AGR, AVA, AWK, DTE, EIX, DTE, MDU, NWE, & UTL
- Top picks include value (AEP, D, ETR, FE, NI, SO), premium (AEE, CMS, XEL), diversified (AES/NEE), & SMID (BKH, MDU, POR)

EEI: Edison Electric Institute

Key Questions for our EEI Conference

Ahead of our meetings at the EEI Financial Conference November 7th to November 10th, we present questions for the companies listed below. There is no shortage of topics discuss. We see the core issues as: 1) Energy commodity inflation and bill impacts; 2) supply chain and overall logistical impacts; 3) opportunities from the Federal infrastructure bill related to clean technology, transmission, balance sheet, etc.; 4) trend of shareholder activism in the sector with high profile examples in 2021; and 5) upcoming regulatory proceedings after eventful 2021 in Arizona, Ohio, Virginia, and Connecticut to name a few.

What's reflected in the Q-Bank? Quick Snapshot

Companies reflected in the Q-Bank include: AEE, AEP, AES, AGR, AVA, AWK, AY, BKH, CMS, CNP, D, DTE, DUK, ED, EIX, EMA, ES, ETR, EVRG, EXC, FE, FTS, HE, IDA, LNT, MDU, MGEE, NEE/NEP, NI, NWE, OGE, PCG, PEG, PNW, POR, PPL, SO, SRE, TA/RNW, WEC, WTRG, XEL.

What has stood out so far during earnings?

While earnings season is still ongoing, we o highlight some of the more constructive and cautious updates across our universe. 3Q in particular showed a more pronounced than usual bifurcation with several companies reducing guidance.

Positive updates (+) **AEE** - 3Q beat/FY21 raise, **BKH** - 3Q beat/FY21 raise and LT capex increase, **CMS** - 3Q beat/FY21 raise, **EVRG** - 3Q beat/FY21 raise, **FE** - Ohio settlement & 3Q beat/FY21 raise, **IDA** - FY21 guidance increase & capex upside, **NEE** - renewables originations, **NI** - FY22 guide above Street/BofA, **PEG** - 3Q beat/FY21 raise**, POR** - capex upside, **WEC** - LT EPS CAGR increase and 3Q beat/FY21 raise.

Cautious updates (-) **AGR** - Renewable delays/no origination, PNM risk, & NECEC referendum loss, **AVA** - FY22 guidance cut, **AWK** - LT EPS CAGR cut and FY22 guidance below Street/BofA, **DTE** - FY22 guidance below Street/BofA, **EIX** - higher wildfire liabilities and FY21 guidance cut, **FTS** - LT dividend risk moderation and slowing rate base growth, **MDU** - FY21 guidance cut, **NWE** - capex moderation, and **UTL** - 3Q miss.

Opportunities aplenty across the subsectors

We reiterate our Buy ratings on top picks; in our view these names are well positioned for outperformance in 2022. We still generally prefer regulated value including **AEP, D, ETR, FE, ETR, NI, and SO** but there are select opportunities among the premium high P/E equities such as **AEE and XEL, all of which are based on favorable risk/adjusted return profiles**. Diversified leaders **AES and NEE** remain well positioned to continue adding renewables with a favorable backdrop of energy inflation and pending Federal infrastructure bill. Within SMIDs **BKH, MDU, and POR** standout relative to peers due to overly discounted valuations. Lastly **Exelon (EXC)** is a unique opportunity with favorable regulated and un-regulated valuations ahead of the key 1Q22 targeted spin-off.
Please see here for a link to our discussion of premium, value and SMID classifications. (https://rsch.baml.com/r?q=bm8uSEJpfFshEUiceO14ig)

AES Corp (AES)

- How are you thinking about the pro forma portfolio over the intermediate term as you continue to reduce fossil exposure and focus on renewables?
- Can you talk through latest supply chain trends and ability to secure components? Do you see any projects at risk of meaningful delays? What kind of de-commitments from suppliers have you seen thus far?
- Can you walk through the latest developments in Chile and the key priorities for your business in the country in 2022 and beyond? How are you thinking about the potential impact from Clean Energy Legislation?
- How would you frame the impact to AES from provisions included in the Infrastructure and reconciliation bills as currently proposed?
- Can you discuss latest prospects in Hawaii and potential repowering opportunities? What is the timeline for developments from here and what are the key considerations? How much contribution would you expect repowering to drive relative to your assumptions?
- Can you discuss latest hydrology trends and earnings sensitivities?
- Following the latest extension of Redondo Beach, how are you framing the impact relative to your guidance and how what do you expect in terms of the future of the plants in California given latest resource adequacy concerns?
- Do you have any updates around the Hydrogen feasibility study? How should we think about potential contribution if a constructive outcome is reached and further efforts are pursued?
- How are you framing timing of further asset sales against the latest market backdrop? What levers do you have to offset any EPS dilution from further accelerating the transition out of coal?
- Can you discuss the key drivers of your LT guidance? What are the puts and takes to get you to the high end of the range and the lower end of the range, respectively? Where do you see yourself as trending right currently?
- Can you walk through your financing plan over the next several years?
- How do you frame the longer term risks around emerging market economic budgets - and risks of associated impacts to utility & IPP policy?
- Can you walk through the latest utility developments? How should we think about long term prospects and consolidated contribution for the subs?

BofA SECURITIES

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- Can you talk about your credit metric goals longer term now that you have achieved an Investment Grade rating for the first time? Can you walk through where you look to deploy cash over the next several years?
- Since 2011, you have simplified your global footprint meaningfully from 28 countries. Going forward, where do you look to establish or grow your presence and which countries would you be looking to exit longer term?
- Can you discuss your latest targets for annual renewable deployment? Can you walk us through your backlog and which projects and regions you are seeing as the most exciting?
- Can you provide an update around your strategic alliance with Google? How should we think about further value creation from the partnership?
- Can you provide an update around latest developments at Uplight? How should we think about the prospects going forward?
- Discuss the latest **LNG** developments in Vietnam and elsewhere. How should we think about earnings contribution for both the discrete projects and longer term opportunities in LNG?
- Can you walk us through the latest **PPAs** you have signed? What type of economics do these projects command?
- Discuss your current **FX sensitivities** relative to where rates stand today.

Alliant Energy (LNT)

- Please discuss the key drivers of your 2022 EPS guidance. What factors will determine whether you deliver at the low or high end? What level of earned ROEs are embedded in the near-term guidance?
- What are the key priorities of your rolled-forward capex plan through 2025? Is the renewables generation capex all backed by specific project or do you include any unallocated spend?
- How would you characterize the opportunity to invest in undergrounding of electrical distribution lines in your service territory? Is this an area you can accelerate given increasingly severe weather?
- Are you seeing any delays in solar projects due to supply chain or other issues? What level of inflationary pressures are you seeing?
- What is the expected capex associated with the 200 MW Duane Arnold Solar Project with 75 MW of battery storage? Will you be utilizing a tax equity partner in the transaction? What ROEs have solar projects garnered in Iowa under advanced ratemaking in the past? In addition to the purchase of the Duane Arnold solar facility are you considering developing other sites or would you consider purchasing from developers?
- Can you quantify the upside opportunity from Direct Pay if included in a final infrastructure bill? What would be the expected impact on your consolidated credit metrics?
- When are your next expected rate filings in both jurisdictions?
- Please give an update on the proposed WI solar build that is currently in front of that state's commission. Is the process moving ahead as expected?
- Do you have block equity needs in your current long term forecast?
- Are most of your expected cost reductions in coming years related to fuel cost savings from retiring coal assets? What other reductions are you targeting to reach the goal of 3-5% savings?
- What is your expected average bill impact on $/month or percentage basis this coming heating season? How is this expected to drive conversations with regulators on spending initiatives looking ahead?
- Do you have opportunities in wind repowering? How many MWs and over what time frame could these materialize?
- Are you evaluating any opportunities for renewable natural gas (RNG) or hydrogen pilots?
- Have you evaluated the feasibility of additional coal-to-gas conversions as you are planning with Burlington given the low level of capex required?

Ameren (AEE)

- Please share your views on the proposed multi-year plan (MYP) ratemaking mechanism as proposed by the recently passed IL energy legislation. Do you intend to opt in to this mechanism?
- How do you view settlement prospects in the pending MO Electric rate case? Are there read-throughs from the recent Spire rate case? Why and why not?
- Please provide an operational update on the High Prairie Wind facility. Do you intend to curtail operations at night to limit harm to endangered species? How could this impact the recovery on this asset?
- What is the timeframe for resolving the Rush Island Clean Air Act proceedings? Are you challenging the recent court decision? When would an amended version of your Missouri resource plan potentially be filed?
- How has the stakeholder process around your MO resource plan developed? Have you received pushback on your proposed renewable generation build or proposed timeframe for existing coal?
- Have you evaluated a faster exit from coal generation given the trend toward decarbonization across the industry and customer bill benefits from lower O&M and fuel savings?
- What is the latest update on the MISO long-term planning process? Do you have an estimate of when the initial project announcements will be announced?
- Do you view North-South or East-West transmission opportunities in the MISO footprint as more significant as you look toward the second half of your 10-year plan?
- How much upside in the back half of the existing 10-year plan could you see from the MISO long-term planning process under the various 'Futures' scenarios?
- What latitude do you have to reduce O&M at the utilities in 2022 and beyond?
- What level of sales growth do you expect to see over the next several years? How are these split between customer additions and load growth?
- Have you seen results or updates from the Federal-state task force on transmission planning, siting, and cost allocations? What are the key issues the task force will be addressing?
- What are the key levers that you have for determining where in the 6-8% EPS long-term CAGR range you will achieve?
- Do you have latitude within your financing plan to accelerate capex beyond that proposed in the latest 5-year look?
- How are you managing customer bill impacts during the upcoming heating season? Do you have estimates on a $ per bill or % of bill basis for an average bill increase?
- How would you characterize your regulatory relationships in both MO and IL?

American Electric Power (AEP)

Kentucky Power Sale & Financing

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- How do you view the pro forma business following the Kentucky Power sale beyond the one year of accretion that you highlight?
  - How do you view the balance sheet going forward? Baa2 rating with a low downgrade threshold of 13%.
  - Have you had discussions with the regulators and other stakeholders in the state? How do you perceive their openness to a transaction?
- There continues to be ongoing equity needs with the business as you are investing in more renewables and transmission. How should we think about further non-core asset divestment?
- Can you give an update on Traverse (North Central Wind project)? The timeline moved from Dec.-Apr. to Jan.-Apr. What was the driver of the shift? When do you expect that you will be able to further narrow the range?
  - If there is a gap between when Traverse enters in service, how should we think about financing? Short-term debt at the parent?

Financials - capex & FY22 EPS Guidance

- What are some of the moving pieces within your guided 2022 EPS range? How do you think about contributions outside of core Operating utilities within the range & how does this trend in your updated view of long-range plan? Is it still roughly a flat contribution?
- Can you discuss how much of the updated capital plan is low-risk capex vs renewables projects that still need approval?
- What are upside opportunities not included in ratebase / capex projections?
- Discuss your projected resource additions for the next decade. How much of the capacity is already built into the plan, and how much is from IRPs not currently included in the budget?
- Can you describe your O&M cost reduction efforts?
- What would get you to the upper end of the 5-7% LT growth trajectory?
- How do you see future returns for the renewables development business?
- Can you discuss opportunities within the reconciliation bill? Anything specifically that you would highlight as particularly constructive or supportive of additional investment in the business? Particularly in transmission?
- How do you see future returns for the renewables development business?
- How do you see the prospects for more **grid** modernization growth opportunities?

Regulatory

- What is the status of the AEP Ohio rate case? What is driving the delay? Any risk that this gets further pushed out?
- What are your expectations around pending rate cases: I&M Indiana, SWEPCO TX, AR, and LA, PSO? Any sticking points or pushback from interveners?
- When should we be expecting an update on the Appalachian Power Co. (APCo) VA rate case appeal? Could the recent Dominion settlement be a factor here at all, or on your thoughts on the regulatory construct in the state?

Other Financials

- Can you discuss your anticipated FFO/debt trajectory?
- Can you address your LT dividend ratio policy?
- Can you discuss how your earned ROEs are tracking vs. authorized levels? How do you think about expanding equity thickness across utilities further?

American Water Works (AWK)

- What do you view as the key upside/downside drivers for the 7-9% **LT EPS** trajectory that you recently narrowed at your latest Analyst Day?
- Can you discuss the latest roll-forward? Where do you see the most opportunities to deploy capital longer term?
- Where do you see supportive policy in terms of Fair Market Value (FMV) legislation? Accordingly where are you most focused for inorganic growth opportunities via regulated tuck-ins?
- Given your renewed focus towards regulated and regulated-like business, what are the key states you may be looking to expand operations where you don't currently have a presence?
- Can you talk about your decision to divest of your Homeowners services business? How does the revenue sharing mechanism work?
- The Environmental Protection Agency (EPA) recently laid out a roadmap with plans to establish a national threshold around PFAs and emerging contaminants. How would you frame any risks or opportunities?
- How would you frame the impact to AWK from water provisions included in the Infrastructure and reconciliation bills as currently proposed?
- How do you think about equity needs for inorganic growth opportunities? How should we think about the cadence of when you will issue the $1.1Bn of equity in the latest plan?
- How do you expect the unregulated business to trend as a percentage of your overall business mix given the plans to divest HOS? How do you think about growth for this segment going forward?
- Discuss your current pipeline for Military Services and how we should be thinking about potential contract awards over the next few years following the latest wins? Are there any opportunities to keep an eye on that you see as potentially materializing in the nearer term?
- Can you talk broadly about the Water Quality Accountability Act and what it has done for your business?
- How are you thinking about your potential tax payer strategy going forward? How does this change under any provisions in the latest bills being proposed?
- Are there any particular regulated acquisitions that are not meeting your criteria at this point in time? Please also discuss your appetite for regulated acquisitions looking out the next couple of years.
- How should we think about further divestitures after your earlier decision to sell NYAW? Can you provide an update on expectations for the timeline of the sale given developments in NYS as of late?
- Are you able to provide any additional color on your pending acquisitions?
- Can you touch on your pending rate case requests and expectations?
- Please comment on your relationships with the regulators in your various regions
- Where do you see overall ROEs trending over time?
- How are you viewing overall O&M trajectory & continued headroom?
- How should we be thinking about further potential diversification?

Atlantica Sustainable Infrastructure (AY)

- With a limited *disclosed* **pipeline of opportunities**, how do you view the risks of cost inflation pressures and supply chain delays?
  - How do you see the impact on CAFD yields and dropdown/acquisition growth for 2022-2025?
  - How can you mitigate some of the risk?
- Given your elevated **international exposure** vs. peers, where do you see CAFD yields trending today across the various regional markets and asset classes?

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- Discuss **growth prospects** on a regional basis as well as by asset type. Where are you seeing the opportunities in the near term as well as longer term?
- How do you think of your guidance for **CAFD/share growth target of 5-8% CAGR until 2024**? When do you expect to provide an update?
-
- How have you trended in 2021 relative to your **$300mn annual investment target,** and do you still see this target as achievable in 2022/2023+ as market dynamics shift?
-
- How should we think about driving factors for 2021/2022 **CAFD and EBITDA**?
  - For 2021, what could drive the high vs. low end of the $820-860mn EBITDA guidance range? (e.g. renewable production, FX impact, Kaxu/ACT maintenance, acquisition timing, etc.)
- In light of the **reconciliation bill** with multiple tax credit extensions and introductions, how do you view your strategy for growth in the U.S.?
  - Is there potential for acceleration, and which markets appear most intriguing?
- Provide an update on the **Spanish assets** including any potential impact from the **European energy crisis**. How are your facilities positioned in terms of the recently introduced regulations?
  - What upside exposure, if any, do you have to energy price volatility?
- What are your expected **financing costs** for future deals? Discuss demand in the market for green bonds and your anticipated cost of capital.
- How do you view **Algonquin's** role as a sponsor?
  - Can the La Sierpe dropdown be viewed as an indication of an improving relationship with Algonquin? Could there be scope for more sponsor ROFO dropdowns?
- What kind of role do you see AAGES (Algonquin Atlantica Joint Venture) playing in AY's growth? You had previously stated that AAGES would not be a meaningful contributor to growth in the near term. Can you discuss the timing expectations for AAGES opportunities?
- Can you provide an update on delayed payments from Pemex on ACT?
- How do you expect Kaxu to impact 2021/2022 CAFD performance?
- Discuss your strategy for corporate debt targets.

Avangrid (AGR)

- Can you describe some of the upside opportunities to the plan such as incremental utility capex, independent transmission, etc? Can you frame the magnitude.
- Can you provide more color around what drove the recent delays for planned renewable projects into '2022-2023' CODa vs. prior granular disclosures?
- How comfortable are you with your ability to achieve the 13.2 GW target by 2025 vs. ~8 GW installed today? This would appear to imply ~13-14% annual MW growth vs. the historical ~8% CAGR for 2016-2020. With ~1.8 GW already disclosed in the pipeline (1,100 MW solar PPAs, 300 MW wind PPAs, 400 MW offshore) through 2025, that would imply an additional 3.4 GW needed over four years of over 800 MW/year.
  - How are planned offshore projects reflected in this MW growth target vs. EPS guidance?
- How do you view the potential upside from the reconciliation bill? Is this already implied in the 13.2 GW target by 2025?
- Given historical declines in capacity factors over the last several years, do you see the latest Q1-Q3 2021 average wind NCF of 28% (1.6% below prior year) as a weather-driven anomaly? What are your expectations for existing & newbuild capacity factors for wind and solar projects?
  - At your 2020 Analyst Day, every 100bp of net capacity factor was disclosed as +/- $0.07-$0.08 indicating a potential $0.10-$0.15 EPS risk (~5% EPS). Does this sensitivity still apply today?
- What type of returns do you target for new renewables: onshore wind, offshore wind, and solar?
- Can you describe your management compensation philosophies for renewables in light of the recent turnover at Avangrid as well as Iberdrola?
- How much exposure does AGR's Renewables business have to market power prices? Given the recent commodity rally, is there potential for pricing uplift to help offset risks of declining capacity factors?
- Please discuss your 2022 EPS guidance of $2.36-2.60. What are the positive and negative drivers since initiation?
- Discuss your 6-8% '20-'25 EPS CAGR. What are the drivers for the high end vs. the low end of the range?
  - What are your expectations for Vineyard Wind impact for '24 vs. '25 (run rate)?
  - How do you think of Park City Wind contribution as you roll forward your EPS CAGR, with respect to timing as well as cost inflation risks?
- Please discuss your strategy for the PNM deal, including synergy opportunities (renewable development, cost savings, credit efficiencies, etc.)? Are you open to an independent Board of Directors at PNM?
- What is the legal strategy for New England Clean Energy Connect (NECEC) following the Maine referendum? Does the Seabrook dispute influence timing? Is there a scenario where the contract could be cancelled due to missing the deadline?
- What are you incorporating into 2022 guidance from an earned/authorized ROE perspective, specifically Maine and New Mexico?
- How would you characterize your stakeholder relationships in the states? Where are they the strongest? Where do you see opportunities to improve?

Avista (AVA)

Regulatory

- Can you talk about the rate case in OR? Anything that we should be focused on in particular? Any asks that you find may be contentious outside of the typical ROE and capital structure?
- How are you viewing the WA environment following the most recent rate case outcome? Some positives coming away from that case including wildfire balancing account.
- How much do you plan to spend under the Wildfire Prevention program? Could accelerated wildfire prevention spending potentially feature in future rate cases?
- What other mechanisms do you feel you need in your jurisdictions that would enable you to earn closer to your allowed ROE?
- How should we be thinking about the next rate case in WA in 2022? Are there any specific considerations that we should be watching for with the multi-year rate filing?
- What kind of regulatory outcomes are assumed in guidance through 2023?
- Is there anything that you are working on that could alleviate structural lag? Remind us what the level of structural lag is?

BofA SECURITIES

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- Can you talk about the legal action you are taking against SB265 and SB266 in MT? What are the implications of the legislation and what are the key items we should be tracking?
- Can you discuss the regulatory construct for wildfires in each of your jurisdictions? Is there any precedent for cost recovery of liabilities?
- How do you think about the ability to procure wildfire insurance given the state of the market today? And, what is your view about passing these costs on to rate payers?
- Are there any updates to the Babb Road Fire investigation? What is the latest here?

Capex, Key Financials, & Other

- Discuss latest trends for load, O&M., and other related items.
- How do you think about your LT capex profile? How do you view customer bill inflation given the elevated capex and need to raise rates to move closer to the authorized? Should we assume minimal impact because the capex is being driven by customer growth?
- How are things trending on the non-regulated side of the business as the region recovers from COVID? Are there new opportunities related to the increase in energy prices like your historical LNG efforts?
- How do you think about regulated M&A given the current backdrop?

Black Hills Corp (BKH)

- Can you walk through the y/y drivers for your 2022 guidance of $3.95-$4.15? What are the key swing factors to get you towards the low or high end of the range, respectively?
- How are you framing incremental capital opportunities beyond the latest update, particularly related to the recent Integrated Resource Plan (IRP)?
- Can you provide an update on your regulatory filings around winter Storm Uri?
- How would you frame prospects in Colorado amid the change in commissioners and the recent rate case settlement?
- Can you talk about the rationale for joining the Western Markets Exploratory Group and potential outcomes for the business?
- With the regulatory agenda getting busy again, can you walk through the various timelines for resolutions and new rates? How are you framing expectations around where ROEs could ultimately materialize?
- Given your elevated debt-cap coming off of storm Uri, how are you framing implications as you go in for new rates in various jurisdictions? Is there a precedent for HoldCo vs OpCo capital structures?
- How are you thinking about ability to deploy elevated levels of capital to grow rate base given the need to recover a high magnitude of costs from the storms in addition to higher commodity pricing in balancing the rate impact?
- With all of the strategic pivots and M&A announcements over the last several months, what are your latest thoughts around consolidation? Are there any jurisdictions that you would be looking to divest if given the opportunity?
- Can you talk through latest supply chain trends and ability to secure components? Where do you see the biggest bottlenecks and how has your approach changed in terms of procurement?
- What are your thoughts around the move by some regulators shift towards de-carbonizing gas utilities? How do you expect your gas businesses to evolve across jurisdictions given the increased focus by several states as of late?
- Legislation has been enacted preserving customer energy choice in Arkansas, Iowa, Kansas, and Wyoming. Is there any other potential legislation in the works that you are keeping an eye on across your jurisdictions or items you would like to pass in coming years?
- Where do you expect ROEs and equity layers to trend across your jurisdictions over time, and where do you see the biggest regulatory hurdles?
- You've been successful in utility consolidation in a number of your jurisdictions. Can you talk a bit about the benefits and the implications of not getting consolidation in Colorado?
- Can you talk a bit about your latest ESG efforts given your elevated coal exposure vs. peers? How should we think about such efforts evolving over time?
- Do you see public support for continued coal generation in the states where you have operations and any potential legislative action? What other options are there to support coal economics?
- How are you framing further financing plans at this point given the latest market environment? Can you discuss latest conversations with credit agencies?
- How do you view ongoing equity needs after 2022? How should we think about potential equity needs if incremental capital spend were to materialize?
- Can you frame the bitcoin mining opportunity in Wyoming? $Mn/MW?
- How should we think about your ability to rate base renewables longer term?
- How do you see the economics of renewables (wind) rate base in Wyoming?

CenterPoint Energy (CNP)

Energy Transfer

- Can you provide an update on the Energy Transfer/Enable transaction? What is the status at the Federal Trade Commission?

Regulatory

- What is the latest update on your generation build out in IN? Any risks to the CPCN filings? Are you seeing any supply chain impacts at this point?
- How would you frame the rate case in '24 to include the renewables? Are there any risks to inclusion in rates given pre-approval of the projects? Remind us, is this case (and the Houston Electric case) the reason why you have left the latitude of 6-8% on FY25 EPS growth?
- How should we be thinking about the MN Gas rate case? What is the timing of filing? Any items in particular to watch that you would point to? How has the Uri storm cost changed the regulatory backdrop in the state?
- What earned ROEs do you embed in your current outlook that drives you to 8% EPS CAGR at the utility through '24?

Capex & Growth/O&M/Balance Sheet

- The Texas legislation has been reflected in the capital plan, but there is still ~$1B of reserve capital opportunities that you point to. What does the amount consistent of? Is it just further clarification of TX opportunities?
- How are cost reductions trending YTD? What takes you to either end of the 1-2% range in a given year? Is the flexibility there to hit the 8% EPS growth consistently?
  - Is there any upside to the 8% EPS growth in the near-term?
- Can you talk about your 15% FFO/Debt metric target going forward? How are you thinking about this especially given some additional latitude with the metrics following the midstream exit?

Securitization & Uri Gas Costs

- Can you discuss the agreement with the Railroad Commission on securitization of the extraordinary gas costs?
- What is the latest in the Minnesota prudency case? Where are parties and the Commission leaning?

Other

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- What other strategic initiatives do you perceive are remaining? You have talked about the gas LDCs as an opportunity to monetize if there is an opportunity to redeploy the capital?
- What should we be expecting from your plan to transition to net-zero? All-inclusive path to decarbonize the entire business over the LT? Will there be more specifics on the near-term investment opportunities?

CMS Energy (CMS)

- Discuss the key components of your 2022 EPS guidance range of $2.85-2.87? What factors will determine whether your results are in the upper or lower ends of the range and are you confident in achieving the upper end?
- Do you see any opportunities to accelerate capex (renewables, etc.) and/or improve the balance sheet related to the pending Federal infrastructure bill?
- Discuss the proposed acquisition of the 1,176 MW Covert generation station as part of your IRP for $815m - how do you view this transaction unfolding following supportive staff testimony that recommended preapproval?
- What additional context can you provide on the proposed retirement of Campbell 3 following staff feedback that the proposed retirement is not supported by robust analysis? Are you concerned about staff's position? Are you confident in garnering approval of regulatory asset treatment for recovery of the undepreciated plant of your coal assets that will be retired early?
- Do you expect to be granted full cost of capital recovery of retired coal book value through the regulatory asset following staff not taking a position recommending a specific rate of return?
- Can you provide an updated on your proposed acquisition of Dearborn industrial Generation (DIG) and peaker assets? Which proposals by staff do you intend to evaluate - additional distributed generation, or other levers?
- How do you view staff feedback on the treatment of securitization debt including potential inclusion in calculation of an authorized capital structure?
- How would your characterize your storm response in 2021 & lessons learned? How has interaction with stakeholders and regulator been following customer outages caused by severe weather over the summer? What solutions are being considered to improve grid reliability and reduce the frequency and duration of customer outages?
- Do you view the recent ALJ rec in your pending electric case with ~$40m below the staff recommendation for revenue requirement as creating any risks for your 2022 EPS guidance? What levers do you have that can be utilized to offset an authorized revenue increase lower than that contemplated in your guidance?
- Are you monitoring the bill proposed in the legislature that would allow large industrial customers (above 2000 kw) to purchase electricity directly from alternative providers? What is the likelihood of the bill passing in your view? Have similar laws been proposed in the past? What would the impact be if such a bill were passed?
- What has investor feedback been throughout 2021 on the decision to dilutively divest EnerBank? Has the tone of conversations changed
- If the proposed DIG and peaker sale to Consumers is approved as proposed in your IRP, what would be the remaining generating capacity in the Enterprises segment and expected annual earnings contribution? Would you consider expanding this segment prospectively?
- How sticky do you expect residential sales to be following post-Covid reopening?

Consolidated Edison (ED)

- How is the company tracking vs. the 2021 EPS guidance range of $4.15-4.35, specifically as it relates to covid impact?
- Can you file for recovery of some or all crew staging costs related to severe weather experienced earlier in 2021?
- Discuss the prospects for recovery of your uncollectable balance at CECONY following the Covid pandemic.
- What steps is the company taking to address the growth in customer arrears since the outbreak of Covid? What portion of the arrears would you expect eventually could be written off as uncollectable?
- How should we think about the core earnings power of the company and ability to earn at your authorized ROE level in 2022 and beyond? Do you see upside from recent settlements in NY?
- What earned ROEs are embedded in your long-term EPS guidance of 4-6% over the 2021 midpoint of $4.25? How can you achieve the upper end of this range? What is your feedback to recent peer rate case developments?
- How have your conversations been with the newest state and local leadership in New York state and City?
- How much latitude do you have to reduce expenses and O&M in 2022 and going forward? Can you quantify the opportunity and discuss how sustainable such reductions would be?
- What factors will drive how much equity is issued in 2022 and 2023 respectively in context of your $700m aggregate target? How are you planning on addressing the negative credit outlooks that two of the three agencies have on Con Ed and its utilities?
- How has demand for Steam materialized thus far in 2021 relative to your expectations on a weather-normalized basis? What are your expectations for long term growth in steam sales?
- Do you expect the Clean Energy Business will be able to source accretive projects at a pace of $400m/yr as it has in past years? Are there opportunities for improved returns under the pending Federal infrastructure legislation around Direct Pay?
- Discuss the components of Phase 2 of your Utility Transmission and Distribution Investment Proposals. Over what time frame do you propose to execute the 8 projects and $5B of capex? Will you be submitting a portion of these proposals in your upcoming rate case filing?
- What are the near-term opportunities you see for capturing investment spend related to offshore wind transmission? Which states are most promising in your view?
- What modifications to CECONY's existing incentive programs would you like to see during the next rate period?
- Do you view your stake in the Mountain Valley Pipeline (MVP) as a core asset or would you consider whether to monetize the stake upon completion and in-servicing of the pipeline?

Dominion Energy (D)

- What prospective earned regulatory and operating earned ROEs are embedded in your long-term earnings guidance? What type of offsets are available for the 2024 triennial review?
- Does the treatment of the coal plant impairment charges in this case set a precedent for how similar charges will be treated in the future?
- How would your characterize your stakeholder relations after the stipulation? What are the key other VA regulatory proceedings to follow?
- Do you see opportunities from Federal procurement of renewables?

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- Please provide your feedback to the Virginia elections where the Republicans gained representation. What are your corporate political contribution policies?
- Are there any legislative measures that you feel would further strengthen the regulatory construct in the state to drive renewables investments
- How do you think about the ability to execute on 6.5% growth targets through 2025? Any upside to this on acceleration of renewables deployment? Especially as you take larger ownership of solar?
- Are you seeing any inflationary impacts? Are you locked in on pricing in the near-term? Should we expect any impacts over the longer term?
- Can you talk about the offshore permitting process? What lessons have you learned from peers? We have seen some projects pushed out for a number of reasons - do you see any risks to your projects at this point?
- Could we see offshore wind partnerships established with either the first phase (2.6GW) or with phase 2?
- Could we see further VA coal plant retirements announced in the next few years given economics?
- With the new pivot to renewables with much more favorable ESG attributes, how are thinking about your carbon-based assets such as natural gas?
- Can you talk about the decarbonization path for SC? Do you see any ability to further accelerate coal retirements and renewables deployments?
- Can you discuss your progress in Renewable Natural Gas (RNG)? How should we be thinking about the economics here?
- Anything we should be following at the gas utilities, whether in UT, NC, or OH?
- Discuss Wexpro in the context of your overall portfolio? How has this business been impacted by the latest increase in gas prices?
- Can you discuss what you are seeing with load and customer growth across your jurisdictions? It seems to continue to trend positively. Do you feel the need to update your longer-term assumptions at this point?
- How are you thinking about your Contracted Asset portfolio? Any desire to monetize assets to offset the small amount of equity needs you have in plan. How are you thinking about Cove Point and Millstone specifically? How core are these assets to your portfolio?
- How is the Jones Act Compliant Installation Vessel progressing? Can you discuss the structure of the contracts that will be signed with the vessel? Any risks of it not being available when it is needed?

DTE Energy (DTE)

- Discuss the key components of your 2022 EPS guidance range of $5.70-5.97. What factors will determine whether your results are in the upper or lower ends of the range?
- What earned ROEs at the electric and gas utilities are embedded in your 2022 guidance? As part of your long-run outlook?
- Do you see any downside around the DTE Gas authorized ROE of 9.9% following the ALJ's recent recommendation of 9.5%?
- The Energy Trading business has exceeded its earnings guidance in recent years - has anything fundamental changed regarding operations, strategy, or positioning? The book tends to run slightly long natural gas, are there any other positioning trends that you can disclose?
- Discuss your recent announcement to end coal use at Belle River in 2028, two years ahead of the previous plan. Are you planning to close or convert the facility to gas?
- What options are you evaluating for potentially accelerating the end of coal use at Monroe given its current retirement date of 2040?
- How has staff testimony in your state peer CMS' IRP informed your own long-term planning? Are you considering proposing a regulatory asset with full cost of capital recovery for undepreciated coal?
- How has interaction with stakeholders and regulator been following customer outages caused by severe weather over the summer? What solutions are being considered to improve grid reliability and reduce the frequency and duration of customer outages?
- Discuss the moving parts of your most recent long-term capex update at DTE Electric. How much of the $1B increase in cleaner generation spend is driven by voluntary renewables and what MW additions are contemplated in the 5-year plan? Does the $1B reduction in base infrastructure spend represent a permanent cut or pushing out of the planned investments?
- Over what time frame do you expect to reach your target 90-10 business mix between regulated and unregulated segments? Does this business mix contemplate an allocation of parent costs? Is the 10% non-reg business mix a hard cap?
- What is the magnitude of the additional opportunity in the long-term capex plan at DTE Gas? Previously this item was quantified at $500m.
- How are you addressing concerns about average customer bills at both the electric and gas utilities as a result of higher commodity prices? Is there concern about the commodity portion of bills crowding out investment opportunities over time?
- Discuss the opportunity set you have in the RNG business. Your latest update suggested a geographic expansion with projects in Wisconsin, North Dakota, and New York. What other states do you see as potential targets for expansion. What level of returns are you seeing in new and proposed RNG business over the past 12 months?
- What are the opportunities and risks related to the storage outage docket?

Duke Energy (DUK)

<u>NC Legislation & IRP</u>

- What percentage ownership of renewables is assumed in your current plan and in the back-half of the 10yr plan (2025-2030)?
- How do you perceive the integrated resource plan (IRP) process will coincide with legislation? How will the new "*Carbon Plan*" play into this IRP process?
- How should we think about the 2020 IRP and the legislations' goal to reach 70% carbon reduction by 2030? Is offshore wind a viable route? Has there been any movement on lease auctions so far?
- How should we think about implementation of the alternative regulation framework? Will the mechanisms be included in the next rate case in the state? When do you expect to file? What other items need to be implemented through a regulatory process?
- Are Multi-year rate plans (MYRP) and ROE banding/sharing mechanism required to hit the mid-point of your guidance range or does it allow you to execute at top-end of EPS range?
- Can you talk about coal plant securitization? Will this drive an acceleration of coal retirements?

<u>Regulatory</u>

- How do you think about the fleet transition in Indiana (IN) as you get ready to file the upcoming IRP? Will this form the basis to accelerate rate base growth in the state? Is securitization a tool that will be utilized to facilitate coal retirements?
- How do you think about earned ROEs in FL through the outlook with modestly lower authorized ROE?
    - How much are the legacy QF contracts at DEF contributing to the relatively high cost structure of the business? Do you see yourself being a little more aligned with your in-state peers after these contracts roll off?
- How do you think about your Gas LDC portfolio? Any opportunities to decarbonize here too? What has the progress been so far?
- Can you discuss the recent SC Supreme Court decision on coal ash costs?

- A rate case was recently filed in Ohio. How are you viewing this jurisdiction in light of the newer Commission and ongoing process with FirstEnergy?
- Anything else on the regulatory front that we should be on the lookout for?

Strategic

- Taking all of the capital spending opportunities through the remainder of the decade into consideration, how should we think about financing?
- Comment on the Elliott settlement if possible? Will the new members be appointed at the next meeting in 2022? Any sense on background?
- Are there any opportunities with National Methanol (NMC) after the commodity rally?

Edison International (EIX)

- Can you please discuss the dynamics around the volume of cases vs dollar amounts settled related to legacy wildfire cases? Are there any other milestones such as statute of limitations that could influence timing again?
- Following the SED agreement with 3Q21, what are the other open regulatory and legal proceedings that could result in disallowances and penalties?
- If there are further legacy wildfire cost increases, how should investors balance equity versus debt financing? What are the primary considerations when deciding on what type of equity content securities to utilize?
- What is the opportunity set of utility-owned storage beyond the latest 535MW August 2022 at ~$900Mn? How about for electric vehicles infrastructure?
- How would you frame the cost/benefit of further wildfire mitigation spending to stakeholders? Incremental covered conductors, strategic undergrounding, enhanced vegetation management, etc.
- Where in the 15-17% FFO/Debt range are you targeting? How have rating agency conversations evolved during 2021?
- How did 2021 wildfire season compare to your expectations for acres, damage, etc.? What is the outlook for 2022?
- What regulatory and legislative reforms, if any, would you like to see implemented to improve the California construct around inverse condemnation?
- Do you have aspirations to diversify operations outside of California?
- Are there any plans to meaningfully grow the Edison Energy business? The characteristics are similar to many high growth/valuation peers with the difference relating to the C&I focus vs residential.
- What trends are you seeing when procuring insurance for 2022 in terms of cost and availability? Do you expect to pass all costs on? What is the latest with plans for internalizing insurance costs?
- What areas are you seeing the great opportunity set of O&M efficiencies and areas for a reduced cost profile?
- For the cost of capital mechanism, what are the potential outcomes, timing for resolution, and mitigation opportunities? Any thoughts on the transmission ROE and incentives?
- What caused the revision to FY21 core utility earnings power in guidance for 3Q versus the September 2021 update?
- You have estimated ~60% **reduction in catastrophic wildfires** from 2018. How do you forecast this **risk mitigation** in the future? How much of the 'low hanging fruit' has been achieved?
- Bill affordability was topical in your last rate case. What rate of **bill inflation** do you forecast through the next general rate case cycle?

Emera (EMA)

- Can you walk through the settlement in the Tampa Electric rate case and how you are framing EPS trajectory out of a final resolution?
- With certainty around the outcome of your FL rate case are you planning on providing additional financing guidance with a potentially narrower equity financing range?
- Discuss the latest status of your solar initiatives in Florida. How are you thinking about the impact from tax credit extensions and does it further drive an appetite for additional solar installation? Are project delays affecting your timeframe at all?
- Please discuss your other initiatives in Florida such as your Big Bend Modernization efforts?
- Please discuss your latest capital program and walk us through the financing requirements. How much latitude do you have to add additional investments to the plan before the need to issue more equity? What do you see as the biggest upside lever to your capital program in both Florida and across the rest of your portfolio?
- How should we be thinking about potential asset sales as a lever to finance additional growth, particularly at Florida Electric?
- What is the latest update on the Atlantic Loop project that you can provide?
- Discuss your regulatory relationships across your portfolio. Are there any jurisdictions that you see are becoming more regulator friendly or vice versa?
- Can you discuss your latest targets for FFO/Debt metrics relative to what the rating agencies require? Does Moody's still look to consolidate the Maritime Link equity method investment when they are calculating their metrics?
- How do you think about balance sheet capacity and metrics in the US and Canada?
- Where are ROEs trending currently across the different jurisdictions? What are your expectations going forward?
- Can you discuss the difference between equity ratios and ROEs between the US and Canada? How do you perceive prospects for Canadian ROEs and equity layers to trend closer to US levels over time?
- How are you thinking about long-term dividend growth relative to your current targets? How should we think about your current payout ratio trending over the next few years as you start to get rate relief?
- How are you thinking about inorganic growth across in either the US or in Canada?
- Are there any unique impacts to the Canadian company from the pending US Federal infrastructure legislation?

Entergy (ETR)

- Can you discuss the major assumptions within your adjusted EPS outlook and what could drive you higher or lower in the range? Please quantify the customer-centric and resiliency investment opportunities? Would these be utility owned?

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- Please discuss how engagement with New Orleans stakeholders have evolved over the past few years? What has feedback been to your four proposal alternatives and use of credits to mitigate electric/gas bill increases?
- What is the expected bill trajectory by jurisdiction from 2020 in light of the hurricanes/Winter Storm Uri and MISO transmission cost increases?
- How much can you reduce O&M further prospectively to manage customer bill impact from base and upside capital expenditures?
- What are the considerations when issuing equity securities including type (common vs preferred), methodology (block vs programmatic), and timing (ST vs LT)?
- Is there an opportunity to settle or otherwise resolve any of the pending FERC proceedings related to (System Energy) SERI?
- What are the core regulatory issues that the PUCT is attempting to resolve by considering retail competition in Texas? Would this lead to your prospective generation opportunities being subject to competitive bidding or similar mechanisms?
- If the Federal infrastructure package is enacted, in your view would there be an opportunity to accelerate hydrogen, renewables and other investment opportunities?
- How much of your ratebase is in undepreciated coal assets?
- What are your legislative priorities in 2022 for Arkansas, Louisiana, Texas, and elsewhere?
- Can you elaborate further on the Sunflower Solar construction delay?
- After the latest improvement in energy fundamentals, how is your sensitive industrial load responding?
- What would you classify as the most important regulatory proceedings for 2022 after achieving more clarity on select Formula Rate Plans (FRP) in 2021?
- Do you have plans to further de-risk the nuclear decommission trusts/pension plan after recent strong performance, thereby reducing another area of volatility in earnings?
- What opportunities and risks do you envision from an effective tax rate statement from the pending Federal infrastructure bill?

Essential Utilities (WTRG)

- Can you talk about where you are trending in your full year guidance of $1.64-$1.69 after 3Q? What are the key swing factors through the rest of the year?
- Can you walk through the earnings drivers to achieve the 5-7% LT EPS CAGR? What are the puts and takes to put you at the top and bottom end of the range, respectively. How should we think about incremental upside from acquisitions? How do you think about extending the EPS CAGR through a longer period?
- Discuss latest efforts around your ongoing acquisition pursuit of the Chester Water Authority and any updated expectations.
- The Environmental Protection Agency (EPA) recently laid out a roadmap with plans to establish a national threshold around PFAs and emerging contaminants. How would you frame any risks or opportunities out of the decision?
- How would you frame the impact to WTRG from water provisions included in the Infrastructure and reconciliation bills as currently proposed? Can you walk through the nuances of how a higher corporate tax code would impact contribution from Repairs?
- You previously noted that you expect an 18-20c contribution from election of repairs tax accounting for 2021? How should we think about contribution beyond this year given the planned capital spend?
- How are you framing your current appetite to expand your water footprint beyond your current jurisdictions, particularly as you now have gas operations in KY where constructive water legislation was just passed?
- What drove you to exit operations in Florida? Is this a state that you would be interested in re-visiting operations at some point? Are there any other particular states where you would explore starting operations?
- Please discuss Consolidated Tariff and Water Quality Legislation and how meaningful it is to drive further growth?
- Are there any key states or specific opportunities that you are keeping an eye on?
- How are you framing acquisition prospects post Pandemic given the impact it has had on muni budgets?
- How are you framing prospects for the rate case at Aqua Pennsylvania? How are you thinking about any change in authorized returns given the current rate backdrop?
- Can you walk through the various regulatory jurisdictions in which you operate for both businesses? What are the other latest filings or legislative items that we should be aware of across the footprint?
- Where do you expect equity layers and authorized ROEs to trend across the jurisdictions in which you operate? Which jurisdictions have the most attractive returns?
- How concerned are you about inflationary pressures for gas and water?
- Can you talk through latest supply chain trends and ability to secure components?
- How are you framing the timeline and prospects for DELCORA utility acquisition given the ongoing legal challenges?
- A number of states have opened dockets to look at Gas LDCs role in de-carbonization. Can you provide some color around how you are thinking about the evolution of your gas biz over time given the backdrop?
- Discuss the Peoples Gas Pipeline Replacement Program. How much of it is de-risked and are there any permitting issues that you may run into?

Evergy Inc. (EVRG)

- Discuss the key components of your 2022 EPS guidance range of $3.43-3.63. What factors will determine whether your results are in the upper or lower ends of the range? How do you think about cost savings & latitude from '21 as being reflected?
- What earned ROEs at the electric utilities are embedded in your 2022 guidance? As part of your long-run EPS CAGR for 2021-25?
- What are your top priorities in the upcoming MO rate case filing?
- How would you characterize your relationships with key MO intervener groups (OPC, industrials) ahead of the upcoming rate case filing?
- Will you file to maintain your return of and on capital on Sibley in the upcoming MO rate case?
- Please discuss the upside opportunity in your plan around repowering and buy-in of wind PPAs. Have you had preliminary discussions with owner/operators who you may consider acquiring such assets from?
- How do you view upside to your forecast rate base growth through 2025 from the PPA buy-in opportunity you identified at your September Investor Day?
- What is your goal in the Kansas solar predetermination docket ahead of the rate case filing expected in 2023?
- What are your expectations around winter bill impacts inclusive of hedges around natural gas prices, on a $ per bill or % change basis? How would such impacts affect your rate case filings given bill headroom concerns?
- Please describe the expected path of your average retail rates, forecast to grow at +0.5% during the period of 2016-24 and -1% from 2016-21. What steps can you take to mitigate bill inflation prospectively?

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- What level of upside do you see from the long-term MISO transmission planning process currently underway? Would you consider participating in high voltage direct current (HVDC) projects?
- How much load growth is included in your base forecast through 2025? What split between customer and demand growth are you assuming?
- How are you integrating LTE connections across your grid to increase reliability and reduce costs?
- Are there any equity investments in early-stage companies that you expect to be monetized within the next 12-24 months?
- Describe operations at Wolf Creek of late; are there any significant outages or capital projects planned for the next 12 months?

Eversource (ES)

- Can you walk through the upside opportunities relative to the current capital plan that you have laid out through 2025? Can you discuss expectations for any incremental financing: would you potentially need incremental equity to support further investments beyond the current plan? What are equity expectations around potential for additional offshore wind projects beyond the plan?
- Discuss the Electric Highway Coalition and how you would frame expectations for EV penetration in your service territories and what it ultimately means for load growth longer term? Where do you see your role as a utility in supporting the EV infrastructure?
- Discuss expectations around economics for offshore wind going forward as well as economies of scale for future wins? What kind of pricing per kW for offshore wind and transmission are you looking at? How does it vary per auction (i.e., NY vs RI)?
- How are you thinking about M&A following the latest strategic announcements in the sector?
- What kind of tuck-in opportunities are you seeing for the water biz given the latest pressure on municipal budgets during the pandemic? How do you think about your ability to compete vs. the larger water utilities? With some other utilities particularly vocal about expanded water efforts too, are you seeing any changes to the competitive landscape for acquisitions?
- How do you think about the uplift in earnings contribution from offshore wind longer term and cadence given the delays thus far? What are the key milestones to watch for in the nearer term following the latest developments from BOEM?
- Can you talk about the latest transmission developments? Where do you perceive transmission ROEs as trending through your forecast period?
- How should we think about dividend growth? How are you framing your targeted payout ratio longer term?
- MA and other states have opened dockets to look into the role of gas local distribution companies in climate goals. Can you talk about your thoughts around the potential for decarbonization of Gas LDCs?
- Where are earned ROEs currently trending by jurisdiction?
- How do you view holdco leverage currently? What credit metrics are you targeting? Are you committed to maintaining your current credit rating?
- Can you talk about the upcoming auctions and how you are framing further potential offshore opportunities? How would you frame the competitive dynamics for offshore across your footprint? What were the key considerations that prevented you from bidding into Massachusetts most recent RFP?
- What are expectations on O&M cost reductions to support ROEs currently, particularly given the lack of rate relief in Connecticut? How do you view the trajectory relative to supporting higher earned ROEs and how does this impact growth target? How are you thinking about any inflationary concerns?
- What are the latest supply chain trends and ability to secure components?
- Can you discuss the latest Connecticut Dockets following the constructive interim rate case settlement and how you are thinking about potential outcomes and implications?
- How would you frame the impact to ES from provisions included in the Infrastructure and reconciliation bills as currently proposed?

Exelon Corp (EXC)

- Can you discuss the upside to ExGen from the proposed nuclear PTC in federal reconciliation legislation, including the possibility of license extensions?
  - Given the proposed 8-year timeline with $15/MWh credits (and 80% offset for revenues over $25/MWh), which of ExGen's nuclear plants do you believe may potentially be saved from retirement?
- With Byron and Dresden retirements now reversed following passage of IL clean energy legislation, can you discuss the potential uplift? Near-term, can you help quantify the costs of refueling outages?
- Discuss the potential impact of uranium price volatility on the ExGen nuclear fleet. What is ExGen's exposure? How can you mitigate this risk?
- Discuss your 2022 hedging strategy at ExGen in light of the recent rally in commodity prices and your expectations for power prices.
- Given the impact of heightened EPS volatility from CTV (Constellation Technology Ventures) investments, can you discuss your strategy here?
- Please discuss some of the risks/considerations for an ExGen/Constellation spin such as NY approval, credit rating, etc? What is the prospective pitch and value proposition to investors? What comparables would you point to?
- What are your thoughts on potential nuclear consolidation post-spin? How do you perceive willingness of certain operators such as Talen or PSEG to divest their nuclear assets?
- Can you discuss prospects for further capital investments at the utilities?
- Discuss the status of rate cycles at the regulated utilities. Can you detail progress/outlook on rate cases including your thoughts around the potential EPS benefit from ongoing rate cases?
- How do you expect earned ROEs to trend vs. authorized ROEs?
- With the 4Q utility roll forward, how should we think about the ComEd earnings profile after the Illinois legislation in the context of allowed ROE and capex?
- What other issues should we be considering that could potentially impact the utility CAGR?
- Discuss the evolution of gross margins and customer attrition at the ExGen retail business.
- Discuss views on the current state of the ERCOT energy market, including reform efforts. What has been the reception for the NRG/EXC capacity construct proposal?
- Discuss hydrogen production prospects at the nuclear facilities. How is the initial partnership structured; why did you select NEL as an electrolyzer partner? How do you think initially about biz prospects in this segment?

FirstEnergy (FE)

- Can you discuss how you were able to bring the diverse group of stakeholders together in the Ohio regulatory settlement? What were your negotiation priorities?
- How should we think about the 2024 rate case? Is there an opportunity to continue to work constructively with stakeholders to defer that filing?

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- If/how could the findings from the subsequent OH/FERC audit reports influence the settlement and the quantum of exposure? Or was this effectively captured in the Ohio stipulation?
- Outside of Ohio, what are the key regulatory and legal proceedings to track (SEC, FERC, etc.)? Do you have insurance protection related to the shareholder litigation?
- Including the rate credits and rate reduction, what is the estimated growth rate in Ohio customer bills from 2021-2024?
- What are the top considerations that will influence the magnitude of the asset sales pursued? If the valuation is favorable enough could you consider accelerating your leverage reduction goals? Did you consider assets outside of regulated transmission?
- What are your legislative priorities in 2022 across the different jurisdictions?
- When do you believe it would be appropriate for the Board of Directors to discuss resuming dividend growth?
- What area of the business do you see the most capital spending opportunity: distribution, transmission, or generation? What jurisdictions are you focused on? Can you frame the spending opportunity around WV generation and distribution utility 'smart grid'?
- Reduced pension costs have been a tailwind for 2021 and recent periods. Based on results through 9/30/21 there was an estimated $90Mn pre-tax MtM gain. Should we view pension as a YoY benefit once again in 2022?
- Carl Icahn now holds a material stake in FE shares. Additionally, FE has appointed John Somerhalder as Vice Chairman of the Board. Can you discuss your thoughts around potential M&A and other options?
- Is the expectation still that the internal control weaknesses will be resolved with the filing of the 2021 10K?
- How has employee turnover trended over the past 18 months? Are there any other statistics on the workforce (morale, engagement, surveys, etc.) you can share?
- As you implement FE Forward, have you observed new areas of efficiency relative to your prior forecast? Are there further opportunities to reduce the parent company drag?
- How sustainable do you believe the strong sales growth and favorable residential mix in 2021 is for 2022+?
- Do you have any ambitions to develop renewables or pursue unregulated ventures such as offshore wind transmission?
- What are the opportunities available to you from the pending Federal infrastructure legislation?

Fortis Inc (FTS)

- Please discuss your expectation around growth of the dividend at a 6% CAGR through 2025. What factors would lead you to extend this growth rate to 2026?
- Are you still comfortable with a 65-75% payout ratio as you have indicated in the past?
- How are you thinking about your all-in Arizona ROEs after the recent rate case resolution at Tucson Electric and data points from state peers? Please discuss your Arizona regulatory relationship more broadly.
- Can you talk about conviction levels in the latest five year investment plan given the backdrop? What projects do you see most at risk & how are you currently framing potential upside over the forecast period?
- What are your thoughts on resource adequacy in Arizona and the US West more broadly? How does this impact your thinking around investment in more renewables in the state?
- How are you framing LNG opportunities given the recent demand and pricing?
- How much latitude is in your latest capital plan to accelerate investment without requiring additional equity issuance?
- What factors drove the increase in your capex forecast at the Alberta utility? If oil prices pull back again could there be downside risk to your spending plans?
- Can you walk through your regulatory agenda and how you are framing expectations for both timing and ability to drive constructive outcomes?
- Where do you see ROEs trending across your jurisdictions? Where do you see earned returns heading in Canada vs. US jurisdictions? What is currently assumed in your internal forecasts?
- Discuss your longer term organic vs. acquisitive growth initiatives and how you expect the portfolio of businesses to evolve over time?
- Can you frame the upside opportunities you see from the multi-year planning process at MISO? When do you expect to have specific project announcements to be available?
- Where do you see earnings growth trending vs. your ~6% stated rate base and dividend growth target? Is earnings guidance something you would consider after regulatory resolutions and post pandemic?
- Can you discuss your appetite for Contracted Renewables, particularly given how low the cost of capital is for renewable buyers?
- Please discuss the demand trends that you have seen in your Caribbean business post-Covid. Do you expect recovery in demand heading in 2022?
- When you think about your jurisdictions and historical track record. How would you think about further diversification and what would be the most important considerations?
- Are there any unique impacts to the Canadian company from the pending US Federal infrastructure legislation?

Hawaiian Electric Industries (HE)

- Discuss '21 EPS guidance of $2.00-$2.20. What factors drive towards the high/low end? Discuss drivers for '22 EPS guidance ahead.
- With LTM earned ROEs (8.9%), can you discuss drivers of ROE lag both structural and otherwise? How do you think about tools to drive earned ROEs towards authorized on a forward basis?
- What are your embedded expectations for ROE improvements in 2022 within guidance and subsequently beyond that 2023+?
- Where do you expect to drive most ROE improvement under performance based ratemaking (PBR)?
- Discuss specific performance incentives mechanisms (PIMs) of focus.
- Can you talk through cost reduction efforts to meet annual cost saving commitments? Discuss your strategy around managing O&M and O&M expectations for FY22?
- In regards to reduced CapEx forecast of $310-335mn for FY21 and $400-450mn annual capex for '22+, what are upside/downside drivers to respective guidance? Where do you see the most opportunity for investment?
- Discuss potential for accelerated resiliency spend.
- Discuss renewable procurement efforts both grid-scale and distributed.
- What are additional critical steps or potential growth opportunities for Hawaii Electric to achieve the state's target of 100% RPS by 2045?
- Can you compare American Savings Bank (ASB) versus its two larger peers in Hawaii, Bank of Hawaii and First Hawaiian in terms of performance and mix historically and through the pandemic?

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- Can you discuss loan loss reserves against the backdrop of the Hawaiian economy?
- Discuss upside/downside drivers support net interest margin (NIM) levels at ASB? • What room do you see around improving NIMs from current levels?
- Discuss NIM expectations on a forward basis into '21+ and drivers of downward revision including customer prepayments.
- What could potentially drive an external equity need given expectations for self-funded capital plan through '21?
- Discuss latest efforts at Pacific Current - where are key areas of focus? How much could this contribute to growth beyond core utility operations through the forecast period?
- Discuss pilot programs in Hawaii around EV charging, batteries, etc.

IdaCorp (IDA)

- How are loads trends so far this quarter? Can you talk about what is driving the 2.9% TTM load growth in Idaho? What industries are coming in and what are in-migration trends? How sustainable do you perceive this growth rate to be longer term?
- What kind of trends are you seeing in transmission so far to start the year? How does this compare y/y?
- Can you walk through your previously announced projects with Amazon, Chobani, and other parties? Are there any other bigger projects in the pipeline?
- How should we think about EPS growth into 2022 and beyond? When might you consider longer-term growth forecasts?
- With the latest update, you noted you will probably be in for rate cases in Idaho and Oregon in the next couple of years. How are you framing timing for another rate case? What are the key considerations when determining exact timing and how are you thinking about ability to reach constructive outcomes against the current backdrop?
- Can you walk through your path to clean energy ahead of the upcoming IRP and with Boardman recently ceasing operations?
- Can you walk through the various upside opportunities to your long term rate base growth?
- How do you see your regulatory relationship with commissioners?
- How do you see the lifetime of ADITCs in 2022+, given limited need to use any ADITCs this year? How do these impact any timing for potential rate cases in your service territory?
- Can you talk about the most recent wildfire season? Discuss suppression efforts and the regulatory treatment in your jurisdictions.
- Given the recent M&A developments and strategic pivots & the valuation variations in the space, how you would frame latest thoughts around the M&A landscape?
- How do you see Jim Bridger coal plant retirement in Wyoming unfolding into rate base opportunities?
- What is your view on continued ownership of your other business lines?
- How do you think about the pace of DPS growth going forward?
- Can you discuss progress on the Boardman to Hemingway (B2H) transmission line and discussions around potentially acquiring Bonneville Power Administration's ownership share? How confident are you in a deal to own up to 45% and how should we think about the return of the project?
- Discuss Hells Canyon Relicensing Efforts. How should we think about timing of developments?
- How would you frame the impact to IDA from provisions included in the Infrastructure and reconciliation bills as currently proposed?

MDU Resources (MDU)

- Can you discuss the dynamics that caused a moderation to FY21 guidance?
- Given the recent market reaction to renewables-focused M&A in the E&C space, how are you thinking about your own strategy in construction including inorganic growth?
- How are you positioned across the various segments to navigate the current environment with elevated natural gas prices?
- Please provide a construction update on the North Bakken expansion. Do you anticipate being able to complete work in late 2021 as original targeted?
- Describe the current commercial environment in Construction Materials - to what extent are you able to pass along inflationary impacts in order to preserve margins? In what areas are you seeing the greatest contribution from inflationary pressures?
- Please describe the backlog in the Construction Materials business, how do you see the backlog developing through the year? What are your average backlog conversion times in each of the construction businesses and what are the factors driving these?
- Do your contracts in the Construction Services business allow for cost increases to be passed along to the customer or are they done more on a fixed cost basis with any overruns impacting your margins?
- Your ~5% compounded rate base growth target over the next five years is below the high single digits realized over the 2017-19 period, is this a function of balance sheet capacity, available investment opportunities, or something else?
- What are the principal areas of investment in your regulated electric and gas utilities businesses over the next three years?
- What level of fixed cost savings do you expect from the Lewis & Clark and Heskett I & II retirements scheduled in 2021 and 2022 respectively?
- Describe your anticipated equity issuances over the forecast period.
- Please discuss the credit metrics target. How are you tracking against them and how does this align with your current business mix?
- For your longer term growth guidance of 5-8% LT EPS CAGR, can you discuss what will drive towards the low and high end respectively? What utility earned ROEs are embedded in your guidance range?
- Do you have a target dividend payout ratio? Do you have latitude to consider accelerating growth of the dividend payout?
- How do you see you growth of the non-regulated business vs. regulated business trending and potential impacts on credit ratings from S&P?

MGE Energy Inc. (MGEE)

- Discuss the key components of your WI electric and gas 2022 and 2023 rate filing settlement. Under what circumstances do you anticipate the limited electric opener being utilized in 2023?

- Please provide an update on the delay experienced by Badger Hollow II. When do you expect the asset to enter service and could the timeline slip further?
- Over what time frame do you expect to transition Oak Creek off coal and on to natural gas?
- Do you see additional opportunities for partnership with peer utilities in WI on solar and storage buildouts?
- How many MW of PPAs are currently scheduled to roll off through 2025? Do you expect to backfill those with other contracted generation or with additional rate base renewables?
- Describe the factors that will determine whether MGEE exercises its option to purchase up to 50 MW of capacity in the West Riverside gas generating plant that went in to service earlier in 2020.
- What are your expectations for growth in residential, commercial, and industrial sales in 2022 and beyond? Is your service territory experiencing customer growth?
- What is your target dividend payout ratio as a % of EPS?
- Describe your credit metrics targets at the MGEE level and at Madison Gas & Electric. Where are you expecting to be at the MGEE level relative to your targets in 2022-23?
- Would you consider whether to issue additional equity beyond the $80m raised earlier this year in order to fund further expansion of your utility scale solar and other initiatives?
- Describe the opportunity for continued investment in EV infrastructure in the state of WI. How supportive are state lawmakers and members of the commission?

NextEra Energy (NEE)

Federal Policy

- Can you talk through the latest reconciliation language? What are the key elements of the legislation for you? Can you speak to the magnitude of the impact that this legislation would have on your earnings profile?
- Can you discuss the repowering opportunity if the wind PTC were to increase? What are the economics? Would the extension of the production tax credit/investment tax credit affect your regulated utility M&A appetite?
- With the acceleration in renewables investment likely driven by this legislation, how do we solve the transmission congestion issue that would be further compounded?
    - What is the current market landscape for FERC regulated assets? Do you see additional inorganic growth here? What is the organic growth rate we should be assuming?
    - Can you speak about the recent Wolf Creek-Blackberry project win? What was the competitive landscape in this process? What is your competitive advantage vs other transmission owners?
- Can you describe the hydrogen outlook/landscape? How do you see this market driving additional renewables investment in the near-term? Can you talk about timing of electrolyzer investments?
- What trends are you seeing in regards to battery storage and how could this allow you to capture further market shares? How are you viewing the standalone storage ITC

Business Mix/M&A

- What do you perceive to be the right mix of regulated vs NEER earnings?
    - How are you viewing the regulated utility M&A market? Is ~$20B still the target range for any transaction? How do you view water within this? The latest acquisition was relatively small, do you expect acquisitions to remain small?
- Can you discuss your renewable origination dynamics of late? Your expectations have remained at 22.675-30GW from '21-24 for some time - when can we expect an update on this and embedding the (now approved) rate case settlement into your plan?
- Which states do you perceive have the largest opportunity set for the fleet transition? What states do you believe will be the most contested?
- Could partnerships or acquisitions be considered on the Clean Energy side? Whether hydrogen or otherwise?
- Any opportunity to expand in retail given the resurgence we have seen in discussions around retail choice?
- Can you give us the latest on Mountain Valley Pipeline (MVP)? Where does the project stand and what are the remaining hurdles to completion?

NiSource (NI)

Renewables & IRP

- Although you will not file the formal integrated resource plan (IRP) until later this month, can you talk about the results of the recent stakeholder meetings? Which portfolios are the preferred?
- Is there anything in particular that would drive alignment with Portfolio F vs Portfolio I? Is it really just policy that is driving it?
    - Should we expect movement on some of the shared resources between portfolios in the earlier years and then a further refinement of resources in your next IRP in 2024?
- Can you talk about the potential capex of these generation opportunities? How should we think about ownership?
- Did you find that stakeholders are more supportive of a cleaner portfolio at a potentially higher cost? Or is reliability the main focus for stakeholders?
- You have received approval for all of the renewables projects stemming from the previous IRP - any concerns on the supply chain backdrop for solar and wind? What gives you confidence in the projects being delivered on time and on budget? *Recently broke ground on two solar projects.*
- What are your latest thoughts around potential portfolio optimization replacing a portion of the equity needed to fund your renewable strategy? How should we think about dis-synergies here?

Regulatory

- The PA rate case has been settled - any risk of the Commission not approving the settlement?
    - How are you viewing the regulatory environment now?.
- OH case is very top-of-mind for everyone - is there anything that you can point to so far that gives you confidence in being able to reach a fair outcome?
    - Any concerns on the Infrastructure Replacement Program or the Capital Expenditure Programs?

BofA SECURITIES

BofA GLOBAL RESEARCH

  - The Commission held an open meeting in the summer to discuss the cost of capital and the long gaps between rate case filings. How are stakeholders thinking about this? Do you expect any changes stemming from this discussion (i.e. getting pulled into more rate cases)?
- Going through many proceedings, what is next on the regulatory front?
- How are you thinking about the electric rate case in IN for the renewables? Are you expecting it to be straight forward given prior approval of the investment?
- Do you believe you have all the regulatory mechanisms in place already to earn a fair return on your investments? Anything that you would pursue?
- Which of your gas utilities do you expect to be earning below their authorized returns in '21? Which are earning below their authorized right now?

Financials & Guidance

- You raised your FY21 EPS estimate to the top-end of the original range earlier this year - how is COVID/load trending across your jurisdictions and do you see the updated range as conservative at this point?
- In terms of your cost mitigation to date, what portion of the cost reductions are structural savings vs transitory?
- You have your 7-9% growth through 2024 driven by the renewables investment, how does the ongoing IRP play into this?.
- Longer-term, how are you thinking about the delta between rate base and earnings growth? Rate base growth seems strong, but how do you lower the delta over time?
- Are you comfortable with your base rate base growth (i.e. ex-renewables) going forward? Is this sustainable?
  - What are the upside opportunities to your current plan? Have you contemplated investment in RNG?
- How does NI look at its current credit ratings, what are the target debt metrics?
- What are the credit agency downgrade/upgrade thresholds for these metrics?

NorthWestern Corp (NWE)

- Can you walk through the drivers of your 2022 guidance? What are the puts and takes to put you at the top end and lower end of the range, respectively? Where do you have the least amount of visibility and what do you see as most at-risk? Do you have further cost cutting levers to pull to keep guidance intact?
- How are you thinking about inflationary pressures and ability to sustain earlier cost cuts? How is this impacting the way you approach a potential rate case and timing in respective jurisdictions?
- Can you talk about the critical drivers to drive your EPS and TSR targets? With the additional generation in MT, where do you perceive to be within your 3-6% longer term EPS range? What do you perceive as the biggest tailwinds or headwind to achieving results?
- Can you talk a bit about how you plan to approach equity issuances given the preapproval withdrawal, the regulatory climate, and current FFO/Debt metrics? How should we think about timing for issuances this year and the annual run rate from an ongoing basis?
- How are you framing incremental equity needs from the latest generation win in MT and any further upside to capex? Where are your credit metrics today relative to internal targets and targets from agencies?
- Can you walk through your latest forecasted longer term capacity needs in MT and SD? How should we think about further potential generation wins in the respective states?
- Can you walk through the thought process around filing for a further delay in the decoupling pilot that was supposed to be implemented last July? How are you thinking about the LT prospects for this mechanism now - is it still something you even want to pursue?
- Can you walk through latest load trends in your jurisdictions by customer class? How are you thinking about structural load changes in your jurisdictions?
- Are you seeing any concerns around supply chains? Do you see any risk to NT capex?
- Given you are in the middle of construction for the recently awarded South Dakota generation while opting to discontinue construction on one of the plants. How do you see yourself scaling generation in the jurisdiction longer term?
- How are you thinking about your earned ROE on a go forward basis? What type of ROE is needed for you to continue to execute on your internal EPS growth plan & stated TSR target?
- What are the key regulatory items that are currently on your radar that could be addressed in the next legislative session?
- What are your latest thoughts on industry consolidation? How are you framing your appetite as a buyer or seller given variations in valuation across the sector?
- Will there be any far-out potential transmission build to the west coast?

OGE Energy (OGE)

Energy Transfer/Enable

- When should we expect an update on the sale of Enable to Energy Transfer?
- Over what timeframe do you plan to sell-down your 3% stake in ET? Can you walk through any restrictions on selling these shares? Is CenterPoint's announcement to fully exit by the end of 2022 a factor here?
- What are the impacts to OGE's FFO/debt downgrade threshold with the ENBL sale? Does it decrease? If so, by how much? Do you plan to utilize the excess balance sheet capacity to redeploy capital into renewables and grid mod?

2021 IRP & Capex

- Can you talk about the IRP process and the preferred plan? How are you thinking about layering in the solar that is contemplated?
- What is the expectation on ownership? Do you foresee any risks to approval with the Commission?
- As you have knowledge on the resources contemplated in the preferred plan, what is the capex opportunity that you see from the IRP?
- Can you speak more broadly on what incremental capex opportunities are not baked into the current 5-yr plan? Clearly, generation is one leg of potential opportunity, but it seems like there is still more.
- How much latitude do you think you have to increase capex?
- Can you breakdown your current rate base by resource? What percent of your rate base is coal-fired generation? What percent is gas generation?
- How should we think about your cost savings going forward? Is there any opportunity to flex this to be able to support incremental investment in the grid? (i.e. give yourself latitude on customer bills).
- Can you walk through your retirement plans and how you expect to replace the lost coal-fired capacity?

BofA SECURITIES
BofA GLOBAL RESEARCH

- Can you provide an update around OGE's efforts to decarbonize? Are you planning to release longer-term goals?
- Can you talk about how you are viewing the long-term EPS growth range of 4-6%? It seems like the incremental capex paired with no need to issue equity would be positive to the growth rate.

Regulatory

- Can you talk about the securitization settlement? When should we expect a financing order and the Oklahoma Development Finance Authority to consider issuing the bonds?
- Can you discuss the upcoming rate case in OK? Remind us what you are assuming for timing? Anything in particular that we should be looking for?
    - How should we be thinking about the Grid Enhancement Plan? Do you expect to file for an expanded program given some of the grid mod opportunities you hinted at?
    - Do you feel that you are afforded the mechanisms needed to invest and earn a healthy return? Anything that you will be looking for in OK to support further investment?
- How should we think about the pace of the rate cases going forward considering the level of investment that could be contemplated?

PG&E Corporation (PCG)

- Please discuss the current status of (1) prudency/reasonableness review process and (2) available wildfire insurance status for the 2019 (ex. Kincade), 2020 (ex. Zogg), and 2021 (ex. Dixie) events.
- Can you please provide a broad framework on the planned strategic undergrounding proposal anticipated in February 2022? Cost profile, prospective wildfires shutoffs that can be avoided, etc.?
- What trends are you seeing when procuring insurance for 2022 in terms of cost and availability? Do you expect to pass all costs on? What is the latest with plans for internalizing insurance costs?
- What areas are you seeing the great opportunity set of O&M efficiencies and areas for a reduced cost profile?
- How did 2021 wildfire season compare to your expectations for acres, damage, etc.? What is the outlook for 2022?
- For the cost of capital mechanism, what are the potential outcomes, timing for resolution, and mitigation opportunities? Any thoughts on the transmission ROE and incentives?
- Can you discuss your expectation for S&P 500 and broader index eligibility?
- How should investors think about long-term equity needs and future legal, bankruptcy, etc. and legacy costs?
- How can PG&E shareholders benefit from the tight resource adequacy outlook in California? How much additional capital expenditures could be required for California's electrification of the transportation sector?
- How do you think about securing the Safety Certificate in 2021; what specific criteria are required to be met?
- Would you look to get ahead of your in-state peer on this process?
- How do you believe your PSPS policies have been perceived by policy makers?
- What are the remaining hearings and proceedings in the probation review with Judge Alsup?
- What is the latest public cash position for the Wildfire Victims Trust?
- What are your legislative priorities for 2022? If how/would you like to see the wildfire regulatory construct adjusted?
- Once you monetize NOLs, do you immediately become a cash tax payer? What impact does this have to cash flow and debt metrics?
- Can you elaborate on the recent discussions you mentioned regarding timing for reinstatement of the dividend? Would you target a lower payout ratio given your above average growth guidance?
- How have your conversations with the rating agencies evolved over time, particularly in light of the 2021 wildfire season?

Pinnacle West (PNW)

- Please discuss the key drivers as you look ahead to 2022. What level of earned ROEs are embedded in your base forecast? What other puts and takes should be considered?
- Will Arizona Public Service (APS) pursue a legal challenge of the partial recovery of selective catalytic reduction (SCR) authorized by the commission in the rate case? What factors will drive the decision of whether or not to pursue an appeal?
- What factors are you evaluating around the timing of your next rate case filing?
- What equity layer at APS might you consider ahead of your next case filing?
- Are you considering writing down a part of your Four Corners scrubber investment following the commission's order?
- Will you issue a rolled forward capex plan with your Q4 result as has historically been the case?
- Are you evaluating options for further accelerating the retirement of Four Corners beyond the current 2031 target date as has been proposed by some stakeholders? How do you view Resource Adequacy in the state and the region broadly if Four Corners is retired prior to 2031?
- How would you characterize APS' relationship with the ACC and how can the company take steps to improve regulatory outcomes?
- What is your forecast reserve margin in 2022-25 based on current projections?
- Are you considering reducing the number of rate riders that APS has in your next rate case filing as has been suggested by stakeholders? Which ones specifically? How would you adjust the rate mechanism to account for this?
- What level of EV growth is embedded in your base forecast through 2030?
- Is there an opportunity to accelerate transmission investment in Arizona given the ongoing renewable buildout, resource adequacy concerns, and economic growth in the region?
- What are the current solicitations that you have for renewable generation and battery storage? How do these compare against your broader goals of transitioning to clean energy and decarbonizing? Can you meaningfully accelerate these in the near term?
- Discuss your Palo Verde hydrogen pilot - do you have any early takeaways that you can share on using hydrogen for long-term energy storage?
- Do you have an opportunity to buy in or repower any of the renewable assets you are currently contracted with under PPAs?
- How much in shareholder funds has been committed to support coal communities ahead of scheduled retirements?

Portland General Electric (POR)

BofA SECURITIES
BofA GLOBAL RESEARCH

- Can you discuss the plans for your upcoming RFPs? How are you thinking about the ability to own more generation longer term? Why are you opting for an affiliate interest and how does this change your ability to be competitive? How do you view the commission's receptivity and appetite for more utility owned generation?
- Can you discuss the recent impact of the storms to your operations? How are you thinking about prospects for a storm deferral mechanism and what is the latest timeline at the commission?
    - After settling the authorized equity thickness and ROE, how are you framing ability to settle outstanding items in the current rate case following staff testimony?
- How should we think about your current trajectory relative to the 4-6% LT CAGR that you have previously laid out after increasing your capex run rate to $550Mn and incremental spend in '22?
- Discuss the load trends in your service territory. How critical is load growth to hit your LT EPS targets?
- Can you talk about the puts and takes to get to the low or high end of your 4-6% LT range?
- How should we think about financing of your capital program into outer years? How are you thinking of financing any of the upside to your CapEx numbers, specifically from any generation spend?
- Can you talk about the most recent wildfire season in your service territory and how it impacts the way you approach it going forward? Discuss suppression efforts and the regulatory treatment in your jurisdictions.
- Can you discuss the latest prospects for energy storage and vehicle electrification infrastructure?
- Can you walk through your latest emission reduction targets? After previously ceasing operations at Boardman, how are you thinking about prospects to further accelerate de-carbonization - particularly given the latest developments around Colstrip?
- Where do you see overall ROEs trending in your jurisdiction relative to across the rest of the United States?
- What are the key legislative efforts you are paying attention to or items you may be lobbying for in coming years?
- Discuss the structural lag at the company. Do you think this is something you will be able to revisit in future rate cases?
- What credit metrics and equity ratio are you targeting longer term?
- Could you discuss any benefits of joining the Western Imbalance Market, especially in terms of cost saving to the end customer as well as you?
- How are you thinking about O&M trajectory going forward amid latest cost cutting efforts?
- Discuss your PCAM adjustment. How are you trending against the baseline so far this quarter? Would you look at altering the mechanism to reduce quarterly earnings volatility?

PPL Corp (PPL)

- When you think about your pro forma business, how would you frame growth prospects longer term? What do you see as a 'healthy & competitive' CAGR and how do you think about the puts and takes for the baseline?
- Can you talk about your recently acquired ownership interest in the Soo Green HVDC transmission line? What was the rationale and how should we think about similar opportunities and any contribution that could materialize?
- How are you framing any updated expectations around timing for the close of Narragansett? What are the key milestones from here and are there any items that remain more contentious that could impact the process?
- Discuss the Electric Highway Coalition and how you would frame expectations for EV penetration in your service territories and what it ultimately means for load growth longer term? Where do you see your role as a utility in supporting the EV infrastructure?
- Discuss the recent announcement by Ford to open a large battery plant in your Kentucky jurisdiction. How meaningful is this and what kind of opportunities can materialize out of it? How would you frame load trends overall in your service territories?
- Can you talk through latest supply chain trends and ability to secure components?
- What are you seeing in terms of inflationary pressures and how could this impact any revisions to your capital plan as we think about the pro forma strategy?
- You committed to buying back $500Mn worth of shares through 2021. How do you think about further buybacks given the $3Bn authorization by the board?
- How are you thinking about targeted FFO/Debt metrics on a go forward basis? What are the respective thresholds from the credit rating agencies and where do you expect to trend longer term?
- Can you walk through the key takeaways from your latest IRP in Kentucky? How are you framing generation needs in your service territory going forward and how do you think about your ability to compete and own the generation?
- As you get deeper into the Narragansett process, any additional color on the magnitude of opportunity to accelerate rate base in the service territory?
- Can you talk broadly about anything that may be on your radar when it comes to potential strategic alternatives? What are you seeing as the most likely course of action to drive long term shareholder returns (acquisitions, divestitures, organic growth, etc.?
- Are you open to minority ownership positions in utilities? How would you rank electric transmission assets as potential acquisition targets relative to electric distribution? How do you think about your appetite for adding gas LDCs?
- Discuss your latest investment efforts in Pennsylvania and Kentucky. How should we think about the potential to reaccelerate rate base growth in the US?
- Where could you see transmission opportunities in Pennsylvania?
- Discuss the dividend payout ratio. Where do you see this trending longer term?

Public Service Enterprise Group (PEG)

- How will nuclear PTC introduction within federal reconciliation legislation affect your strategy with regard to your nuclear fleet?
    - Given the relatively long-term 8-year period and broad federal support for nuclear, would you still consider divestment of nuclear facilities?
    - How do you think about the sale of the nuclear portfolio in the context of ESG?
    - More specifically, given EXC's proposed spin of its nuclear business, what would be your consideration of a combined nuclear portfolio?
- What is PSEG Power's exposure to uranium pricing volatility? How can you mitigate this risk?
- Discuss expectations on pricing for the PJM '23/'24 auction.
- Can you provide more details on the upside opportunity for the Infrastructure Acceleration Program (IAP)?
- Can you discuss the Ocean Wind I JV with Orsted, including anticipated timeline and projected economics at this point in time? At what point can we expect an update to guidance which would include Ocean Wind?

BofA SECURITIES
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- What is the risk of cost inflation, and how can you mitigate this risk?
- How would you estimate capital deployment for the project?
- Please discuss the offshore wind opportunity beyond Ocean Wind I, including the possibility of further partnerships with Orsted.
- Can you provide more color on the $1bn+ of potential investment for offshore transmission projects? What are data points to watch as the competitive solicitation progresses?
- Discuss your 5-7% EPS CAGR. How confident do you feel on the various drivers to achieve the high end vs. the low end of the range?
  - For instance, what gives you confidence on program extensions?
- Discuss the risk at FERC to the transmission RTO adder, and the potential impact to PEG's guidance.
- At your recent Analyst Day, rate base was increased by only $350mn for '21-'25, meaningfully lower than the capex increase. Can you explain this discrepancy?
- How do you expect earned ROEs to trend vs. authorized ROEs?

Sempra Energy (SRE)

- Can you discuss your short-, intermediate-, and long-term plans for ownership of Sempra Infrastructure Partners (SIP)? How does LNG fit in your portfolio over the long-term given de-carbonization efforts?
- What would management and the Board of Directors need to see to consider a broader simplification of the business mix?
- Where do you stand with respect to Cameron Expansion, Port Arthur and ECA phase 2? How have conversations with potential offtakers and your partners trended throughout 2021? Has your priority ranking of projects changed?
- What is the latest on Mexican investment opportunities for renewables, transmission, and refined products?
- After the latest Aliso Canyon settlement, can you describe the remaining prudency and related proceedings?
- What are you expectations for the California Cost of Capital proceeding and how have you adjusted for the range out of outcomes in 2022 guidance?
- How is your natural gas marketing business fundamentally positioned relative to the recent commodity market changes?
- What are your latest thoughts on action taken by California regulators in summer 2021 related to natural gas infrastructure and building codes? Are there plans to pursue accelerated depreciation recovery to reduce stranded asset exposure?
- How do you think about earned ROEs at your CA utilities? Could we see similar healthy returns as in years past?
- How did 2021 California wildfire season compare to your expectations?
- In Texas, to what degree have generator interconnection requests changed in 2021 following Winter Storm Uri and with the latest rally in energy prices?
- Outside of utility capex, what is your latest appetite towards inorganic growth?
- Do you have any aspirations to revisit the Oncor storage proposal?
- How should we think about the potential to deploy yet further capex in TX given the generation backlog and recent focus on more Transmission spending?
- Can you discuss your regulatory strategy in Texas with the upcoming rate case next year?
- Remind us what your credit metric targets are and how they could evolve if you undertake new LNG developments?

Southern Co (SO)

Vogtle

- Can you talk about the latest delay? Why did the scope expand? Will there be any more electrical remediation outside of what has been identified?
- What is the status of the spent fuel pond remediation?
  - What other risk items should we be focused on outside of the electrical remediation and spent fuel pond?
- Where does ITAAC paperwork stand and how do you expect it to impact the timeline?
- How are COVID cases trending on site? What about absenteeism?
- Target for fuel load has been moved back to ~end of May. How many days are you embedding for fuel load completion? Do you still see the ability to overachieve this?
- What should we expect out of the Staff VCM 25 testimony? Where do you perceive Staff's stance on the project?
  - Can you speak on your relationship with the Commission? How are you viewing the election next year?
- Staff has been critical on the assumed timing gap between Unit 3 and Unit 4 in service. What gives you confidence in being able to hit the 9-month gap between the in-service dates?
  - How does an even further delay in the ability to hit the timeline set out for Vogtle Unit 3 and 4 impact your ability to hit $4.00-4.30 in 2024? Can you walk us through the ROE penalty for each month delay?
- What do you believe will be the biggest challenge in hitting the targeted in service dates at this point?
- Do you expect that any additional costs will be funded through equity? Can you remind us how the ratings agencies view the balance sheet? Target credit metrics, downgrade/upgrade thresholds?
- You have taken some write-downs to date that you have stated you will not be seeking recovery for - is there any guidance that you can give on the amount of incremental capital costs that you will be seeking recovery of?
  - Do you expect to provide an update on this ahead of Unit 4 case?

Growth & Capex

- Can you discuss the latest retirement updates across your coal portfolio in light of the effluent limit guidelines?
  - Can you provide more detail on the $5-8bn in incremental capex opportunities and how should we think about the timeline for that to be included in plan?
  - Would this incremental capex put you at the high-end of the 5-7% range? Long term, how does SO think about transitioning its fleet in AL & GA?
- Can you discuss what type of projects you would be targeting at Southern Power with potential for $500mn/yr in spend? Solar, wind, H2, other?
- At your gas utilities, what are your latest efforts to better align with decarbonization trends? Do you foresee RNG or Hydrogen in your pipes in the near future?

- Any other incremental spending opportunities on the Gas LDC front?
- How do you think about regulated M&A in a post-Vogtle world?

TransAlta Corp/Renewables (TA, RNW CN)

- Please discuss your views on fundamentals of the Alberta electricity merchant market. What are your expectations for average prices next year?
- In your view do forward prices for Alberta power give an accurate view of the actual pricing that will be realized? What factors drive the delta, if any? Can you disclose your proportion of hedged forward sales in 2022 and the average pricing?
- How much of your natural gas fuel needs are hedged for 2022 and at what average price?
- What are your expectations for supply additions to the Alberta market over the coming 3-5 years? Do your internal forecasts vary from those published by
- What is the latest operational updabe considered te at Kent Hills? Do you have an estimate of the length of the full outage at phase 1 and 2 in order to complete inspection work?
- How many towers at Kent Hills do you estimate could have the same sub-surface cracking issue as the one that collapsed? What is the latest estimate of the potential costs to repair the cracking issues at Kent Hills given cost projections?
- Please discuss the insurance and any other recovery options that are available to the company to offset the direct financial impact from the Kent Hills outage. Is there any option to recovery lost revenues?
- Is your PPA with New Brunswick Power at Kent Hills intact or does the offtaker have the ability to terminate the agreement early?
- Has the company made progress in remarketing the turbines and other equipment that were purchased for the Sundance 5 repowering before that project was called off?
- Discuss your Hydro units' participation in the Ancillary Services market in Alberta - do you expect the strong performance from 2021 to carry forward? Why or why not?
- Given that many of your Australian offtakers are miners with exposure to upside from elevated commodity prices, do you have visibility into higher capex by these companies that could translate to elevated investment in renewables?
- Are you evaluating other solar projects in NC following your recent purchase? Could there be operating efficiencies from adding more capacity in the same geography?
- At what multiples is TransAlta Corp developing its pipeline of renewables projects, including near-term wind facilities in Oklahoma? At what multiples do you expect to drop contracted assets to TransAlta Renewables?
- What is your latest expectation on Brookfield's option to purchase a minority stake in the merchant hydro asset fleet?
- What are your expectations / internal forecasts regarding the price of carbon in Canada? Do you anticipate the price rising to CAD$170/ton of emissions as has been proposed earlier this year?

WEC Energy Group (WEC)

- Please discuss the recent decision to increase your LT EPS growth to 6-7% -- what factors would have given you the confidence to go to a broader band? Can you control earnings so closely as to have a 1% target band?
- How much capex is associated with the Oak Creek transition away from coal through 2035? How do you think about the blending of gas over time and what milestones will trigger those decisions? What gives you confidence on the integrity of the PTF structure through this pivot in fuel type?
- Do you plan to retire Weston by 2030? What is the level of undepreciated plant associated with environmental retrofit at the site? How would you propose to recover this undepreciated plant post-retirement? Could there be latitude to recover an accelerated level of depreciation?
- When do you expect to announce the 700 MW of incremental solar projects included in your latest capex plan? Are you seeing any inflationary pressures among components?
- Are you evaluating adding more liquefied natural gas (LNG) facilities in addition to the two currently pending approval at We Energies?
- What is your expectation for customer growth at your electric and gas utilities in the coming years? How is expected growth split across your jurisdictions?
- What are the main levers for sustaining O&M cuts into '22? Is it mostly fuel from retiring coal?
- Energy Infrastructure capex is slowing down in your new outlook, is that a natural result of your 10% earnings target for the business which you should largely be able to achieve with the existing spend?
- With no equity issuance in your long-term forecast, what are the potential uses of the estimated 50-100bps balance sheet improvement if Direct Pay is included in a federal infrastructure bill?
- Have you seen any potential acquisitions recently that met your three criteria?
- Are you concerned about your gas customers absorbing an estimated 30-40% bill increase during the heating season? How might your regulators respond in future rate proceedings?
- Do you see any latitude to extend the lease terms at the Oak Creek Power the Future plant following the conversion to run on natural gas?
- Have any of your solar projects experienced delays with transmission interconnections?
- Do you have PPAs with renewable operators that are nearing the end of their production tax credit (PTC) lives that could potentially be candidates for buy-in and repowering?
- Can you discuss any of the investments you have made in development-stage companies in the Clean Energy Fund?

Xcel Energy (XEL)

- Discuss the key components of your 2022 EPS guidance range of $3.10-3.20. What factors will determine whether your results are in the upper or lower ends of the range?
- Describe the $1.0-1.5B renewable generation upside with 2 GW in MN and CO as proposed in latest resource plan filings - what is the split between jurisdictions, how would the investment opportunity change if ownership is lower/higher than the 50% assumed in the base plan?
- Which specific projects are included in the $0.5-1.0B CO resource plan upside? How much visibility do you have to regulatory approval of the proposed spending?
- Do you have any views on the pushed back timeframe around visibility of the initial MISO project set for long-term transmission planning from Q1 '22 to H1 '22?

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- How likely is Direct Pay to be included in future energy legislation? Over what time frame would you expect to realize the 75-100 bps FFO improvement to be realized?
- Do you see your entire $1.25B equity needs through 2026 as potentially being removed if Direct Pay were passed and 75-100 bps of FFO improvement materialized?
- Of the ~10 GW of wind PPAs you currently have, what portion do you anticipate as being eligible for the repowering and buy-in opportunity discussed on the Q3 call? What is the time frame and potential level of investment contemplated? When do you expect to be able to add specific portions of the upside to your formal plan?
- What is your expectation of intervener and key party positions in the pending CO rate case? Which intervener groups have been active in your dockets in the past and what topics do you expect them to actively be involved in?
- What expectations around earned ROE in CO do you have following the completion of the current rate case? Do you expect to improve from the levels achieved in recent years?
- How is the +1% weather normalized retail sales increase included in your 2022 guidance divided between jurisdictions and customer types? Does it contemplate customer growth or an increase in consumption by existing customers?
- How much investment in EV infrastructure is included in your base plan? Do you see potential to accelerate investment in MN and CO?
- What are the drivers of WI rate base growth through 2026 of 11%, well ahead of the larger jurisdictions and the consolidated estimate of +6.5%?
- What level of holdco debt to total debt do you target (vs forecast of 23-24% through 2026)?

Table 1: Stocks mentioned

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AES	AES US	AES Corp	US$ 25.3	B-1-7
AEE	AEE US	Ameren Corp	US$ 84.19	A-1-7
AEP	AEP US	American Elec Power	US$ 84.93	B-1-7
BKH	BKH US	Black Hills	US$ 67.61	B-1-7
D	D US	Dominion Energy	US$ 75.48	A-1-7
ETR	ETR US	Entergy Corp.	US$ 103.36	B-1-7
FE	FE US	FirstEnergy	US$ 39.25	B-1-8
MDU	MDU US	MDU Resources	US$ 31.09	B-1-7
NEE	NEE US	NextEra Energy	US$ 85.24	B-1-7
NI	NI US	NiSource Inc	US$ 25.29	B-1-7
POR	POR US	Portland General	US$ 49.81	B-1-7
SO	SO US	Southern Company	US$ 62.55	A-1-7
XEL	XEL US	Xcel Energy	US$ 63.5	A-1-7

Source: BofA Global Research

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Price Objective Basis & Risk

AES (AES)
Our price objective is $28 and is based on a sum of the parts analysis applying a blended valuation approach, the summation of 1) EV/EBITDA approach across global generation assets. We use an 8.0x base for US peer IPPs and apply a +5x premium for US distributed generation for further growth expectations, valuing them at 13x 21E EV/EBITDA. Meanwhile, we value the DevCo using a 10% discount on 3.5GW+ of annual renewables beyond '22 given market dynamics. In Asia, we apply various multiples based upon jurisdiction risk across the rest of the portfolio and overall investor appetite as reflected in local peer multiples. We use mark-to-market value of publicly listed LATAM subs as well as apply a P/E methodology for US regulated utilities using the peer multiple of 16.2x 24E. We also credit the company with Vietnam and its investment in Uplight.

Downside risks to our price objective are negative regulatory outcomes in the US, international currencies devaluing against the US dollar, and expensive M&A acquisitions impacting value and a reduction in emerging market power demand growth.

Ameren Corporation (AEE)
Our $90 price objective is predicated on a P/E based sum of the parts, valuing each business subsidiary relative to the 2024E ratebase weighted peer multiple of 16.0x for electric. We apply a 2.0x premium to peers at AEE Missouri to account for the improving prospects of capital spend, supplemented by a regulatory jurisdiction becoming more favorable - but lack of decoupling. We apply a 2.0x premium to peers at AEE Illinois to account for decoupling on the distribution business which aids in earnings predictability. The overall business is expected to grow at a more meaningful clip than that of peers - we see a 10% EPS CAGR at IL 2020-2024. At ATXI, we apply a 4.0x premium to peers to reflect the FERC ROEs. At the Parent, we assume 2.0x multiple premium reflecting average of the subs and given the healthy debt metrics with FFO/Debt at 17%+. Electric peer P/E multiple is grossed up for a year to 2022 by 5% to reflect capital appreciation across the sector. The risks to our price objective are the utilities earning their allowed returns or worse, a significant change in 30-year U.S. Treasury bond yields, and adverse regulatory outcomes that could impact mgmt's ability to earn its allowed return.

American Electric Power (AEP)
Our price objective of $94 is based on SOTP analysis. We ascribe a peer forward P/E multiple (16.2x) with a 1.0x premium for its transmission-only Utilities segments, a 1x discount for PSO and SWEPCO based on renewables approval risk and a 0x premium for regulated utilities. Our valuation reflects the Kentucky Power sale pending. We note that electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector.

Risks to achievement of our PO are 1) regulatory outcomes are less favorable than expected, which could result in reduced ROE, 2) large capital intensive are subject to delays or cost overruns, which can change the return profile, 3) natural disasters or catastrophic events can affect system reliability and are subject to regulatory cost recovery risk, 4) utilities are subject to interest rate risk to fund their business, which affects cost of capital, 5) commodity risk affects the generation business margins and indirectly affects the regulated business as a pass through cost, 6) consumer advocates are focused on bill inflation, which can affect regulatory outcomes, 7) non-regulated businesses are inherently more risky and subject to execution risk and commodity variation, 8) asset divestitures and acquisitions, including the risk that the Kentucky Power sale is not completed.

Black Hills Corporation (BKH)
Our $68 PO is based on a SoTP valuation. Gas Utilities: We apply the 14.1x peer P/E multiple on 2023E EPS. Electric Utilities: We apply the 16.6x peer P/E multiple on 2023E EPS. Both electric and gas peer P/E multiples are grossed up by 1-yr vs 2020 by 5% to reflect capital appreciation across the sector. Coal Mine: We apply an 8x peer EV/EBITDA multiple, which is in line with other PRB coal producers. Based on our view of the strength/maintainability of different coal plant output contracts, we apply a discount/prem multiple to that portion of the mine. IPP Assets: We use the recent sale price and '23/EVEBITDA multiple for Pueblo Airport and Wygen I assets, respectively. Parent Expense, Debt, and Eliminations: We apply an average regulatory P/E multiple to this segments income. This captures some Interco revenues that are double counted as well as parent SG&A drag

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and debt.

Downside risks: inability to earn the authorized rate of return, unfavorable regulatory outcomes, and reductions in capital expenditures forecasts
Upside risks: ability to earn above the authorized rate of return, favorable regulatory outcomes, higher capex deployment

Dominion Energy (D)

We value Dominion Energy using a sum-of-the-parts approach to derive our $83/sh PO. Utilities. Our base 2024E approach utilized comparable electric (15.7x) and gas (13.2x) utilities which we gross-up by 5% to reflect capital appreciation across the sector. We apply premiums to the core utilities: +4x Virginia and +3x South Carolina, Ohio, Utah, and North Carolina. We apply discounts to lower value utility sources in South Carolina (NND) and Utah (Wexpro).

We also net out NPV of ongoing bill credits. Merchant: We apply an 8x FCF multiple for Millstone and separately apply a 100% weight to our NPV estimate of the ZCP cash flows. We include the full EBITDA from the contracted renewables with a 16x '24 EV/EBITDA multi in line with peers. Cove Point: We apply an NPV approach with to our DCF adjusted for the 50% sell-down in the facility. For remaining debt beyond that allocated to state utilities, we include a 50% weight towards a straight netting of leverage, with the remaining 50% using a P/E multiple on associated interest expense, in line with the methodology employed for more highly levered diversified utilities.

Risk to our PO include but are not limited to: 1) Regulatory, legislative, and political actions, 2) ability to earn the regulatory allowed ROE, 3) capital markets and equity requirements, 4) changes to the capital expenditure forecast, 5) volatility in interest rates, and 6) natural disasters.

Entergy (ETR)
Our $115 PO is SOTP based. We assign P/E multiples (peer multiple of 15.8x) for 2024E on most segments, in line with peer multiples (and grossed up by 5% to reflect capital appreciation across the group) due to similar growth, and strip out 50% of the holdco senior notes. Both electric peer P/E multiple is grossed up for a year to 2022 by 5% to reflect capital appreciation across the sector.

Downside risks: 1) Regulatory outcomes or earned ROE's could worsen, 2) Rate making mechanisms could change in the future, 3) Failure to get trackers or ROE adjustment mechanisms could hurt realized ROE, 4) weather can affect operations and earnings, 5) Interest rate risk affects cost of capital, 6) Consumer advocates or utility staff may focus more on issues that challenge the company ROE, 7) ETR has had safety issues in the past, which have affected regulatory relationships and company liabilities, 8) Exit from the competitive business could present unforeseen challenges.

FirstEnergy (FE)
Our PO of $42 is based on a sum-of-the-parts valuation. Multiples are driven by relative P/E premiums/discounts to the 2024E regulated peer multiple (16.2x). Electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector. As for premiums/discounts, we view NJ as at a slight premium +1x given a generally constructive commission and asset sale potential, PA at -2x as we view our more punitive estimates already account for industrial load sensitivity including O&G royalties, and others as in line to small discounts. In OH, we apply a -1x P/E discount multiple to account for rate review risk. Finally, we apply a +1x P/E premium to peers 2024E multiple to the Transmission business given potential for sale of a non-controlling stake. We subtract out the holding co debt given the high parent leverage.

Downside risks include but are not limited to: 1) Unfavorable regulatory outcomes, 2) inability to earn the allowed ROEs and/or other deterioration of regulatory earnings, 3) increasing pension liabilities, 4) further negative investigation revelations, 5) large equity needs than forecasted.

MDU Resources Group, Inc. (MDU)
Our $38 PO is derived from SOTP. At the regulated electric and gas utilities, we use a P/E approach on our 2028 estimates and use peer multiples of 15.9x for electric and 14.2x for gas, respectively with a -1.0x discount for each reflecting below-peer rate base growth of 5% through 2025, we then gross this multiple by +5% to account for sectorwide EPS growth to derive a 12-month forward PO. We value the Construction Materials business using a '24 EV/EBITDA estimate, applying a multiple of 9.3x based on an average of several publicly-traded peers in the cement, asphalt, and aggregates business. We value the Construction Services business using a '24 EV/EBITDA estimate, applying a multiple of 8.2x based on an average of several publicly-traded specialty construction services peers. We also apply a -1.0x valuation discount reflecting the high level of competition in the space. We value the Pipeline business using a '24 EV/EBITDA est., applying a multiple of 10.0x based on an average of several publicly-traded midstream peers. We also apply a -1.0x valuation discount reflecting execution risk around the North Bakken expansion which is slated for construction in 2021-22. We net out total parent drag and add back the remaining parent interest expense with a 50% weighting. Upside risks are higher utility capex, improving margins at the construction business, and infrastructure stimulus. Downside risks are a macro downturn pressuring construction margins, and rate case outcomes.

NextEra Energy (NEE)
Our $93 PO is derived using a SOTP approach, with the utilities and parent segment valued on a 2024E P/E basis, and the generation segment valued on a 2024E EV/EBITDA basis. In addition, we include NEE's ownership stake in NextEra Energy Partners (NEP) as well as the value of IDRs (DCF, at 5% disc rate). We assign 24E peer multiple of 16.1x (grossed up by 5% to reflect capital appreciation) with disc/prem to reflect the growth/risk profile of the businesses. We provide value for possible regulated M&A as one strategy of capital redeployment, albeit weighted at 50% to reflect execution risk. Our valuation reflects the drag in new debt. For NEER, we apply a peer EV/EBITDA multiple of 11x, which we adjust depending on asset type. Give contracted renewables 4x prem given fuel type and contracted nature. We utilize a DCF of new renewable for projects beyond 2022. We value contracted nuclear on a DCF approach using a 7% discount rate. We apply a 1x prem multiple to pipelines (1x disc MVP), 1x discount to gas infrastructure and 1x discount for supply and trading given lower asset quality, a 1x premium for contracted gas peakers and 1x discount for merchant peakers (other), again based on asset quality.
Downside risks include but are not limited to: 1) unfavorable regulatory outcomes, 2) natural disasters, 3) adverse commodity price changes, 4) decline in stock price for YieldCo NextEra Energy Partners, 5) reduction in renewable development margins.

NiSource Inc (NI)
Our $28 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2024 forward P/E multiples that are marked-to-market to the lates peer utility multiples of 13.6x for gas and 16.0x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, higher natural gas prices, and inability to execute on renewables additions.

Portland General Electric Company (POR)
Our $54 price objective is based on our 2024E EPS estimate discounted back to '21. We value shares based on a 2024E P/E methodology applying a 1x premium to the 2024 regulated utility PE multiple of 16.1x. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. While our PO is a 12-month forward projection, we use a 2024 multiple, which is reflective of a discount back to 2021.

Downside risks are 1) the ability to secure commission approval for future wind builds, 2) power market risk due to the Power Cost Adjustment Mechanism (PCAM), 3) liabilities under a negligence standard for current or future fires caused by POR equipment. 4) potential wildfires.
Upside risks are 1) continuation of small/midcap regulated rally, 2) better than expected weather adjusted load growth, 3) further strengthening of company balance sheet, 4) power market risk due to the PCAM.

Southern Company (SO)
Our $69 PO is derived from a sum-of-the-parts analysis (SOTP). We use a P/E valuation approach on 2024 and use peer multiples of 16.1x for electric and 13.7x for gas, respectively (with dis/prem applied per asset depending on growth/risk): we then gross these multiple by +5% to account for sector wide EPS growth to derive a 12-month forward PO. We subtract 50% of the 2024 parent interest expense multiple by an electric P/E peer multiple to reflect parent lev supporting the utilities. We net out total parent drag and add back the remaining parent interest expense with a 50% weighting.

Upside and downside risks include but are not limited to: 1) Vogtle construction timing and costs, 2) regulatory and legislative outcomes, 3) ability to

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earn the allowed rate of return, 4) changes to the capital expenditure forecast, 5) nuclear incidents, weather, and natural disasters, 6) rate of customer growth, 7) O&M trends, 8) interest rates, 9) environmental policies and regulations

Xcel Energy Inc (XEL)
Our PO is $72. We value Xcel Energy using a sum of the parts (SOTP) approach. Given the difference in geography, earnings strength, growth opportunity and risk profile, we divide the segments by subsidiary.

We use 2024E forward P/E multiple of 16.2x to derive a value for the different business segments, including the parent segment. Electric peer P/E multiple is grossed up for a year to reflect capital appreciation across the sector.

We apply a 3x premium to XEL subsidiaries in MN, CO, NM, and WI as both utilities present solid or improving regulatory treatment with tangible investment upside. We see this multiple as appropriate as the company has growth opportunities, resolving regulatory drag and resolving uncertainty around rate cases.

We also add a discrete item reflecting upside from potential Direct Pay legislation, estimating the equity savings from 75-100 bps improvement in credit metrics and applying a probability weight of 50% to account for uncertainty.

We also net back 50% of the parent interest expense and instead subtract out 50% of parent debt to more accurately reflect HoldCo leverage.

Downside risks to achievement of the Price Objective include but are not limited to: interest rate changes, regulatory risk such as lower authorized ROEs or less favorable riders/trackers for renewables and transmission, inability to deploy capital at guided levels, adverse legislation, execution delays, and weather/natural disasters.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	ReNew Power	RNW	RNW US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith

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	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
UNDERPERFORM				
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Adhok Bellurkar
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
RSTR				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith

Analyst Certification

We, Julien Dumoulin-Smith and Dariusz Lozny, CFA, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Disclosures

Trending

VideoPDF
The RIC Report (https://rsch.baml.com/r?q=5lpxurTj7MkTl1z8yB99Pw&e=cturnure%40nisource.com
Build your portfolio back better
Research Investment Committee 2021-Nov-8

Research Summary
Global Research Highlights (https://rsch.baml.com/r?q=nRDPb5E&H=1C2&B99Pw&e=cturnure%40nisource.com
Balancing Year End Variables
Derek Harris 2021-Nov-5

Timestamp: 04 November 2021 12:19PM EDT

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US Electric Utilities & IPPs

EEI 2021 Recap: Utilities Going All-In on Decarbonization

Industry Overview | 10 November 2021 | Equity | United States | Electric Utilities

Key takeaways

- Renewables acceleration & decarbonization the clear focus of 2021 EEI. Mgmt teams generally appear comfortable on inflation.
- Sector has the highest growth visibility in a decade+, if BBB passes. Prefer transmission and renewable exposure.
- NEE, CNP, & FE among constructive meetings. Other positive were AES, IDA, EVRG, SRE DUK, LNT, DTE, HE, WEC, AEE, CMS, XEL

RFP: Request for Proposal

IRP: Integrated Resource Plan

EEI: Edison Electric Institute

BBB: Build Back Better

C&I: Commercial and Industrial

LNG: liquefied natural gas

Build Back Better clear theme but also novel load growth

After weeks of anticipation, momentum on Federal infrastructure legislation reached a fever pitch at EEI with multiple companies expressing the ability to meaningfully accelerate renewables development while controlling the customer rate impact. To a lesser degree growing C&I demand from datacenters and crypto mining was discussed in many meetings. While inflation concerns was a topical on nearly every earnings call, most companies detailed a de minimis impact to long-term plans. Lastly vaccine mandates impacts on workforce appears to be a potential issue for select companies, particularly in the west. Despite FE's recent minority asset sale, M&A was surprisingly even less topical than in the past. With increasing visibility into organic growth across the sector, interest in pursuing costly and time consuming M&A sounded like even less of a priority across the board. If anything further divestments to PE of minority interests remains clear given inability to compete against recent premium bids. This only reflects re-rating opportunity higher. See 4Q updates across board after BBB to feature early stages of acceleration. If 5-7% EPS CAGR is the 'new norm' watch for yet further acceleration in coming 1-yr given improving view on just what is possible.

Most constructive meetings from NEE, CNP, FE

Our best meeting was **NextEra Energy (NEE)** which has a seemingly endless runway of renewable decarbonization/electrification opportunities across its diverse operations. Initial details could come with the 4Q call but the June 2022 Analyst Day is already the most anticipated event of the new year. **CenterPoint (CNP)** newly formulated management team sounds like a well-oiled machine that has been working together for a decade rather than the sub-12 month reality. It is difficult to envision anything that can knock the outlook off-track in the near-term. **FirstEnergy (FE)** once again came with a big update including the EPS CAGR outlook and asset sale (~30x 2024E)/equity package. Investors were surprised by the lack of a positive response to the update and we see an interim-term re-rating potential as management markets the new outlook to investors who have been waiting for the long-pending clarity.

Other positive meetings included: **AES** (California opportunities and overall degree of conservatism in the plan), **IDA** (accelerating growth profile from an already strong base), **BKH** (improving capex profile and confidence in ability to meet outlook targets), **EVRG** (visibility to generation upside and acute focus on regulatory/financial execution), **SRE** (working on increased balance sheet latitude around new LNG), **DUK** (upside to EPS outlook), **LNT** (renewables infra bill clear winner), **DTE** (even more confident than usual in EPS guidance), **AY** (manageable headwinds more than offset by broader renewable pipeline), HE (earnings/economic momentum at utility & bank), **WEC** (crisp message supporting 3Q LT CAGR increase), **AEE** (addressed MO regulatory concerns and we see now growth/execution hiccups in telegraphed management transition), and **CMS** (puzzle pieces falling into place on post-Enerbank absolute EPS profile with IRP progressing).

The majority of updates were positive but **AEP's** update was met with the most puzzlement among investors. **NWE's** wide FY22 guidance miss was a disappointment and a contrast versus SMID peers **IDA**, **BKH**, & **POR** which continue to accelerate.

Summary

AEP: Management rolls out updated $38B five-year capital plan (decrease in transmission the investor focus) with longer-term disclosure on financing - $2.1B in equity through 2026. Clear focus on the balance sheet going forward. Poor optics on transmission capex reduction versus peer FE's increase. Questions on the balance sheet were logical as that appears to be a constraint on spending.

AEE: Confidence on MO outcome (SR not a read-through); transmission and IL rates longer-run catalysts.

AES: Further California extensions appear increasingly likely as renewable PPAs are being signed faster than expectations. Several upside angles remain; we anticipate investors will need to shift towards a tax credit framework akin to NEE to correctly position shares.

AGR: Following challenging updates last week, focus is squarely on PNM and NECEC

AVA: Focus remains on the upcoming WA rate case to be filed in ~Jan. '22. While the last rate case was constructive from a capital standpoint, we see risks to the step up in revenue req., and therefore risks to AVA earning its allowed ROE in '23.

AWK: Slower but more regulated growth as EPS growth shifts to 7-9% and rate base growth climbs to 8-9%.

AY: Strong opportunity set in U.S. driven by reconciliation with less concern on supply chain. Noted comfort in Chile/Peru transmission, plus refi opportunities.

BKH: Further opportunities can yet emerge after latest capex raise. De-risking regulatory agenda too. See CO turnaround as a key derisking; coal fate increasingly front and center.

CMS: IRP path to constructive outcome which is the key puzzle piece in road to replace divested Enerbank earnings. Despite more noise than usual, MI view remains constructive.

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CNP: Confidence in execution on the capital and growth plan. We continue to see upside to spending through increased TX T&D investment underpinned by a very healthy economic backdrop as well as more novel opportunities in RNG and hydrogen.

D: Quiet is good with a much lower-key EEI than prior years; explicitly emphasizing a regulated profile. No commentary on legislation. Will they make a range of their 6.5% point estimate with the 4Q call?

DUK: *Upside surprise at our meeting* as now see near-term renewables; could see rate case timing shift to afford latitude for -70% carbon reduction planning by NCUC. Modest upside to ests re-emerges for '23-'25 on EE/PBR incentives if not upper end of $60-65+ Bn capex range.

DTE: Stated simply, company affirms it will continue to 'nail' their EPS guidance ranges. Our interpretation is high end of annual EPS targets remains visible.

ED: Discussion of O&R NY rate case very topical ahead of big CECONY 2022 rate case; seems as if mgmt was tacitly more constructive.

EIX: After another eventful wildfire season in 2021, management can tell its success story and attractive investors in the near-term. Feb FY22 guidance initiation a risk but May climate adaptation plan should provide a view of LT capex evolution.

ETR: Management appeared highly confident on the near-term EPS plan as it lay the groundwork for materially higher electrification/resiliency capex in 2025+.

ES: Moving behind 2021 CT regulatory hiccups, focus turns to the annual 4Q capex refresh with more visibility into roll-forward capex increase than in prior years.

EVRG: New mgmt. impressive deep knowledge of key regulatory proceedings and outreach to build stakeholder relationships sets the stage for key rate cases.

EXC: Limited details ahead of refresh. Mgmt has clearly hedged forward years inclusive of latest acquisition of CENG/plant extensions. *Above Street, but just by how much?*

FE: Detailing the elements of latest LT update gives insights into execution. Investors question have focused on magnitude of credit metric improvement and '24 rate case. *Still expecting positive read-throughs and re-rating potential.*

FTS: Differentiating itself in AZ from peers; div growth still a question mark after Q3.

HE: Positive momentum at utility but also the bank set for continued strength in FY22

IDA: Several upside angles to rate base ahead of upcoming IRP. Watch 4Q for big updates as multiple issues poised for updates in coming weeks (WY coal, OR transmission, resource planning). *Acceleration coming?*

LNT: Infra bill framed as clear "green arrow" with rate base and repowering upside, no min tax concerns; de-risking 5-7% with $0.5bn+ higher ratebase on direct pay alone. Looks well organized on legislative upsides in coming weeks on repowering and restructuring existing financings. *Among the most articulate on the bill.*

MDU: Fundamentals solid in construction biz despite near-term asphalt and input cost pressures, COVID vaccine reqs a timing focus but likely industrywide - see separate note (https://rsch.baml.com/r?q=-CAK2vxVla-c4HSbyMpKSA).

NI: The recent NIPSCO preferred generation path as well as continued strong growth at the gas utilities should drive extended, elevated growth beyond the 2024 timeframe. Equity financing becomes less of a concern as renewables projects provide strong cash flows - lower dilution causes more of a convergence between rate base and EPS growth.

NEE: Management more bullish than ever on the decarbonization/electrification opportunity sets potential from Federal legislation. No law of larger numbers here.

NWE: '22 guidance initiated well below expectations as equity issuance lingers. Regulatory risks ahead too in order to achieve longer term trajectory.

OGE: OGE is on the cusp of a large capex (both generation and wires) and growth update coming on the 4Q call. Securitization mostly behind, focus shifts to upcoming OK rate case where we could see a constructive outcome given precedent and recent cases.

PCG: Helpful focus on qualitative workforce and cultural improvement efforts that underlie the operating performance stats. Still a long way to go but signs of progress.

PEG: Management reiterated offshore wind wind/transmission oppty, greater FCF certainty w/ nuclear PTCs, and still on more regulated biz value and aversion to M&A. Update affirms ongoing pivot; see use of balance sheet over next couple years as clear upside EPS bias.

POR: Capex upside ahead with upcoming RFP. Management could revisit long term trajectory mid-next year. *Acceleration coming.*

PNW: Proactive stance to next rate case with legal lever and intent for narrower case & potential settlement - question is will it work?

PPL: Holding pattern while watching RI M&A with eye to early 2022 strategic update.

SRE: Efforts to get rating agencies comfortable with new LNG development are notable.

SO: Regulated asset sales side remain promising with Virginia. Focus is on extending the 5-7% beyond the near-term Vogtle bump; still expect 4Q rollforward to boost prospects.

WTRG: Inching closer to DELCORA resolution and discussing robust municipal pipeline.

WEC: Infra segment remains a key business after capex refresh, could see solar depending on recon bill provisions.

XEL: Among the better meetings: CO and MN outcomes should be constructive and frame tangible upside to 5-7% in key jurisdictions.

Summarizing Days 1 & 2

Below we present summarizes of our initial meetings on Sunday-Monday. Please see our detailed notes here: EEI Sunday report here; EEI Monday report here; and EEI PowerPoints/NWE update here.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Electric Utilities & IPPs: EEI 2021 Day 2: A Veritable Water Fountain of Datapoints (https://rsch.baml.com/r?q=t3jLmcNYpINA2!1s7SoeTg)	Julien Dumoulin-Smith	09 November 2021
US Electric Utilities & IPPs: PowerPoints: EEI kickoff, NWE big 2022 miss, $1.2T Infra Bill, SR downgrade, HE (https://rsch.baml.com/r?q=jnToC1EOJHF9B6!eGXUOsg)	Julien Dumoulin-Smith	08 November 2021
US Electric Utilities & IPPs: EEI 2021: Sunday Kickoff with FE. Takes from AEP, CNP, ETR, LNT, MDU, & PEG (https://rsch.baml.com/r?q=oyhhGUp13bJuqi9lwDZO8A)	Julien Dumoulin-Smith	08 November 2021

American Electric Power (AEP)

American Electric Power released an update on its long-term capital plan increasing $1B vs prior five-year plan, refreshed and extended the cash flow and financing outlook through 2026 including the expected proceeds from the sale of Kentucky Power and equity contemplated in the back-half of the plan, and initiated FY22 EPS guidance directly in-line with our expectations of $4.85-$5.05. Key topics of discussion revolved around the new capital plan and the fungibility between renewables and transmission - AEP retains some upside to capex on transmission as a backstop to the conservative assumption on renewables capex. As we have started to see from recent updates and commentary, mgmt. continued to be highly focused on the balance sheet and supporting credit metrics. We maintain Buy on further re-rating on execution of the capital plan, transition to renewables, and potential additional asset sales eliminating equity needs and simplifying the business.

Atlantica Sustainable Infra (AY)

Our discussions with mgmt highlighted a strong opportunity set for Atlantica, as the company continues to actively assess a number of opportunities to support its ~$300mn annual investment target. While we continue to see a strong market for international opportunities, with mgmt highlighting Chile and Peru transmission potentially bringing in further expansion prospects, we also note U.S. budget reconciliation bill prospects could create emerging opportunities for battery storage with a standalone storage ITC (Investment Tax Credit) as well as facilitate more robust renewable development growth with a direct pay option for wind/solar. Separately, we see upside from refinancing opportunities with increasingly low cost of capital, partially driven by ESG investment demand. Maintain Neutral; we see strong growth prospects as largely priced into shares already.

Alliant Energy (LNT)

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Mgmt. took the opportunity to frame potential infra legislation as de-risking and extending the line of sight to maintaining its 5-7% EPS CAGR rather than an upward inflection. We continue to expect LNT's quality management team to drive growth biased to the midpoint of the 5-7% range, extending one of the more consistent records in the industry. With this broadly reflected in the share price we see risk and reward as largely balanced and maintain our Neutral rating and PO. We think mgmt with likely ~$0.5Bn+ add to ratebase from the use of direct pay as a clear positive for shares. Among the more prepared companies for forthcoming legislation in retaining financing flexibility and being ready to discuss.

Avangrid (AGR)
Avangrid's management confidence in PNM and New England Clean Energy Connect (NECEC) was notable; however, we still have questions about the achievability of the long-term adjusted EPS profile with net headwinds to the outlook. We got the impression that Avangrid/Iberdrola could get comfortable with an independent Board of Directors at the PNM subsidiary. The injunction request related to NECEC appears even more critical than we had appreciated, potentially a major input into management's evaluation of the project. Key topics discussed were the pending PNM merger, NECEC, New York regulated invested opportunities, and the balance sheet.Maintain No rating on PNM given pending merger. Maintain Underperform rating on AGR given elevated execution risk and premium valuation.

CenterPoint Energy (CNP)
Coming off a robust analyst day and a 3Q where CenterPoint management showed continued execution against the plan and increased guidance again by a penny, our conversation stemmed around increasing confidence in 1) the capital spending opportunity across jurisdictions, 2) the Energy Transfer/Enable deal, and 3) regulatory processes including the MN Gas rate case and Winter Storm Uri securitization/cost recovery. Reiterate our Buy as we think CNP should continue to re-rate more towards premium peers with consistent earnings growth vs guidance (at a slight premium to the group today, but see the potential for shares to re-rate even higher). Additionally, the industry-leading net-zero 2035 target could draw additional ESG-focused investors to the story. We increased our PO to $29 from $28 earier this week as we roll forward our base valuation year to FY24 and MtM our FY24E base P/E multiples of 16.3x for electric (from 15.8x) and 13.8x for gas (from 13.5x) based on peer utilities. In our prior work we note that CNP was relatively under-owned by long-term focused investors.

With many investors having yet to meet the 'new' mgmt in person we perceive a widely positive impression was left as re-rating continues off confidence in execution.

CMS Energy (CMS)
Most of the meeting was dedicated to the Integrated Resource Plan (IRP) which is not just the most important open proceeding, but one of the more critical in recent years. If CMS is able to reach a fair/constructive outcome in the IRP, the incremental capital opportunities and supportive earnings treatment of regulatory assets should support a reinvigorated EPS growth profile. Accelerated utility growth and EPS positive rebasing mathematically should lead to adjusted EPS in-line with the prior trajectory. Discussion of MI overall construct was helpful in separately some of the recent headline rhetoric with the company's view of the outlook 'on the ground'. Maintain Buy with supportive outlook and IRP unlocking value.

Consolidated Edison (ED)
We caught up with Con Ed's management team on the company's recent efforts to engage with the New York Department of Public Service (PSC) in the recently-settled Orange & Rockland (O&R) rate case, the successful effort to settle legacy performance-related storm outcomes around Tropical Storm Isaias and related issues, and the outlook for the critical upcoming Con Edison Company of New York (CECONY) rate case which is expected in early 2022. Mgmt. indicated that a majority of the company's focus in the upcoming filing is expected to align with state decarb priorities with discrete allocations for transmission (separate from Con Ed's Transco efforts), EV infrastructure, and further grid hardening in response to an uptick in the severity of recent storms and their impact on the service territory. Maintain Underperform given a low projected growth rate relative to peers and a negative implied total return.

Duke Energy (DUK)
Throughout 2021, DUK has checked off the boxes on a number of large outstanding items including, 1) coal ash recovery in NC, 2) equity needs through the minority interest sale of Duke Energy Indiana (DEI), and 3) constructive legislation in NC that sets the groundwork for an aggressive transition to renewables and allows for more timely and efficient recovery of investments. '22 will be the year when the new legislation starts to take hold (alternative regulation rulemaking and carbon reduction plans) and will set the path '23 and beyond. Constructive meeting, but maintain Neutral as we see shares already pricing in the benefits from the legislation and see limited upside earnings revisions as BofA and street remains at the top-half of the 5-7% EPS growth range already.

Dominion Energy (D)
Dominion mgmt. continues to be in execution mode across its platform on renewables capex. Messaging was fairly unchanged from the 3Q call and previous calls, and we gained more confidence in the time line for offshore wind. Maintain Buy with shares embedding too punitive of a view on Virginia earnings power, in our opinion. The higher capex could translate into ~$0.10 EPS (~2%) and further reduce LT balance sheet risk as the higher capex should lead to a higher customer credit reinvestment offset (CCRO) which can lower future refunds. We look toward the 4Q update for an updated plan through 2026, but believe financial targets (9% rate base growth, 6.5% EPS growth, 6% dividend growth, etc.) will remain the same as D looks to manage its messaging.

Edison International (EIX)
Discussion of risk mitigation efforts and the evaluation of cost/benefit for different wildfire prevention efforts were helpful in showing the progress that EIX, in-state peers, and the State of California have made in addressing wildfire risk. On the margin, EIX sounded incrementally favorable toward the potential cost/benefit of undergrounding while maintaining a preference for the more cost effective covered conductors in most scenarios. Look for details in May with the climate plan filings. CA utility owned storage could be additional upside after the ~535MW was incorporated with the 3Q update. Utility has unique set of attributes such as experience that could help bring 'supply' faster than smaller developers. Pending Federal legislation could reduce the immediate rataebase and earnings opportunity set but California moving faster on resource adequacy will indirectly benefit all utilities in the state. Balancing the generally constructive conversation was a walkthrough the previously discussed FY22 preliminary earnings drivers where we believe the magnitude of incremental capital cost/financing drags are not fully reflected into consensus expectations.

Entergy Corp (ETR)
Overall a constructive meeting with Entergy to kick start EEI. Management expressed a high degree of confidence in its ability to execute on the 5-7% adjusted EPS CAGR as its primary goal with the ability to offset any new headwinds that emerge like it has with COVID and hurricanes recently. A secondary objective is delivering higher in the existing plan by strengthening earned ROEs and striving to moderate equity needs. Lastly the discussion of core resiliency and industrial emission reduction partnerships weighted towards the back-half of the decade.

We reiterate our Buy and PO on ETR after Entergy weathered the storms and is setup to extend the runway. We see an ability to raise the 5-7% outlook, eventually, but perhaps more critically management affirmed it has numerous levers to pull to ensure it executes consistently in '22 but also in near-term '23/'24 outlooks despite the headwinds of storms and recent ROE challenges.

Essential Utilities (WTRG)
Acquisitions getting bigger and more frequent. Latest discussions with management continued to stress the magnitude of opportunities in the municipal pipeline. Acquisition opportunities represent upside to the plan, a contrast to peers that embed assumptions within growth profile. We maintain our Buy rating on shares, seeing value relative to peers and longer term re-rating potential as management continues to perform and drive incremental growth through municipal acquisitions.

Eversource (ES)
Limited ST catalysts ahead of roll forward early next year and higher bills on the way. There is higher visibility into capex increases than in prior years due to more advanced regulatory proceedings. Infrastructure legislation should facilitate additional generation with ES' T&D assets an indirect beneficiary. Detailed discussion of the positive and negative drivers for offshore wind returns were helpful in addressing return profile question.

Evergy (EVRG)

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The "new" management team presented well at the conference which was one of the first opportunities for investors to meet the senior team in their role who made a strong impression on multiple fronts. The command of the regulatory strategy, focus on customer affordability, dedication to cost control, and ambitions to trade at a best-in-class valuation were admirable. Narrowing the gap between Evergy's rates and regional peers should help strengthen regulatory relationships and provide a path for higher ratebase growth beyond the forecast period. The ingredients are present for Evergy to positively and we look for execution on the upcoming 2022/2023 rate cases as well as consistent execution to prove out the transformation underway.

FirstEnergy (FE)
FE steals the show in Hollywood with a new 6-8% long-term adjusted EPS growth rate supported by $2.4Bn transmission minority-interest asset sale (Brookfield), $1.0Bn equity private placement (Blackstone), $2.30-$2.50 FY22 guidance, and +$2.2Bn incremental capex through 2025. The implied transmission sales valuation on BofAe is 29-33x 2024E P/E, potentially lagging initially higher expectations after management's bullish commentary, still among the single highest multiple deals in recent memory and quite accretive. As expected, FY22 is a 'reset year' with the $2.40 midpoint -8% below $2.58 Street and conservatively -3% below $2.47 BofA. Most importantly implied FY24 of $2.75 is in-line with BofA $2.73/$2.76. Post Ohio rate case the implied FY25 is $2.94, notably 3-4% higher than BofA $2.83/consensus $2.85: management's view on LT earnings power is a show of strength as FE is confidence that the Ohio settlement has prevented any 'cliff'.

Our initial impression was that the update is relatively neutral with FY24 within 1% of BofA/Street. Still keeping Street EPS intact was well ahead of earlier fears- and we suspect there will be greater comfort. FE issued more equity and at a lower valuation than we assumed which was positively offset by the incremental capital expenditures. With the debate around earnings through 2024 largely resolved, we reiterate that shares could continue to re-rate as time passes from the Ohio legacy issues and management markets to a wider group of investors.

Hawaiian Electric Industries, Inc
We walked out of the meeting feeling incremental positive on HE shares. We see the utility as well positioned for '22 with new PBR structure in place and potential for continued improvement the bank. We also see overall improving outlook on HI economy and expect supportive 2022 guide ahead on 4Q21 update. Given overall balanced risk/reward at the current price level, we maintain out Neutral rating on HE.

NextEra Energy (NEE)
A multitude of tailwinds for NextEra across its NextEra Energy Resources (NEER) platform and the utility driven by potentially supportive federal legislation. Maintain Buy following bullish commentary with renewables relative economics and demand even stronger driving an improved outlook for procurement. Mgmt. is looking to double its wind and solar backlog through time and triple/quadruple its storage pipeline, and could contain upside through federal legislation. NEE's strategy has changed from being the best renewable developer and utility in the world to now targeting the decarbonization of the entire economy - we have seen a pivot to more novel investment opportunities of late (i.e. away from traditional wind and solar), and believe NEE is set up well to execute on these areas. We continue to see upside to street estimates on a roll forward of mgmt.'s outdated guidance that likely includes a conservative assumption on the FPL case and does not include recent NEER updates (timing likely in late spring/early summer in 2022 at an analyst day).

Public Service Enterprise Group (PEG)
Following a number of positive updates and resolutions on various regulatory items in recent months, our discussions with management focused on the next opportunities for further growth. Management reiterated that opportunities beyond the already disclosed capex plan would be driven by future offshore wind solicitations (in addition to Ocean Wind I) as well as competitive transmission (onshore & offshore) for offshore wind. PEG also provided updates on current growth initiatives including infrastructure with its IAP (Infrastructure Advancement Program) targeting $848mn investment over four years, which was just filed last week; we expect support from NJ given importance of infrastructure (last mile, EV, outside plant, etc.) and opportunity to benefit underserved populations. We continue to see PEG shares as providing exposure to the 'T&D wires-only' scarcity thesis, following divestment of fossil assets, and with ~90% of earnings from the regulated utility in addition to renewable exposure via contracted offshore wind. We maintain our Buy rating and PO.

PG&E Corp
Similar to our Edison International meeting (EIX), the conversation was dominated by details on how PG&E has made strides in implementing policies to have a more engaged workforce laser focused on safety. Although the core features of the wildfire recovery construct underlying Assembly Bill 1054 have been well discussed and documented, it continues to be helpful to hear the mechanism described once again in a simplistic manner. As we exit fire season we see management's message and risk reduction statistics as resonating with investors. The most actionable update will come likely with 4Q21 results, around the strategic undergrounding framework plan with costs, timeline, and other key attributes.

PPL Corp (PPL)
Latest meetings with management of PPL stressed confidence in closing their pending Narragansett acquisition by March of '22 depsite intervenor testimony late last week objecting to the transaction. Watch settlement discussions scheduled in early December. We see closing the transaction a key part to drive the healthy and competitive longer term CAGR given more limited other attractive M&A opportunities. We continue to wait details around further proceed deployment and strategy following recent announcements committing to another $500Mn in buybacks and $1Bn more in organic capex.

Sempra (SRE)
Management reiterated its view that it believes its platforms are undervalued but particularly Southern California Gas (SoCalGas) with its long runway of capital spending. The company points to another strong year of earnings performance in FY21 as setting the stage for FY22, seemingly with an objective of increasing guidance once again after the positive momentum in 2020 and 2021.

Southern Company (SO)
Our conversations with Southern Company mgmt. revolved around the recent coal plant retirements driven by effluent limit guidelines, asset sales to fund equity, the regulatory environment in '22, and Vogtle schedule. Maintain Buy on a healthy fleet transition opportunity that will start to materialize and be the key parallel path to watch with Vogtle into 2022. Remember, generation investments can be done without the need for equity post-Vogtle given the large step-up in cash flows (quantified now at +2%) tied to the project which is a key differentiator vs other large cap utilities with similar renewable transition stories. Mgmt. provided some confidence in the Vogtle schedule given significant buffers to stated timelines - risks are ever-present (watch for the issuance of the 103G letter for Unit 3), but the cone of uncertainty continues to narrow as the project nears in-service.

Ameren (AEE)

Our meeting with Ameren mgmt. focused on the pending MO electric rate case, the future IL multi year rate plan, and MISO transmission upside. Maintain Buy on attractive risk/reward with Ameren well-positioned to extend its runway via accelerated transmission spend in the back half of the current plan as well as potential renewable acceleration in MO.

SR testimony not a template for MO Electric

Mgmt. framed key differences between the recent testimony filed by the Missouri Public Service Commission (MPSC) staff in the Spire rate case and its own ongoing electric case. Capital structure was among the cautious updates from the Spite testimony though Ameren mgmt. framed their filing as distinct from Spire's with the key difference being short term debt which is not a factor for Ameren. Capitalized overheads were also flagged as a cautious note in the Spire testimony, and are less applicable in Ameren's case. ROE recommended by staff for Ameren was 9.5%, ahead of Spire's 9.37% - with the range in Ameren MO's last case set at 9.4-9.8% the downside risk appears comparatively limited for Ameren. The Endangered Species Act issues surrounding hazard to bat populations near the 400 MW High Prairie wind farm has gotten attention from some interveners including the Office of Public Counsel in the ongoing rate case - mgmt. is looking at a number of solutions to keep the bats safe and still avoid curtailing the facility at night. Overall mgmt. flagged a confident note regarding the MO electric case and we continue to view a settlement as likely before the end of the year.

Reconciliation bill upside is real

Ameren's mgmt. expects the reconciliation bill to contribute to higher rate base through reduction of deferred tax balances. At its current run rate the company is generating ~$60m of PTCs annually, with the number expected to climb as more wind is added into the mix, thus cash flows will likely see an improvement from Direct Pay provisions if passed. Minimum tax requirements would likely apply though some questions remain as to applicability at the holdco or opco level.

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Rush Island, tax changes, likely drive resource update

We continue to see scrubber installation at Rush Island following a court decision earlier this year as highly unlikely given prohibitive capex and opex. Mgmt. has not publicly discussed plans though the company does plan to file a formal update to its resource plan pending in front of the commission in the event that its request for rehearing of the court decision is rejected. The retirement of Rush Island would likely be rolled into a broader update of the resource plan which includes securitization of the remaining undepreciated plant ($400m YE '20) as well as potentially shifts in the investment into renewables as proposed given evolving tax credits in the current reconciliation bill.

AES Corp (AES)

Well positioned after Redondo extension and renewable target raise

Ahead of meetings at the Edison Electric Institute (EEI) conference, AES management reaffirmed full year guidance of $1.50-$1.58 but with an expectation to be at the low end as a result of the updated accounting interpretation. Despite lower '22 and '23 estimates as a result in isolation, latest discussions with management continued to give us confidence in the core fundamentals of the business with renewable opportunities exceeding expectations and strong results despite a 7c headwind in Chile. Management noted that the recently raised 5GW target for full year signed renewable power purchase agreements (PPA) position the company better in the outer years of the plan where the accounting adjustment doesn't have the impact it has over the next few years given settlement timing: we perceive some similar puts and takes in the nearer term to help backfill the deltas. The higher PPA signings should translate to ~$150-250Mn of equity with potential for a nice earnings contribution - particularly when including HLBV accounting treatment. While management plans to commission 1.5GW+ of the renewables in '21, expectation is for a step up to 3.5-4GW in '22 and conversations stressed that they continue to navigate the supply chain effectively with the shortages more oriented towards smaller developers. They remain quite confident around ability to maintain low teen ROEs in the US and mid to high teens outside of the US. We see the company as particularly well positioned given their 40gw pipeline (with about half in the US). Latest discussions with management also stressed a 9GW interconnect capacity after adding another 4.5GW this year. This can be a unique advantage for further project buildout as they manage around land constraints and buildout in connection with AES Next.

Additional Cali extensions seem increasingly likely

Additionally, the two year extension of Redondo Beach should add a couple of cents of latitude to '22 and '23 vs. plan, while we perceive an increasing likelihood of another extension beyond '23 for the legacy Southland assets to drive closer to a dime of contribution in outer years (adding more structural upside beyond the 3Q upside opportunities from successful hedging). Meanwhile, recall the company expects contribution for AES Next to inflect meaningfully from the 6c drag currently to a 6c positive in a few years. Although management doesn't see Bulgaria in the portfolio longer term, commentary suggested the assets are performing quite well. Given what we view as some potential latitude to longer term numbers that could continue to materialize in various forms, watch for any developments in coming years around further coal retirements and portfolio transitions.

We have increasing confidence in the AES management team's ability to execute given latest results and renewable updates: Reiterate Buy on further rerating opportunity.

American Water Works (AWK)

A slower more regulated growth profile

Ahead of the Edison Electric Institute (EEI) conference this week, AWK hosted an Analyst Day last Wednesday (11/3) with 3Q results in which the company reset expectations by establishing initial '22 EPS guidance materially below expectations ($4.44 at the midpoint, 4% below prior consensus of $4.61 and 2% below our street low estimate of $4.50). While management kept the weather normalized 2020 base year unchanged, they cut the longer term trajectory to 7-9% from 7-10%, reflecting a similar drop in implied '25 earnings of 4% and 2% vs. prior street and BofA expectations. Amid the divestment of the more asset light HOS business, the company increased regulated investment by $6Bn over the next ten years to a range of $28-$32Bn to drive rate base growth of 8-9% (vs. 7-8% previously) - albeit with the renewed regulated growth more than offset by an additional $400Mn of equity ($1.1Bn vs. $700Mn previously) and dilution from the sale. While the construct of the transaction as a loan with a 7% interest payment and revenue sharing agreements seems to limit dilution through the forecast period (with management noting a ~10c impact to '22 on the call), we have less conviction around ability to manage ROEs across jurisdictions on the margin given the disappointing '22 guide.

Accelerating rate base post divestitures with muni opp's robust

AWK continues to work through the protracted sale of their New York American Water (NYAW) operations - with parties recently filing a joint settlement that includes a two year job commitment, a rate freeze until April 1st, 2023, an agreement that the premium above book value will not be passed on to customers among other components which should help de-risk and make us more comfortable around prospects. A one day evidentiary hearing on the proposal is scheduled for November 16th and latest discussions with management continued to suggest confidence that they could close the deal this year. Despite selling off some regulated assets, the company plans to accelerate rate base growth longer term to 8-9% - from 7-8% previously with the latest plan contemplating $13-14Bn in spend over the forecast period through use of both Homeowner Services/NYAW proceeds and ~$1.1Bn of equity. Discussions with management stressed this as off the 2020 base but with fairly steady growth each year. While management hasn't provided an authorized ROE disclosure in several quarters, we note that last disclosure suggested around 9.8% and we don't perceive material changes. Managing regulatory lag for capex not included in trackers will be critical given magnitude of spend.

Chester remains a key muni to watch

Separately, AWK remains confident in their bid for Chester with the decision for the sale ultimately up to the receiver as opposed to the city who has sought to close the transaction with WTRG. Watch developments in coming weeks and months given the magnitude of the transaction ($400Mn+).

We reiterate our Underperform on shares of AWK given the steep premium vs. peers despite newly lowered growth trajectory.

Avista (AVA)

Avista (AVA) mgmt. talked through the regulatory environment specifically with regard to the recent WA rate case order and the upcoming case to be filed in Jan. '22. We continue to see risk to '23 EPS guidance given an increase of the magnitude implied by the EPS growth from '22 to '23. We continue to view regulators and stakeholders as particularly sensitive to rate of change in rates (i.e. prefer more gradual increases in rates) and continue to doubt that AVA will be able to achieve their goal of returning to the allowed return by '23 (we model -70bps of lag (ex-structural lag of 70bps) in '23 which is still a major improvement of 100bps+ from our '22 assumption. Reiterate Underperform as we see risks in achieving allowed ROE in '23, and therefore risks to '23 EPS guidance.

Washington rate case key in achieving '23 guide

Much of the discussion revolved around the Washington rate case that will be filed in ~Jan. '22 as it will determine whether AVA can hit their '23 guidance. Avista recently lowered '22 EPS guidance given the non-recovery of certain operating expenses because they filed a rate case with a 2019 (non-COVID) test year. The WA order did grant AVA recovery of a lot of the capital expense asked for and AVA has typically not had an issue recovering operating expenses, but we believe the rate increase implied will likely be unpalatable for stakeholders. AVA earning an allowed return would assume recovery of operating expenses and seems insurmountable to us given the implied rate impact from '22, compounded with a rising power supply cost backdrop.

We believe '23 EPS guide is based on rate base math assuming allowed ROE as the exact details of the case are still materializing. What about offsets? Yes, AVA and the regulators have used non-earnings tools to manage customer rate impacts in the past, but this has also weighed on AVA's balance sheet which has experienced a noticeable degree of deterioration (consolidated equity ratio) over the last 5+ years. We see this as a driver of the increased equity need in '22 (to $90M from $50M-$70M). Mgmt. does not see these offsets as sustainable longer-term.

Clean energy: more movement in back-half of decade

Mgmt. talked through its Clean Energy Implementation Plan (CEIP) to meet clean energy standards set by the state under the Clean Energy Transformation Act (CETA). The CETA legislation requires a greenhouse gas (GHG) neutral electricity supply by 2030 and 100% of generation from renewable or zero-carbon resources by 2045. The plan outlines a renewable energy acquisition plan to meet the 2030 carbon neutral standard and mitigate the need for new resources as Colstrip and the Lancaster PPA rolls off in 2025 and 2026, respectively. Avista will sell some of its renewable energy credits on behalf of customers through 2029 which the company estimated will lower rates by 1% per year.

The update is largely in line with the targets set by CETA and outlined by AVA in its IRP earlier this year. Focus on customer rates through the refund of RECs is modest, but positive as AVA looks to raise rates to return closer to their authorized return.

Black Hills Corp (BKH)

Well on track after earlier updates

Ahead of the Edison Electric Institute (EEI) Conference, management raised the lower end of 2021 EPS guidance by 5c for a new range of $3.85-$4.00, or $3.93 at the midpoint, while reaffirming 2022 EPS of $3.95-$4.15. Management has executed well to come back from the earlier Uri challenges with guidance shifting higher despite an unplanned outage at Wygen I that impacted 3Q and 4Q and the tough start to the year. Total base capex forecast is now $3.2Bn after rolling in previously contemplated projects and then some further additional opportunities. In addition to the '22 equity issuance of $100-$120Mn embedded in '22 guide, discussions with management at the conference noted an estimated $30-50Mn will likely follow in 2023 to put them in good position under the current plan. Further potential capex opportunities are expected to be financed at 25-30c of equity on the dollar. While we suspect we could see additional capital opportunities materialize out of the recently filed integrated resource plan (IRP), the recently passed infrastructure bill, and other programmatic opportunities (with potential for a run rate of $650-$700Mn), management was clear that they will manage closer to around $600Mn over the next couple of years as they look to build back their balance sheet towards a mid-fifties debt-cap. Latest conversations contemplate achieving the target by 2024.

De-risking the regulatory environment

The rate case settlement in Iowa announced earlier this week follows similar regulatory de-risking with earlier settlements in both KS and CO and the overall outcome reflective of guidance. Management remains confident that they can at least largely wrap up their outstanding filings around recovery for Storm Uri costs by the end of the year (with maybe just Colorado lingering into '22) and announced a settlement agreement for their Kansas Gas utility yesterday evening (11/9). The KS settlement agreement contemplates a five year payback period while the weighted average recovery period across their service territories is ~3.7 years. Next year's regulatory agenda should be much more muted, with the company filing in Arkansas before the end of the year and Wyoming electric mid-year. Management further highlighted the strong load trends across their jurisdictions with no meaningful lingering impact from COVID despite some structural changes which should help manage ROEs.

Bottom line, conversations reaffirmed the strength of the business and capital opportunities, and we see the latest regulatory de-risking as helping to limit challenges in driving their best in class SMID-cap CAGR: Reiterate Buy.

CMS Energy (CMS)

Most of the meeting was dedicated to the Integrated Resource Plan (IRP) which is not just the most important open proceeding, but one of the more critical in recent years. If CMS is able to reach a fair/constructive outcome in the IRP, the incremental capital opportunities and supportive earnings treatment of regulatory assets should support a reinvigorated EPS growth profile. Accelerated utility growth and EPS positive rebasing mathematically should lead to adjusted EPS in-line with the prior trajectory. Discussion of MI overall construct was helpful in separately some of the recent headline rhetoric with the company's view of the outlook 'on the ground'. Maintain Buy with supportive outlook and IRP unlocking value.

IRP: Mgmt confident in case presented

The overriding takeaway is that management is very comfortable in the merits of the case presented and willing to have a litigated outcome if necessary. The path to a settlement is narrow but possible with the key uncertainties related to Dearborn Industrial Generation (DIG), affiliate transaction issues, and the regulatory asset treatment of returns. The spread between DIG market value market value and book value of ~$400Mn is quite wide which could make compromise on that particular topic challenging. Other important topics such as solar magnitude/ownership and energy efficiency generally had fair alignment. With ~$650Mn customer benefit estimated by CMS, the company believes it is has presented a very fair proposal and sees relatively limited room to negotiate on some elements such as the WACC for regulatory assets, particularly following recent credit rating agency downgrades. Rebuttal testimony is expected at the end of November but no major updates are anticipated in the near-term with the Administrative Law Judge (ALJ) recommendation in March 2022 before a final decision in April 2022. Settlements in regulatory proceedings tend to come before the ALJ recommendation; however, the prior IRP was settled *after* the ALJ recommendation so we would not be concerned if there is no real progress before the March ALJ.

IRP execution can lead to EPS growth rate realignment

If CMS can grow at the top-end of its 6-8% EPS CAGR post-Enerbank sale versus the midpoint previously, we continue to see the potential for a favorable convergence of the EPS profiles. Assuming successful asset transfers, CMS will be notably above 95% regulated while offering the same/higher adjusted EPS than the prior plan at 90% regulated earnings. *The road to achievement was relatively bumpy by CMS standards but achievement of this informal target will prove out the logical in management's decision.*

MI remains constructive despite an unusually volatile period

The optics and headlines in Michigan have been uncharacteristically volatile between rate case Administrative Law Judge (ALJ) recommendations aligned with Staff positons', political introduction of energy legislation that could reduce utility scale, investigations into storm performance, and other recent developments. If anything, we believe that some of the recent events should accrue favorably to CMS and in-state peers via additional grid hardening/reliability spending. The political arena has been louder than usual following the Ford decision to locate outside of Michigan which was cited by local politicians as a driver in some of the proposed state legislation around rates.

At the end of the day CMS's leadership in cost control, both operating and non-operating should help mitigate bill increases while supporting robust distribution and generation spending. CMS plans fairly conservatively with expenses and assumes inflation in 'normal times' which sets the company up well to handle the recent enhanced price environment.

Essential Utilities (WTRG)

Acquisitions getting bigger and more frequent

Latest discussions with management continued to stress the magnitude of opportunities in the municipal pipeline. With the earlier update, management noted that the company now has seven signed purchase agreements for additional water and wastewater systems expected to serve 234K and total ~$468Mn in purchase price in two of their existing states. While we continue to wait for a decision on DELCORA following recent hearings, latest discussions suggested both confidence in closing the transaction and no slowdown in the pipeline of other municipal opportunities. Recall while the company was initially successful in the DELCORA legal process against the county to challenge the validity of the asset purchase agreement and trust, the order was appealed and the process protracted - and the company still opted to pull on the ~$300Mn equity forward in early August.

Chester getting closer, can DELCORA close at last?

We see the earlier equity financing as positioning the company well to capitalize on additional opportunities regardless of if the transaction is able to close - with what appears to be more and more opportunities of size. Outside of DELCORA, Chester City recently won a legal process with a PA appeals court ruling that the financially strapped city could entertain sale offers for the Chester Water Authority despite objections from suburban interests that represent the vast majority of customers. The City Council unanimously declared Aqua the winning bidder and requested the receiver to expeditiously approve the sale in what would be a $400Mn+ addition to rate base (well above DELCORA at less than $300Mn). Overall, we continue to see bigger and bigger acquisition opportunities for WTRG and expect the recent move by the EPA to ultimately establish stricter standards around PFAs and water quality to be yet another tailwind to drive tuck in acquisitions after getting constructive legislation enacted across their footprint. This all remains upside to management's forecast - in sharp contrast to peers who embeds acquisition assumptions in results. *We maintain our Buy rating on shares, seeing value relative to peers and longer term re-rating potential as management continues to perform and drive incremental growth through municipal acquisitions.*

Evergy (EVRG)

The "new" management team presented well at the conference which was one of the first opportunities for investors to meet the senior team in their role who made a strong impression on multiple fronts. The command of the regulatory strategy, focus on customer affordability, dedication to cost control, and ambitions to trade at a best-in-class valuation were admirable. Narrowing the gap between Evergy's rates and regional peers should help strengthen regulatory relationships and provide a path for higher ratebase growth beyond the forecast period. The ingredients are present for Evergy to positively and we look for execution on the upcoming 2022/2023 rate cases as well as consistent execution to prove out the transformation underway.

BofA SECURITIES

BofA GLOBAL RESEARCH

Regulatory roadmap into busy 2022-2023 period

One of the most topical issues of EEI was the Spire Missouri rate case outcome and the potential read-throughs for peers Ameren and Evergy. Similar to Ameren, Evergy emphasized that it believes its fact pattern is different from Spire related to short-term debt and capitalized overhead. Evergy's only short-term debt relates to Winter Storm Uri which is expected to be repaid with securitization proceeds. Evergy viewed the capitalized overhead issue as related primarily to lack of supporting documentation rather than a fundamental issue with regulatory construct.

Following its Analyst Day and latest earnings update, Evergy's senior leadership has been proactive in stakeholder outreach ahead of the Missouri rate case while it is permitted to meet with parties. The company also realigned its legislative/public affairs and regulatory teams to be better integrated with the objective of more streamlined communications. Evergy should also benefit from the lessons learned from the Spire and Ameren rate cases which will be resolved before Evergy has to file.

In Kansas the clear focus of many stakeholders is rate affordability which was abundantly clear in the extensive Sustainability Transformation Plan (STP) regulatory workshop hearings. Evergy's ability to lower rates with its generation transition from coal to solar should not be contentious for that reason but we will watch the ~200MW solar predetermination filing expected late 2021 with resolution around mid-2022.

Wind repowering a win-win opportunity if terms are right

As an early adopter of wind, Evergy has ~3.8GW of power purchase agreements (PPAs) that are approaching the end of production tax credit (PTC) period or already have had PTCs expire. 1.3GW of which are nearer term opportunity and we would expect management to engage with counterparties on solutions that can benefit ratepayers, the asset owners, and shareholders. The final approach will depend on the outcome of the Federal infrastructure bill with respect to renewables tax credits but the broad framework for PPA buyout has been tried and proven by regional peers such as Xcel. Buying-out the net present value of the contract life and repowering the site with new infrastructure can be a ratebase opportunity for shareholders while also lowering customer rates due to the new PTC. We do not expect an update in the near-term but this could be a significant investment opportunity even with conservative assumptions on buyout/repowering costs as well as split of ratebase vs further PPA extensions. This could complement the existing generation transformation strategy that may be accelerated, also depending on the Federal infrastructure bill.

5-6% rate base growth + efficiencies = 6-8% growth rate

By design Evergy has one of the slower ratebase growth profiles at 5-6% 2021-2025E that supports a higher EPS profile of 6-8% with the benefit of cost cuts/efficiencies. Since the Westar merger, Evergy has reduced O&M by 25% and while that degree of cost savings does not appear to be replicable in the near-term, management sees a runway of O&M reduction ahead. With an acute focus on rates Evergy is intentionally investing at a slower rate to improve regional rate competitiveness and bring the gap for shareholders via cost cuts. In the longer-term the company believes that investments to improve the grid will be necessary as aging infrastructure needs to be addressed.

Eversource (ES)

Limited near-term catalysts ahead of roll forward early next year and higher bills on the way

Coming off of 3Q results and the recent Connecticut Light and Power (CL&P) settlement, we see more limited near term catalysts to drive shares higher. With the rate case stay out through 2023 (new rates in 2024 at the earliest under the terms of the stipulation) the key will be how the company manages expenses going forward without the benefit of base rate relief. While an approval of the stipulation should mitigate prior concerns around earnings at CL&P, cost cutting success will be critical to mitigating regulatory lag over the next couple of years. Despite historical strength in control costs, this current inflationary backdrop will make the prospect more challenging and will likely lead to degradation in earned returns. At the same time, watch for a rate case filing for NSTAR Electric at some point in the next couple of months against a backdrop of potential rate shock. While there is potential to settle this filing (MA has requirement for fully litigated case every ten years), any data points around constructive discussions are likely protracted. We perceive more limited concerns around reliability issues into the winter and overall limited NT catalysts to drive shares higher.

A peek at upcoming capex…

While no formal capex update will be given until 4Q results early next year, we see a number of upside levers that can start to be pulled into the latest roll forward. Management noted opportunities around transmission and asset replacement in addition to potential inclusion of some grid mod in Connecticut (a final decision may come subsequent to their upcoming update). Management has noted capex of ~$475Mn for CT AMI. We perceive formal inclusion of any MA AMI as likely still protracted albeit with management previously noting potential for ~$575Mn. The passage of the infrastructure bill should provide yet add'l opportunities for investment. While management's current plan contemplates ~$68Mn in capital investment for their EV program with a decision expectation of mid-22, discussions emphasized any efforts as oriented towards make ready as opposed to owning and operating the infrastructure.

What's to come of offshore

While nothing definitive, we perceive another NY RFP (request for proposal) could materialize next year in addition to neighboring states in the Northeast. Watch potential legislative developments in MA to make ES more competitive as the state's priorities expand beyond absolute price. The competitive landscape after the latest requests for proposal (RFPs) and the outlook for returns is in constant focus but questions about margins are more relevant lately. In MA Governor Baker's proposed legislation to shift the evaluation criteria for subsequent procurements would be positive for ES' prospects in subsequent RFPs. ES has been less competitive in its recent offshore wind bids so 'changing the rules' to focus less on price and more on qualitative Despite some supply chain challenges on the margin both at the biz and longer term, the company feels good about their mid teen return expectations. *Maintain Neutral given balanced risk/reward at the current valuation.*

Fortis (FTS CN)

We caught up with FTS mgmt. and see incremental positive for the company in the near to mid-term with latest legislation update and MISO long-term transmission, but shares still expensive given risk/reward - reiterate Underperform.

US Legislation a clear directional positive

Mgmt. highlighted in the meeting that the US legislation is a clear directional positive for the company - ITCs and Direct Pay open up potential for projects which would not otherwise meet internal hurdles, and Direct Pay is a net positive as FTS is not a cash tax payer so this would improve cash flows. Rate base would also be a net benefit though upside tempered slightly by lower deferred taxes. CFO to debt metrics could improve by 30 to 40 bps as a preliminary estimate. We see this as upside to the company in the near to mid-term and tracks directionally with what other utilities have said.

MISO transmission upside, still waiting on detail

We see successful execution on capex initiatives like MISO long-term transmission as potential upside - none is reflected in the current plan, so any projects FTS wins would be a positive to the company. Timing would likely be toward the back of the 5y plan and beyond. Mgmt. thinks there is potential for MISO to release multi-value projects (MVPs) in more than one tranche, we look closely for further details.

Renewables & reliability priorities in Arizona

Following the earnings call, mgmt. continued to frame the AZ regulatory environment as utility-specific and emphasized that they are mindful of resource adequacy and not rushing the renewable buildout. As the company is shifting their coal assets to seasonal operations in coming years with sequential retirements, they are cautious of the right timeframe as to match their ability to get new resources and run in parallel before shutting down coal. Mgmt. also highlighted that they are looking at consolidation of trackers - attach tracker & transmission tracker - which is a commission priority.

LNG buildout in British Columbia

Mgmt. also mentioned that Wood fiber LNG pipeline that is being built in British Columbia (350m capex) is in the current plan and expects to have an update by the end of the year. Tilbury 1 liquefaction facility (400m capex) is also in the current plan and has been approved by the regulator and government for liquefaction - uses electric compression to liquefy gas for potential export to growing Asian market. LNG shipped along that pipe will be used for bunkering and ship fuel applications. Tilbury 2 would be additional liquefaction capacity - incremental to current plan. Mgmt.'s plan is to move to 15% RNG in BC by 2030, with the government granting approval for ownership of the assets by FTS.

Idacorp (IDA)

Continuing to execute above guide into upcoming IRP

Ahead of Edison Electric Institute (EEI) meetings this week, IDA recently raised guidance yet again by 5c at the midpoint to $4.80-$4.90 as the company continues to benefit from strong customer growth (+2.9% TTM) - in sharp contrast to peers - with a steady influx of both business and residential customers. After noting potential to add $100Mn in capex out of the 80MW RFP in June to meet peak energy demands in 2023 (in what we perceive will likely be a build-own-transfer construct), latest discussions with management highlighted the robust set of further potential opportunities ahead with a wide range of upside angles to drive elevated levels of spend.

More RFPs and other upside angles

The company plans to issue additional RFPs for needs beyond 2023 in late 2021 or early 2022 following the earlier 80MW; as the company works through initial modeling for their upcoming IRP to be filed in December, we perceive several hundred MWs more of opportunity in '24 and '25. In addition to generation opportunities, additional ownership of Boardman to Hemingway transmission (B2H) and Hells Canyon relicensing remain additional upsides. The strong balance sheet should limit any equity needs when such opportunities do in fact materialize. That said, given the magnitude of capital opportunities ahead, we could see management start to file a rate case as some point over the next couple of years albeit it still appears somewhat protracted. Overall, we see quite a constructive update ahead with full year results when they should have a bit more clarity around a more formal capital investment plan going forward.

NiSource (NI)

NiSource mgmt. talked through the 2021 integrated resource plan (IRP) at Northern Indiana Public Service Co. (NIPSCO), ongoing regulatory items specifically OH where mgmt. is positive on reaching a constructive outcome with parties, and previewed a potential update at a '22 analyst day that will include more detail on future generation projects and growth. We believe there is still room for shares to re-rate higher as mgmt. executes on the renewables projects and growth in the near term and provides what we expect be a very healthy long-term growth outlook. Renewables drive a lot of the rate base and earnings growth contemplated in the plan, but the gas utilities continue to see very strong 10%+ rate base growth. Over time, as cash flows are recognized from renewables and the balance sheet is in a better position from the equity unit issuance, we see NI closing the gap between rate base and earnings growth. This should support a continued, elevated growth rate. NI will be ex-coal in the 2026-2028 timeframe (with bias to 2026) which could attract interest from a new set of ESG-focused investors. Maintain Buy.

Strong case for ownership

NIPSCO recently outlined its preferred future generation portfolio stemming from its 2021 IRP, and mgmt. highlighted that investments of up to $750M will be necessary to replace the retiring fossil plants. The ownership percentage (see bias to own more) and, to a lesser extent, project selection will determine what percentage of the opportunity NI can capture - reconciliation bill could help ownership with direct pay. We think mgmt. has a strong case to own a larger portion of the solar, and therefore we could see portfolio additions toward the higher end of the capex range. Remember, NIPSCO chose a potential combination of two preferred resource paths that leaves optionality over the longer-term to be fluid with changing federal policy.

What about RNG?

Investment in renewable natural gas (RNG) has not been top-of-mind for NI investors as focus has been more squarely on the renewables deployment through '24 and the ongoing 2021 IRP process. Mgmt. is interested in RNG for two angles, 1) how it can decarbonize their gas footprint and 2) how it can drive incremental infrastructure investment. It is still early in the evaluation process but, initially, it seems like there are a number of opportunities for mgmt. to capitalize on. We think supportive legislation from either the federal or state level would drive NI to accelerate a move into RNG. Mgmt. also highlighted its interest in some unregulated investment in RNG as well.

Regulatory data points positive

Mgmt. highlighted confidence in the Columbia Gas of OH, a NI subsidiary, rate case process (Docket 21-0637-GA-AIR). This will be a key litmus test for management's ability to work well with a diverse group of stakeholders. The Ohio regulatory climate has been challenged due to the House Bill 6 (HB 6) scandal despite being unrelated to NiSource, but we believe the regulatory relationship with Columbia Gas continues to be strong. While this is the first general rate case in the state since 2008, mgmt. noted they have continued to reach constructive outcomes with stakeholders and regulators in the interim (i.e. Capital Expenditure Program [CEP] in 2017).

NorthWestern Corp (NWE)

'22 Guidance Worse than Expected

NWE initiated FY22 EPS guidance of $3.20-$3.40, materially below $3.62 Consensus and $3.60 BofA, implying -6% YoY, a notable cautious outlier in the sector experiencing growth. Contribution from growth & rate recovery of 21-35c combined with 3-7c of interest & other is more than offset by 26-30c in y/y operating expense headwinds and 24-26c of dilution as the company plans to issue $225-250Mn in equity in 2022 after $200-225Mn in 2021. Our model assumed a more modest 19c of dilution. The higher expected operating expenses appear to be at a more sustainable level as management is likely to go in for more frequent rate cases given the elevated level of spend. In addition to 2022 guidance, management updated their five year outlook to add $300Mn in spend to drive 4-5% rate base. The company reaffirmed 2021 guidance of $3.43-$3.58 and continues to target longer term EPS growth of 3-6% off of a 2020 base year. We were cautious on the profile of 2022 due to headwinds from lack of rate relief and a deteriorating balance sheet but guidance is worse than expected with equity needs higher than expected and expense headwinds y/y materially worse. While dividend payout ratio will be elevated in 2022 given the more muted EPS, management continues to target a 60-70% payout ratio over time.

Regulatory hurdles ahead to achieve LT growth trajectory

While management targets a 3-6% EPS growth rate off of a 2020 base, we see several rate cases as likely needed to get back on track following the latest equity dilution: we perceive the equity in '22 as likely in the back half of the year based on implied dilution which will likely remain an overhang on shares. We further remain cautious on the regulatory environment after the challenging developments out of the commission and critically await additional data points to see more constructive changes under the new commissioners. With NWE planning to file a rate case in '22, watch for data points out of the commission for any shift in tone to mitigate regulatory concerns. With Laurel now coming online until late '23, watch for potential efforts around recovery constructs outside of a formal rate case filing in '24. We expect a final notice to proceed for the project to be filed in the very near term after the company withdrew preapproval to accelerate build.

We reiterate our Neutral rating on NWE, seeing balanced risk/reward given regulatory/equity overhangs despite deep discount.

OGE Energy (OGE)

OGE Energy is on the cusp of what we think will be a robust capex and growth updated at the 4Q call. Reiterate Buy as we see robust upside as we believe OGE shares not reflecting what we believe to be the proper level of potential incremental capex and growth (currently trading at a steep discount to the group). We see shares re-rating as more details on capex come to fruition at the 4Q call in Feb. Watch ET-ENBL close timeline through 4Q as the next catalyst for shares.

Capex opportunity is robust; generation and grid mod

The company submitted their final integrated resource plan (IRP) in both OK and AR, key components include replacing retired generation with a combination of solar and hydrogen capable combustion turbines. Mgmt. plans to annually add 100-150MW of solar over the next several years. Grid enhancement programs in OK and AR continue on pace - importantly, the proceeds received from the sale of ET in addition to the increased balance sheet capacity from the lower business risk profile ex-midstream will allow for the funding of increased capex with no equity. Grid mod is an additional opportunity for capital deployment, and we expect mgmt. to expand on the grid enhancement plan. **What about recovery?** Mgmt. expects to be filing more frequent rate cases to get recovery of the higher capex and keep regulatory lag to a 30bps or less level. The grid enhancement rider is constructive, and also lowers regulatory lag. Mgmt. will be filing its OK rate case by the end of the year, and we believe the outcome could be constructive given Public Service Co. (PSO) recent settlement agreement and OG&E's track record in the state.

Financing for the incremental growth? We do not believe mgmt. will need to issue equity, rather they should be able to rely on proceeds from Energy Transfer (ET) sales and utilizing excess debt capacity to issue debt at the parent and push equity to the utility. Remember, Moody's downgrade threshold will likely be lowered to 14-15%, closer to peers, after OGE reduces midstream operations.

Load growth is robust

OG&E is seeing a strong economic backdrop in their service territory driving customer growth of 1.3% versus 3Q20, higher weather normalized load of ~2.2% above 2020 levels, expanding C&I customer contracts to a total of 200MW in load. Mgmt. believes that this load growth can sustain into 2022 and even 2023 which is clearly positive. *The higher load and customer growth will allow OGE to spread more investments over a larger number of kWhs and lower customer bill impacts of the increased capital plan.* Mgmt. has run analysis of different scenarios on capex, gas prices, etc. and the impact of customer bills and even in the very high case, bill inflation hovers right around the rate of inflation, 2%+.

PinnacleWest (PNW)

One of the key EEI updates was an opportunity to connect with PNW's mgmt. team in person following the EPS guidance refresh and rate case outcome. Our conversation focused on the path ahead for the generation fleet (and RA considerations), the coming legal challenge to the SCR order, and future rate filing priorities.

Re-hearing and legal appeal are likely next steps

As was discussed extensively during and following the Arizona Corporation Commission (ACC) open meetings, PNW mgmt. intends to challenge in court the partial disallowance of the selective catalytic reduction (SCR) that was included in the final order. While the item is relevant from an EPS perspective - mgmt. estimates a 10-11c EPS impact given the $215m disallowance - we note the far more significant driver of earnings and guidance reduction was the ROE cut from 10% to 8.7%, among the most punitive rate case outcomes we have seen in recent history. If the ACC does not act on PNW's petition for rehearing it will be considered rejected, opening the door for a legal challenge. Note that an ongoing legal challenge does not preclude a concurrent rate case filing. We note that during its open meeting deliberations of the rate case, the ACC expressed a desire to avoid a legal challenge from PNW, potentially opening up an avenue for the company to create some leverage for its subsequent filing. Also consider that a court ruling may have precedent value in further defining (and potentially curtailing) the ACC's powers to set energy policy.

Push to improve ROE, engage with stakeholders

Given mgmt.'s estimates that it takes approximately four months to prepare a rate case filing, we continue to see a filing in 1H 2022 as the most likely option. Mgmt. sought to frame the differences in the circumstances between the just-concluded and future case: called in vs. voluntary filing, fully litigated vs. seeking to settle, coal rate base recovery vs. renewable investment. While we appreciate that the coming case filing will likely be simplified, we are not convinced that this alone will drive a meaningfully different outcome vs. the one that just concluded. We agree that improvement in the authorized ROE should be a priority for the company, it remains unclear (absent a meaningful move in rates nationally) how much upside there is above the initial proposal of 9.15% (the further reduction to 8.7% was fairly punitive and could rise incrementally). Commission staff has previously stated an intention to fully litigate all rate cases, thus it is not obvious to us what incentive there is to change this stance - though the "hardball" approach of pursuing a court challenge to the prior order could well prove to be the needed leverage.

Resource Adequacy, ownership mix upside with rider treatment

Mgmt. talked down the prospects for meaningfully moving up the retirement date of Four Corners beyond the currently scheduled 2031. Well-known resource adequacy concerns are the biggest driver here, particularly in the near term as PNW has yet to accelerate its investments in renewable generation given lack of a clean energy rider and associated lag. We see clear upside for PNW to expand its ownership of the renewables procured via its all-source RFPs, having been biased more in favor of PPAs in its most recent solicitations given structural lag.

Portland General Electric (POR)

Will Generation Materialize out of upcoming IRP?

Ahead of the Edison Electric Institute (EEI) Conference, management reaffirmed their full year trajectory of $2.70-$2.85 and their longer term guidance of 4-6%. In addition to adding $105Mn of unexpected incremental capex to the current investment plan (in '22), the company critically highlighted intentions to issue its renewable RFP in December for at least 375-500MW of renewable resources and 375MW of non-emitting dispatchable capacity by the end of 2024. This is in addition to expected procurement of an incremental 100MW for the Green Future Impact Voluntary Renewables program after the constructive order from the OPUC earlier this year permitting POR's ownership. **With bids due in February and additional data points around potential awards protracted until 2Q, we don't expect management to raise the LT growth CAGR with 4Q results but see a constructive setup for additional investment to accrue to POR**. Management reaffirmed that no equity needs appear needed in the nearer term given the relatively strong balance sheet, and <u>we see up to 15-20c of accretion net of any equity that may be issued with generation projects to be awarded next year</u>. While we wouldn't expect the utility to own all the generation, POR plans to address tax disadvantages through use of an affiliate interest entity to make their bids more competitive and we see a constructive backdrop overall for investment in the state to support growth closer to 6% if able to execute. Conversations suggested they may bid more than one benchmark resource in the latest process with multiple additional processes likely to also materialize over the next decade.

Watch further progress on rate case too

While management continues to work through some components of their ongoing rate case, settling ROE and cap structure early should help de-risk the regulatory setup with potential to settle remaining items after settlement discussions on outstanding components recently kicked off. Successful navigation and clarity on the rate case appears another critical factor before ultimately revisiting the longer term growth rate. Absent material inflation, we perceive management as likely to stay on a 2-3 year rate case cycle in their jurisdiction but stress the 90bp structural lag likely to remain that is primarily related to executive comp. Watch continued strength in load trends to help offset any lag. **Constructive outcomes around both the generation and ongoing rate case should bode positively for potential reconsideration of the longer term CAGR at some point next year**.

Reiterate our Buy rating on shares ahead of potential positive catalysts to drive shares higher.

PPL Corp (PPL)

Focus largely on Narragansett: Confidence on close

Latest discussions with PPL management continued to stress confidence in closing their pending Narragansett acquisition by March of 2022 despite the latest developments late last week from intervenors objecting to the transaction. Commentary suggested no insurmountable issues to address with a settlement still possible. Settlement discussions are scheduled for December 8-10th with a hearing to follow the following week before an ultimate decision by the hearing examiner. We believe a settlement would put them on track for a mid to late close in January vs. early March if no settlement is reached. With management vocal about the lack of other attractive M&A opportunities in the market place given current valuations ascribed in recent transactions, we see closing Narragansett a key part to drive a healthy and competitive CAGR longer term given what we expect to be the bulk of the capital opportunities in the jurisdiction. The no harm standard vs. net benefit bodes constructively for prospects.

More buybacks & capex to come as strategic evaluations continue

With their earlier update, management announced plans to invest at least an additional $1Bn in incremental infrastructure investment through '25 while increasing their target repurchases to ~$1Bn by YE from ~$550Mn previously. Through Oct. 31, the company had completed $550 million of share repurchases to date. With PPL reiterating its plan to target a dividend ratio of 60-65% post acquisition of Narragansett, the company expects to update its quarterly dividend to align with this payout target following the Jan 3rd dividend payment ahead of the March deal close. While management hasn't been particularly explicit around how the $1Bn will be deployed, we see opportunities in both KY and PA with capex more likely weighed towards PA given recovery constructs in place in the jurisdiction. The passage of the latest infrastructure bill could be another lever to drive additional capital opportunities. *We continue to await firmer details around PPL's strategic pivot and just how the company will grow at a healthy and competitive CAGR over time. Maintain Neutral given balanced risk/reward at the current valuation.*

Sempra (SRE)

Management reiterated its view that it believes its platforms are undervalued but particularly Southern California Gas (SoCalGas) with its long runway of capital spending. The company points to another strong year of earnings performance in FY21 as setting the stage for FY22, seemingly with an objective of increasing guidance once again after the positive momentum in 2020 and 2021.

Balance sheet has latitude and looking for more agency capacity

The most significant update from EEI was management's expectation that it could ultimately have its FFO/Debt requirements maintained as it grows its LNG footprint. Specifically management continues to work with the credit rating agencies in its attempt to convince the credit rating agencies to not increase its FFO/Debt requirements if it moves forward on new LNG projects. Previously management stated that it expected a potential +100bp FFO/Debt requirement if it announced a final investment decision (FID) on a new LNG development project. Management is working on educating the rating agencies on the risk profile (de minimus/no commodity exposure, etc.), size of projects (relatively smaller cost than the original Cameron 1-3), project debt capacity at Cameron/SIP, and the reduced exposure to Sempra Corp after the SIP sell-down.

Mexico: LNG the focus and are not concerned about Mexico legislation

Initial information was provided on the Vista Pacifico~4mtpa project which could be similar in size to the ECA development project. Vista Pacificohas access to two natural gas pipelines, one of which is owned by IENOVA/SIP, and advantaged geographic attributes to deliver to Asia as well as more remote areas of Mexico. The latter point could help on the permitting process in the future, with an angle to show local benefit aside from direct employment.

Pro-State Owned Enterprise (SOE) energy legislation policies continues to be in the headlines but management does not believe that there is broad support for a fundamental change to the construct at this time.

SIP: Remains an integral part of the mix

Management remains adamant that there are significant synergy benefits to retaining Sempra infrastructure Partners (SIP), specifically around the relationship with SoCalGas. The company is quick to point out that it has been very active in asset rotations with $10Bn+ divestitures and $12Bn+ acquisition in recent years and that it constantly evaluates the appropriate strategic mix frequently with the Board of Directors.

Rather than divesting further stakes in SIP, the preference appears to be increasing leverage at Cameron to finance incremental equity needs for new LNG projects if they materialize. Sempra still does not provide long-term growth profiles but points to its historical above-average EPS growth achieved.

We agree that there are synergies to the business but many investors we speak with question the degree to which the conglomerate Sempra can materially re-rate its consolidated P/E versus a more pure-play largely electric regulated utility universe.

Infrastructure bill less of a factor than for many companies

Consistent with most of the companies we met, Sempra is closely watching the elements of the infrastructure bill with its top focus on the ability to indirectly participate in the growth of renewables and decarbonization efforts with its transmission & distribution assets. On the margin there could be some 45Q carbon capture benefits at the Hackberry facility.

A 15% corporate minimum tax is not expected to have a meaningful earnings impact, consistent with prior expectations. From a cash flow perspective there could be some near-term pressure as Sempra is not a cash taxpayer currently although expects to be one in the next 2-3 years after using significant NOLs with its recent divestitures.

Cameron 4: 2022 focused on decarbonizing and debottlenecking

For Cameron, 2022 is expected to dominated by the FERC amendment to shift to electric power from gas turbines with the objective to derisk a potential carbon tax that would be passed through to customers via most SPA. The proposal would reduce Scope 1 emissions by 60-80% and could take overall carbon emissions -30% across the entire project depending on carbon sequestration assumptions. With the amendment process anticipated to run through most of 2022, a final investment decision (FID) late 2022. Cameron 4 could be a 6mtpa expansion at a price that management compared to peer expansion efforts. In parallel SIP is working on the debottlenecking which would generate well above-average returns due to the relatively small capital cost as an inexpensive way to add capacity.

WEC Energy (WEC)

WEC provided one of the more substantive Q3 updates, rolling out a plan to transition its Oak Creek facility off coal ahead of schedule and updating its long-term target EPS CAGR to 6-7%. The EEI update largely served to reiterate the Q3 message while providing additional clarity on upside from a potential reconciliation bill. Maintain Neutral on shares of WEC as it remains a premium utility with a favorable valuation, having seen its multiple contract in recent quarters.

Oak Creek coal transition should be capital light

WEC committed to exit coal from its remaining units at Oak Creek by 2035. Mgmt. plans to undertake a staged conversion with a relatively capital-light strategy, with an initial capex amount of $30m to shift Oak Creek's fuel mix to run on ~30% gas within the next two year upon the approval of permits with the Public Service Commission of Wisconsin (PSCW). The next step to reach ~60% gas mix is targeted toward the end of the decade and is estimated to require a similar investment amount, with aggregate capex of $150-180m estimated to fully convert the plant by the target date of 2041. The existing leases for units 1 and 2 run through 2040 and 2041 respectively - while the renewal discussion is far off at present we note the conversion makes renewal incrementally more likely.

Capital allocation tilted to regulated on opportunity set

Mgmt. affirmed that rating agency considerations are not a gating item when considering the optimal mix of capital between its regulated and unregulated energy infrastructure businesses. The risk profile is considered to be comparable to the utility business given the long-term contracted nature of assets and relatively short cash payback period. The final content of the federal reconciliation bill and applicable tax credits could well drive additional investment in the non-regulated business, but mgmt. has held off on a more fulsome update pending bill detail.

Clear upside from the reconciliation proposals

With the energy infrastructure's investments to date tilted in favor of wind generation, mgmt. indicated a potential for expanding the opportunity set to include solar if the reconciliation bill as proposed ends up being enacted. Incremental credit metric improvement would also result from adoption of Direct Pay - note that with no block equity in its funding plan the improved cash flow characteristics could serve to accelerate infrastructure segment (as well as regulated) capex.

Renewable tariff could follow real-time rate

In response to growing desire by commercial and industrial customers to decarbonize, WEC mgmt. is evaluating a potential renewable rate for customers to opt into - the company has had success with previous iterations of specialized rates for industrial customers having previously enacted a real-time rate that has supported growth of its commercial and industrial user base. Given the success of similar efforts (such as DTE's renewable tariff), a renewable-only rate could help to support the load growth runway as WEC focuses on supporting economic development in WI.

MGEE: expect further renewables

SMID cap WI peer MGEE has compounded rate base growth in the 5-6% range over the past several years. While mgmt. does not provide multi-year guidance we expect solid near-term growth driven by renewable project build out including partnering with WEC on several solar + battery rate base assets in a 90-10 split. West Riverside option for 50 MW remains un-exercised, we see the bias as clearly towards greater renewables in the near term. Maintain Underperform on MGEE given elevated stock price and peer-average growth rate over the long run.

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Xcel Energy (XEL)

Our meeting with XEL's mgmt. team focused on efforts to align the company's priorities with energy policy in key states including Colorado and Minnesota. While the company has one of the busier regulatory calendars in the near term, we see reason for optimism in both its resource plan and rate cases in CO and MN. Maintain Buy on XEL given robust upside to the current plan and attractive valuation.

Colorado reg agenda cleared ahead of settlement talks

We continue to view as constructive XEL's strategy of reaching a comprehensive settlement with Colorado regulators on outstanding recovery of Winter Storm Uri costs and several other outstanding items ahead of settlement talks in its electric rate case. While the settlement included a $41m customer refund as well as foregone recovery of $25m of additional revenue, we view the move as building up goodwill with staff and improving odds of a settlement in the rate case. Mgmt. indicated that the debate between historical and forward test years continues to be a key sticking point in negotiations with staff, though it does not appear this alone precludes a mutually agreed outcome (potentially as early as year end). The other major regulatory agenda item in Colorado is the proposed $1.7B Pathway transmission expansion project - mgmt. framed its prospects for settlement as being aided by the fact that the build as proposed is aligned with state priorities to cut emissions by 85% by 2035. There remains wood to chop in securing permitting for rights of way but these are standard considerations of large scale T&D work. As with Colorado, mgmt. framed its prospects for settling the pending IRP in Minnesota within the next two quarters as positive.

Reconciliation bill upside is clear

XEL flagged likely benefits from a reconciliation bill on its Q3 call, seeing potential upside to its consolidated credit metrics of between 50-100 bps (among the best of companies that quantified the impact), and potential to substantially reduce the $1.25B equity in its forecast through 2026 if direct pay were included in the final package. While lower deferred tax balances would improve rate base growth, this would likely be tempered by accelerated 5-year depreciation on transmission projects.

Ever growing upside to long-term plan, greater clarity coming in 2022

The reconciliation bill and potential to accelerate rate base growth, improve bill headroom, and reduce equity remains one of several tangible upside levers for XEL. The recent roll-forward update identified $1.5-2.5B of projects that are incremental to the existing plan including 2000 MW of renewable projects and additional transmission as part of the Colorado Pathway plan. We perceive a high likelihood that some portion of these projects will be added in subsequent roll-forwards, in particular once key details around the Colorado Pathway and MN resource plan are known. In our view the long-run 5-7% that XEL's mgmt. targets is relatively low-risk given the investments identified in the plan and pending regulatory clarity.

Exhibit 1: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AES	AES US	AES Corp	US$ 24.14	B-1-7
LNT	LNT US	Alliant Energy Corp	US$ 55.82	A-2-7
AEE	AEE US	Ameren Corp	US$ 84.09	A-1-7
AEP	AEP US	American Elec Power	US$ 83.66	B-1-7
AWK	AWK US	American Water	US$ 170.06	B-3-7
AY	AY US	Atlantica Sustain	US$ 38.30	B-2-7
AGR	AGR US	Avangrid	US$ 50.34	A-3-7
AVA	AVA US	Avista Corp	US$ 40.35	B-3-7
BKH	BKH US	Black Hills	US$ 65.52	B-1-7
CNP	CNP US	CenterPoint Energy	US$ 26.68	B-1-7
CMS	CMS US	CMS Energy	US$ 60.39	A-1-7
ED	ED US	Consolidated Edison	US$ 77.34	A-3-7
D	D US	Dominion Energy	US$ 75.26	A-1-7
DTE	DTE US	DTE Energy	US$ 113.00	A-3-7
DUK	DUK US	Duke Energy	US$ 101.23	A-2-7
EIX	EIX US	Edison Intl	US$ 64.98	B-2-7
ETR	ETR US	Entergy Corp.	US$ 102.64	B-1-7
WTRG	WTRG US	Essential Utilities	US$ 47.36	B-1-7
EVRG	EVRG US	Evergy	US$ 64.46	A-2-7
ES	ES US	Eversource Energy	US$ 83.61	A-2-7
EXC	EXC US	Exelon Corp	US$ 54.13	B-1-7
FE	FE US	FirstEnergy	US$ 38.69	B-1-8
FTS	FTS US	Fortis	US$ 45.62	A-3-7
YFTS	FTS CN	Fortis	C$ 56.68	A-3-7
HE	HE US	Hawaiian Electric	US$ 40.53	A-2-7
IDA	IDA US	Idacorp	US$ 102.94	B-2-7
MDU	MDU US	MDU Resources	US$ 28.97	B-1-7
MGEE	MGEE US	MGE Energy	US$ 78.28	A-3-7
NEE	NEE US	NextEra Energy	US$ 85.27	B-1-7
NI	NI US	NiSource Inc	US$ 25.29	B-1-7
NWE	NWE US	NorthWestern Corp	US$ 57.33	B-2-7
OGE	OGE US	OGE Energy Corp	US$ 34.19	B-1-7
PCG	PCG US	PG&E Corp.	US$ 12.05	C-1-9
PNW	PNW US	Pinnacle West Capit	US$ 63.48	B-3-7
POR	POR US	Portland General	US$ 49.49	B-1-7
PPL	PPL US	PPL Corp.	US$ 28.89	B-2-8
PEG	PEG US	Public Service	US$ 62.42	A-1-7
SRE	SRE US	Sempra Energy	US$ 125.46	B-2-7
SO	SO US	Southern Company	US$ 63.28	A-1-7
WEC	WEC US	WEC Energy Group Inc	US$ 89.70	A-2-7
XEL	XEL US	Xcel Energy	US$ 63.81	A-1-7

Source: BofA Global Research
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Price Objective Basis & Risk

AES (AES)

Our price objective is $28 and is based on a sum of the parts analysis applying a blended valuation approach, the summation of 1) EV/EBITDA approach across global generation assets. We use an 8.0x base for US peer IPPs and apply a +5x premium for US distributed generation for further growth expectations, valuing them at 13x 21E EV/EBITDA. Meanwhile, we value the DevCo using a 10% discount on 3.5GW+ of annual renewables beyond '22 given market dynamics. In Asia, we apply various multiples based upon jurisdiction risk across the rest of the portfolio and overall investor appetite as reflected in local peer multiples. We use mark-to-market value of publicly listed LATAM subs as well as apply a P/E methodology for US regulated utilities using the peer multiple of 16.2x 24E. We also credit the company with Vietnam and its investment in Uplight.

Downside risks to our price objective are negative regulatory outcomes in the US, international currencies devaluing against the US dollar, and expensive M&A acquisitions impacting value and a reduction in emerging market power demand growth.

Alliant Energy Corporation (LNT)
Our $55 PO is based on a sum of the parts analysis employing relative premium and discounts to the large cap regulated peer multiple of 15.6 2024E P/E. We note that electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply a 1.0x P/E premium on IPL as we see the rate case overhang being resolved. We apply a 3.0x P/E premium on Wisconsin Power & Light Company reflecting 1) low risk investment nature of the state, 2) above average ROEs, 3) higher than average growth runway for investments, and 4) bad debt deferral. At ATC, we reflect a 3.0 x P/E premium on LNT's 16% share in the transmission company. Growth expectations for this segment are high, paired with above average ROEs that we believe face less downward pressure vs. regulated state distribution ROEs. We apply an in line multiple at the parent to account for the blend of numerous businesses some which benefit from long term stable PPAs via intercompany generation.

Risks to our price objective are: 1) adverse rate case outcomes, 2) further equity dilution beyond our estimates, 3) interest rate risk, 4) natural disasters, and 5) lower allowed ROEs.

Ameren Corporation (AEE)
Our $91 price objective is predicated on a P/E based sum of the parts, valuing each business subsidiary relative to the 2024E ratebase weighted peer multiple of 16.2x for electric. We apply a 2.0x premium to peers at AEE Missouri to account for the improving prospects of capital spend, supplemented by a regulatory jurisdiction becoming more favorable - but lack of decoupling. We apply a 2.0x premium to peers at AEE Illinois to account for decoupling on the distribution business which aids in earnings predictability. The overall business is expected to grow at a more meaningful clip than that of peers - we see a 10% EPS CAGR at IL 2020-2024. At ATXI, we apply a 4.0x premium to peers to reflect the FERC ROEs. At the Parent, we assume 2.0x multiple premium reflecting average of the subs and given the healthy debt metrics with FFO/Debt at 17%+. Electric peer P/E multiple is grossed up for a year to 2022 by 5% to reflect capital appreciation across the sector. The risks to our price objective are the utilities earning their allowed returns or worse, a significant change in 30-year U.S. Treasury bond yields, and adverse regulatory outcomes that could impact mgmt's ability to earn its allowed return.

American Electric Power (AEP)
Our price objective of $94 is based on SOTP analysis. We ascribe a peer forward P/E multiple (16.2x) with a 1.0x premium for its transmission-only Utilities segments, a 1x discount for PSO and SWEPCO based on renewables approval risk and a 0x premium for regulated utilities. Our valuation reflects the Kentucky Power sale pending. We note that electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector.

Risks to achievement of our PO are 1) regulatory outcomes are less favorable than expected, which could result in reduced ROE, 2) large capital intensive are subject to delays or cost overruns, which can change the return profile, 3) natural disasters or catastrophic events can affect system reliability and are subject to regulatory cost recovery risk, 4) utilities are subject to interest rate risk to fund their business, which affects cost of capital, 5) commodity risk affects the generation business margins and indirectly affects the regulated business as a pass through cost, 6) consumer advocates are focused on bill inflation, which can affect regulatory outcomes, 7) non-regulated businesses are inherently more risky and subject to execution risk and commodity variation, 8) asset divestitures and acquisitions, including the risk that the Kentucky Power sale is not completed.

American Water Works (AWK)
Our PO for American Water Works is $159. We apply the water sector average 27.1x to American Water's 2024E earnings based on the water peer multiple and a 8.1% group EPS CAGR for '18-'23E. We think this multiple is justified as in our view AWK largely drives the peer multiple as the largest publicly traded water utility. We ascribe a 2x premium for NJ, PA, and IL given scope of acquisition opportunities. Also a -1x P/E for Cali utility.

Risks to the outlook include: 1) ability to execute capital and operating expenditures forecasts, 2) equity needs, 3) regulatory outcomes, 4) state and Federal legislative changes, 5) NY transaction pending, and 6) NY subpoena.

Atlantica Sustainable Infrastructure (AY)
Our $38/sh PO is based on a 75% Growth valuation and 25% DCF valuation. Our Growth value is $40 (weighted 75%). Our DCF value is $30 (weighted 25%). We use a 75% weighting to reflect disproportionate focus on existing and future yield over core asset cash flows, ascribed at 25%. Perceived growth remains the prevailing methodology employed across the market.

Assumptions in our DCF valuation are:
- A 7.2% discount rate calculated using CAPM methodology, along with country risk (125bps) and company-specific (100bps) premiums.
- 2% annual escalator in corporate expenses

Main assumptions in our Growth valuation are:
- Run-rate CAFD generated by the current portfolio of $230 Mn
- 1600 MW of future drop downs
- A target payout ratio of 80%

Downside risks are 1) the company may not be able to access capital markets at favorable terms, 2) the company may not be able to make accretive acquisition opportunities to fuel growth, 3) the company may not be able to grow DPS at the targeted growth rate, 4) the company may not be able to sustain its current dividend levels, and dividend yield could increase, 5) PCG related counterparty exposure is among the nearest exposures to watch.

Avangrid (AGR)
Our $46 PO is based on an SOTP. The utilities are valued on '24E with a a discounted valuation to the NY P/E of 16.0x/13.5x for electric/gas, given perceived risk to earned ROEs. No prem for UI or CMP Elec. Both electric and gas peer P/Es are grossed up to 2020 by 5-5.1% to reflect capital appreciation across the sector. We apply a DCF approach on the existing renewables biz, with 30% prem-to-DCF in line with yieldco peers. We back out 50% of non-reg debt at the parent. We include value of the two offshore wind awards assuming $3500/kW cost for Vineyard Wind, 6% disc, and 6% construction risk disc, with prem-to-DCF based on MtM of yieldco valuations. We use an in-line discount for NECEC, but probability weight it 75%.

Upside risks: 1) ROE improvement in AGR's network business 2) Improvement in wind resources net capacity factor 3) higher than expected growth from offshore wind opportunities.

Downside risks: 1) Iberdrola owns over 80% of AGR common stock, limiting float and presenting a potential for governance conflicts, despite the BoD being majority unaffiliated with Iberdrola. 2) Reg. relationships/outcomes could deteriorate 3) Existing and likely increasing exposure to the renewables biz results in a number of PPA related risks including commodity, recontracting & tax benefit recovery risk 4) Lack of adequate capital recovery mechanisms could threaten ROEs 5) The renewables biz may not expand as fast as expected or have worse returns 6) Offshore delays.

Avista (AVA)
Our $37 PO is based on our 2024E sum-of-the-parts (SOTP) analysis, based on the large cap electric group multiple of 16.1x and the gas regulated multiple of 13.7x. Both electric and gas peer P/E multiples are grossed to reflect the group's 5% CAGR to reflect capital appreciation across the sector. We then use a blended electric and gas multiple of 77% and 23%, respectively, for AVA's WA and ID jurisdictions given the composition of its rate base. We apply the gas multiple to its OR jurisdiction as it is entirely comprised of natural gas distribution assets. Meanwhile, we apply an electric multiple to its Alaska subsidiary, AEL&P, as it is a vertically integrated electric utility. We apply a 10.0x multiple to AVA's Corp & Other businesses as we cannot apply a full utility multiple given it consists of investment funds with a lack of visibility in earnings relative to utilities. eastly, we apply a 1x discount to WA and ID to capture uncertainty associated with fire risk and regulatory risk. We apply a 1x discount to OR given regulatory risks but no fire risk as it is solely a gas utility.

Risks to upside are 1) improving regulatory relationships, 2) decrease in interest rates, 3) constructive rate case outcomes in any of the jurisdictions. Risks to downside are principally wildfire events in West, which have increasingly spread to PacNW. Risks to downside are 1) operational risks 2) gas regulations attempting to phase out gas LDC usage over time impede growth.

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Black Hills Corporation (BKH)
Our $68 PO is based on a SoTP valuation. Gas Utilities: We apply the 14.1x peer P/E multiple on 2023E EPS. Electric Utilities: We apply the 16.6x peer P/E multiple on 2023E EPS. Both electric and gas peer P/E multiples are grossed up by 1-yr vs 2020 by 5% to reflect capital appreciation across the sector. Coal Mine: We apply an 8x peer EV/EBITDA multiple, which is in line with other PRB coal producers. Based on our view of the strength/maintainability of different coal plant output contracts, we apply a discount/prem multiple to that portion of the mine. IPP Assets: We use the recent sale price and '23/EVEBITDA multiple for Pueblo Airport and Wygen I assets, respectively. Parent Expense, Debt, and Eliminations: We apply an average regulatory P/E multiple to this segments income. This captures some Interco revenues that are double counted as well as parent SG&A drag and debt.

Downside risks: inability to earn the authorized rate of return, unfavorable regulatory outcomes, and reductions in capital expenditures forecasts
Upside risks: ability to earn above the authorized rate of return, favorable regulatory outcomes, higher capex deployment

CenterPoint Energy (CNP)
We value CenterPoint Energy at $29 using a sum-of-the-parts methodology: electric business on an 4x premium to account for incremental capital not yet in plan to the Houston Electric multiple of 16.3x on 2024E P/E. We take out any earnings attributable to the transition bonds amortization, as those are temporary and instead add back the DCF value of future payments. For CNP's gas utilities we use the 24E utility gas peer multiple of 13.8x. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector and apply prem/discounts. We integrate Vectren into our model and apply a 60/40% weighting to the gas/electric multiple (in line with the business mix) and apply a 3x premium to account for incremental capex not yet in plan. For VESCO we apply a 12x 24E P/E multiple. We subtract parent interest expenses at a weighted average multiple. Further we net out the perpetual preferred, and apply a 50/50 weighting to parent debt and add back interest expense for recapitalization. We net out holdco interest at the weighted average P/E.

Risks include but are not limited to: 1) ability to deploy capital expenditures and earn the regulatory allowed rate of return, 2) regulatory actions, 3) inability to execute on pending asset sales, 4) balance sheet considerations, 5) interest rate changes.

CMS Energy (CMS)
Our PO of $65 is based on a SotP relying on 2024E forward P/E multiples for the utility business and a 2024E forward EV/EBITDA multiple for CMS' IPP assets. For the utility seg we apply a 3.0x prem to the avg 24E regulated multiple P/E of 16.1x for the electric seg and of 14.2x for the gas seg, with the 10-yr capex update providing clear sight on ratebase growth and further upside, as well as cont'd favorable regulatory environment, and finally historically proven ability to consistently perform at the high end of guidance range. Both electric and gas peer P/E multiples are grossed up to 2020 by 5% to reflect capital appreciation across the sector. For CMS' merchant business we apply a 4x EV/EBITDA multiple, in line with current market value of CMS power plants (specifically DIG), moreover DIG has relatively favorable contracts for the near future which strengthen plant earnings. Risks are: 1) earned ROEs declining which reduce CMS utility earnings 2) execution risk on capex and cost cutting which would primarily affect the utility earnings, 3) negatives changes to market energy prices which could affect the DIG plant's ability to re-contract at the assumed prices.

Consolidated Edison (ED)
Our $68 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group multiples 16.0x/14.3x for electric/gas respectively with a -3.0x disc. to Electric, Steam, & Gas to reflect Covid recovery overhang and Steam for lack of decoupling. Both electric and gas peer 2024 P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We further apply an EV/EBITDA approach on 2024E EBITDA to the CEB (renewables) business using a 10.0x multiple for both the legacy portfolio and the renewables portfolio seeing it as having higher quality returns.

Risks that may impede achievement of the rating or price objective (PO) include but are not limited to changes in: 1) earned regulatory returns, 2) capital expenditures, 3) regulatory/political/legislative changes, 4) interest rates, 5) natural disasters, 6) execution on unregulated projects, 7) covid, and 8) raw materials costs & supply chain delivery timelines.

Dominion Energy (D)
We value Dominion Energy using a sum-of-the-parts approach to derive our $83/sh PO. Utilities. Our base 2024E approach utilized comparable electric (15.7x) and gas (13.2x) utilities which we gross-up by 5% to reflect capital appreciation across the sector. We apply premiums to the core utilities: +4x Virginia and +3x South Carolina, Ohio, Utah, and North Carolina. We apply discounts to lower value utility sources in South Carolina (NND) and Utah (Wexpro).

We also net out NPV of ongoing bill credits. Merchant: We apply an 8x FCF multiple for Millstone and separately apply a 100% weight to our NPV estimate of the ZCP cash flows. We include the full EBITDA from the contracted renewables with a 16x '24 EV/EBITDA multi in line with peers. Cove Point: We apply an NPV approach with to our DCF adjusted for the 50% sell-down in the facility. For remaining debt beyond that allocated to state utilities, we include a 50% weight towards a straight netting of leverage, with the remaining 50% using a P/E multiple on associated interest expense, in line with the methodology employed for more highly levered diversified utilities.

Risk to our PO include but are not limited to: 1) Regulatory, legislative, and political actions, 2) ability to earn the regulatory allowed ROE, 3) capital markets and equity requirements, 4) changes to the capital expenditure forecast, 5) volatility in interest rates, and 6) natural disasters.

DTE Energy (DTE)
We value DTE Energy at $105 using an SOTP approach. We value the utility segment on a 2024E forward P/E multiple basis and the non-utility segment on a 2024E forward EV/EBITDA multiple basis. For the utility segment we apply a 3x premium to both our regulated electric and gas utility peer multiples (of 16.1x and 14.2x, respectively). Both electric and gas peer P/E multiples are grossed up for a year to 2022 by 5% to reflect capital appreciation across the sector. We subtract out Corp & Other expense excl. interest rate. For P&I, we apply an 7x EV/EBITDA multiple (8x base given historical valuation compared to midstream, less 1.0x discount given forecast growth) to cogeneration to reflect the lower quality of these earnings and opaque disclosures, as management has been able to execute on new project origination.

Upside risks to our PO are capex expansions, higher authorized ROEs, and strong performance in the ET segment. Downside risks are interest rate hikes, execution risk on organic growth initiatives at the nonregulated business, and less favorable regulatory environment.

Duke Energy (DUK)
Our $100 PO is derived from a sum-of-the-parts valuation. We value the Electric and Gas utilities using peer 2024E P/E multiples. We apply a 4.0x multiple premium to Duke's operations in FL and 3x in IN to reflect more favorable regulatory environments (and potential generation opps in IN). We apply a 3x multiple to the Carolinas given upside to spending in improving regulatory construct combined with latest IRP & wider legislative reforms into 2021. We value the other regulated electric utilities at 17.8x and the gas utilities at peer group multiples of 15.9x 2023E P/E, respectively. Both electric and gas peer P/E multiples are grossed up by 5% for the groups CAGR to reflect capital appreciation across the sector. The commercial midstream, and transmission are valued on a 2023E EV/EBITDA basis. We use a 9.5x and 10.0x multiple for midstream and transmission segments, respectively. We add the net present value of renewable segment using an 8% discount rate. We subtract out the impact of commercial debt, and add back for the renewable debt.
Upside risks: constructive rate case results, higher capital expenditure additions vs our assumptions, lower interest rates. Downside risks: poor rate case results, operating errors, and negative changes in the regulatory environment, Macro risks: Increases in interest rates and decreases in equity market valuations.

Edison International (EIX)
Our $67 PO is based on sum of the parts analysis with a peer 16.0x 2024 P/E grossed-up 5% for group growth. A -2x P/E discount is applied to the CPUC and FERC jurisdictional utilities as well as the Parent/Other segment. The discount reflects below-average growth and regulatory considerations. The negative wildfire adjustments are netted-out to reflect a probabilistic approach to the risk of shareholder funded wildfires and the ongoing contribution to the CA fund on an NPV basis. Downside risks: 1) Wildfire and other natural disasters/catastrophic events subject to regulatory cost recovery, 2) Unfavorable regulatory outcomes including slowing rate of investment opportunities, 3) Interest rate risk reflected in cost of capital, 4) Additional financing needs, 5) Inability to earn the regulatory authorized ROE, and 6) Unexpected unregulated Edison Energy losses. Upside risks: 1) Favorable outcome in pending wildfire litigation, 2) Favorable regulatory outcomes, 3) Increases in the authorized cost of capital, 4) More constructive regulatory / legislative outcomes to address wildfire risk, 5) Ability to outperform the authorized ROE in the short-term, 6) Enhanced profitability from the Edison Energy.

Entergy (ETR)
Our $115 PO is SOTP based. We assign P/E multiples (peer multiple of 15.8x) for 2024E on most segments, in line with peer multiples (and grossed up by 5% to reflect capital appreciation across the group) due to similar growth, and strip out 50% of the holdco senior notes. Both electric peer P/E multiple is grossed up for a year to 2022 by 5% to reflect capital appreciation across the sector.

Downside risks: 1) Regulatory outcomes or earned ROE's could worsen, 2) Rate making mechanisms could change in the future, 3) Failure to get trackers or ROE adjustment mechanisms could hurt realized ROE, 4) weather can affect operations and earnings, 5) Interest rate risk affects cost of capital, 6) Consumer advocates or utility staff may focus more on issues that challenge the company ROE, 7) ETR has had safety issues in the past, which have affected regulatory relationships and company liabilities, 8) Exit from the competitive business could present unforeseen challenges.

Essential Utilities (WTRG)
Our price objective is $54 based on our SOTP approach, applying a peer multiple to the water utility and gas utility, respectively and accounting for expected growth for each sector. These peer multiples are 27.1x and 13.8x. We apply a 1.0x premium to Peoples Gas given the organic growth opportunities, while applying a variety of premiums to its water (3x previously) subsidiaries: +4x to PA, +3x to IL, +2x to OH, +2x for TX, +2x for OH, and no premium for balance of biz. We net out parent debt and parent interest expense associated with parent debt 50/50 weighed basis.

Risks to the downside are acquisition risk, deteriorating regulatory outcomes, and risks from a lower rerating following the diversification into gas.

Evergy, Inc (EVRG)
Our $66 price objective for Evergy (EVRG) is based on sum of the parts valuation, applying an in-line utility peer 2024E P/E of 16.2x. The electric peer P/E multiple is grossed up for by one year by 5% to reflect capital appreciation across the sector. We further apply a -1.0x turn discount across the Kansas Central subsidiary based on our perception of a slightly more challenging regulation compared with the average utility due to concerns about bill pressure.
Downside risks to our price objective include adverse regulatory outcomes, inability to deploy capital expenditures consistent with guidance, operational performance issues including at the nuclear facility, and earning below the authorized rate of return.

Upside risks to our price objective include favorable regulatory outcomes in important proceedings, accretively deploying additional capital expenditures above guidance, higher than anticipated O&M benefits and merger synergies leading to a higher earned return on equity, and the ability to recover capital invested in retired coal assets.

Eversource Energy (ES)
Our sum of the parts based price objective of $87 uses P/E multiples on 2024E earnings. For electric utilities, we attribute a 3x premium NSTAR, 3x premium to PSNH, and a 2x discount for CL&P to peer 15.9x multiple, reflecting future potential positive revisions to capex and earnings and the latest challenges in CT. For gas, we apply a 3x premium to the peer 13.6x multiple, given capex upside particularly in MA and a 2x for Columbia Gas. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We value Aquarion at the 26.5x water multiple. We reflect ES's 50% ownership in Revolution and South Fork offshore wind sites on an NPV basis. We further reflect a DevCo value with an assumption of an additional 3GW through 2031. We take out 50% of parent debt, and 50% of interest to accurately reflect parent leverage.

Risks to our Price Objective include but are not limited to: 1) regulatory/political/legislative changes, 2) capital expenditures forecasts, 3) ability to earn the regulatory allowed ROE, 4) offshore wind development, 5) natural disasters, 6) operational performance and gas incidents, and 7) recent M&A integration.

Exelon (EXC)
Our $58 PO is based on an SOTP valuation.
Utility: Our base electric peer P/E multiple of 16.3x for '24 is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply an in-line multiple for BGE and a 1x prem to PECO. We apply an in-line multiple to ComEd and a 1x discount to PHI.

Our Generation valuation is based on a 2023E SOTP. We start with our EBITDA estimates at each segment and subtract out maintenance capex. We then capitalize this at a 7.0x base multiple (based on the long-term average forward EV/FCF in the sector) to which we apply a premium/discount based on our views of the specific region and portfolio while we apply a 13% discount rate for the nuclear DCF and and a 12% discount rate for non-nuclear Mystic. We do not use a terminal growth rate.

Risks: 1) the company may or may not experience adverse regulatory rulings in its future rate cases, 2) Rate making mechanisms may or may not change in the future, 3) the company may or may not experience an increase in the price of key inputs such as natural gas and coal 4) the company may or may not experience a decrease in wholesale power prices 5) the company may or may not have to deal with stricter environmental or safety regulations 6) the company may or may not be able to access capital markets, 7) the company's operations could be materially impacted by weather events.

FirstEnergy (FE)
Our PO of $42 is based on a sum-of-the-parts valuation. Multiples are driven by relative P/E premiums/discounts to the 2024E regulated peer multiple (16.2x). Electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector. As for premiums/discounts, we view NJ as at a slight premium +1x given a generally constructive commission and asset sale potential, PA at -2x as we view our more punitive estimates already account for industrial load sensitivity including O&G royalties, and others as in line to small discounts. In OH, we apply a -1x P/E discount multiple to account for rate review risk. Finally, we apply a +1x P/E premium to peers 2024E multiple to the Transmission business given potential for sale of a non-controlling stake. We subtract out the holding co debt given the high parent leverage.

Downside risks include but are not limited to: 1) Unfavorable regulatory outcomes, 2) inability to earn the allowed ROEs and/or other deterioration of regulatory earnings, 3) increasing pension liabilities, 4) further negative investigation revelations, 5) large equity needs than forecasted.

Fortis (YFTS / FTS)
Our C$51 (US$41.46) PO is based on our sum of the parts methodology. We assign a 2024E forward base peer P/E multiple of 16.1x to the US utility business with a further applied discount of -2.5x for UNS Energy (AZ) to reflect regulatory risk, a 3.0x premium for ITC for long-term expansion investment opportunities, and a discount of -2.0x for Central Hudson (NY) to account for a challenging regulatory environment in the state.

For Canadian utilities, we assign a base peer 2024E P/E multiple of 16.3x. Lower ratebase growth profiles and generally lower authorized equity layers/ROEs, paired with a more challenging regulatory environment, will continue to warrant a discount to US peers, in our view.

At Caribbean utilities, we apply 60% ownership share to the publicly listed subsidiaries' current market cap.

We assign an 6.0x 24E EV/EBITDA multiple to FTS's non-regulated segment seeing the contracted nature of its non-regulated segment positively offset lower growth opportunities. We account for FX upside based on current spot prices

Upside risks are: 1) favorable regulatory outcomes, 2) successful execution on upside capex initiatives including Lake Erie Connector and MISO long-term transmission, and 3) improvement in USD/CAD exchange rate

Downside risks are: 1) unfavorable regulatory outcomes, 2) regulatory lag and overall inability to achieve the allowed ROEs, 3) deterioration in USD/CAD exchange rate, and 4) dilution from additional equity to strength credit ratings

Hawaiian Electric Industries (HE)
Our PO of $43 for Hawaiian Electric Industries is based on a sum of the parts approach. We apply:

1) a 2024E forward P/E multiple with 1.0x premium to electric utility peer multiple of 15.2x. We see this as justified given alleviating regulatory issues and upside risk to embedded regulated earnings with PIMs to support ability to execute towards authorized ROEs. Electric utility peer P/E multiple is grossed up for a year to 2021 by 5% to reflect capital appreciation across the sector.

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2) a 2021E forward price to tangible book value of 2.2x to the banking subsidiary, a 0.3x premium to smid cap regional peers (1.9x), in-line with Hawaiian banks peers. We then take into account parent overhead by applying the same multiple here as to the utility segment to 50% of parent interest and subtracting the per share value of the remaining 50% of the debt.

Downside risks are delays on capital expenditures, weakening regulatory environment, PUC denial of new capital investments or lower authorized ROEs.

Upside risks are expansion of capital expenditure plan, significant improvements in earned and/or authorized ROEs.

Idacorp (IDA)
Our $108 PO is based on a sum-of-the-part valuation (SOTP) of the utility and parent segments.

Our utility valuation is based on applying a 16.2x peer P/E multiple to our 2024 EPS estimates. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. We apply a 3.0x premium to Idaho Power to account for acquisition premiums and ROE floor mechanism, upside to estimates, conservative guide, and the strong balance sheet. We factor in probability-weighted opportunities for more ratebase from Hells Canyon & large-scale transmission ownership announced at EEI.

Upside risks to our PO are getting additional capital approved on expedited basis. Downsides risks are regulatory shifts or using up ADITC bank which ensures consistent ROE and earnings floor.

MDU Resources Group, Inc. (MDU)
Our $32 PO is derived from SOTP. At the regulated electric and gas utilities, we use a P/E approach on our 2024 estimates and use peer multiples of 16.3x for electric and 14.5x for gas, respectively with a -1.0x discount for each reflecting below-peer rate base growth of 5% through 2025, we then gross this multiple by +5% to account for sectorwide EPS growth to derive a 12-month forward PO.
We value the Construction Materials business using a '24 EV/EBITDA estimate, applying a multiple of 8.8x based on an average of several publicly-traded peers in the cement, asphalt, and aggregates business.
We value the Construction Services business using a '24 EV/EBITDA estimate, applying a multiple of 8.0x based on an average of several publicly-traded specialty construction services peers. We also apply a -1.0x valuation discount reflecting the high level of competition in the space.
We value the Pipeline business using a '24 EV/EBITDA est., applying a multiple of 9.7x based on an average of several publicly-traded midstream peers. We also apply a -1.0x valuation discount reflecting execution risk around the North Bakken expansion which is slated for construction in 2021-22. We net out total parent drag and add back the remaining parent interest expense with a 50% weighting. Upside risks are higher utility capex, improving margins at the construction business, and infrastructure stimulus. Downside risks are a macro downturn pressuring construction margins, and rate case outcomes.

MGE Energy (MGEE)
Our $64 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group multiples (17.6x/15.9x for electric/gas respectively) with a 3.0x premium on WI regulated gas and electric to reflect the constructive regulatory mechanism, and a 3.0x premium on Transmission assets. We note that both electric and gas peer P/E multiples are grossed up for a year to 2021 by 5% to reflect capital appreciation across the sector. We apply utility premiums to the non-regulated Elm Road and West Campus assets as these are leased under long-term contractual arrangements. Downside risks: MGEE, like all utility stocks, is sensitive to changes in the market level of interest rates. Utilities historically underperform if bond yields rise, and outperform when they fall. Further downside risks are the inability to secure further renewable rate base investments, adverse regulatory outcomes, a deteriorating regulatory environment, or adverse weather leading to less consumption of electricity and gas. Upside risks are acceleration of renewable gen investment, legacy coal asset early retirement, and enactment of further pro-renewable state policies.

NextEra Energy (NEE)
Our $93 PO is derived using a SOTP approach, with the utilities and parent segment valued on a 2024E P/E basis, and the generation segment valued on a 2024E EV/EBITDA basis. In addition, we include NEE's ownership stake in NextEra Energy Partners (NEP) as well as the value of IDRs (DCF, at 5% disc rate). We assign 24E peer multiple of 16.1x (grossed up by 5% to reflect capital appreciation) with disc/prem to reflect the growth/risk profile of the businesses. We provide value for possible regulated M&A as one strategy of capital redeployment, albeit weighted at 50% to reflect execution risk. Our valuation reflects the drag in new debt. For NEER, we apply a peer EV/EBITDA multiple of 11x, which we adjust depending on asset type. Give contracted renewables 4x prem given fuel type and contracted nature. We utilize a DCF of new renewable for projects beyond 2022. We value contracted nuclear on a DCF approach using a 7% discount rate. We apply a 1x prem multiple to pipelines (1x disc MVP), 1x discount to gas infrastructure and 1x discount for supply and trading given lower asset quality, a 1x premium for contracted gas peakers and 1x discount for merchant peakers (other), again based on asset quality.
Downside risks include but are not limited to: 1) unfavorable regulatory outcomes, 2) natural disasters, 3) adverse commodity price changes, 4) decline in stock price for YieldCo NextEra Energy Partners, 5) reduction in renewable development margins.

NiSource Inc (NI)
Our $28 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2024 forward P/E multiples that are marked-to-market to the latest peer utility multiples of 13.7x for gas and 16.1x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout, with capex potentially beginning in '24, but acknowledge industrial risk.

We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, higher natural gas prices, and inability to execute on renewables additions.

NorthWestern Corporation (NWE)
Our $63 price objective is based 2024E price/earnings (P/E) methodology. We apply the electric utility sector P/E of 16.1x as a base then gross-up +5% to reflect capital appreciation across the sector. Lastly we apply a -1.0x discounted multiple to the 2024E peer multiple due to relatively

Risks to our price objective include but are not limited to uncertainty from: 1) regulatory outcomes, 2) ability to recover costs and earn the regulatory allowed return on equity [ROE], 3) differences in future equity needs, 4) capital expenditure forecasts, 5) commodity and interest rate changes, 6) natural disasters and wildfires, and 7) management changes.

OGE Energy Corp (OGE)
We value OGE at $37/share based on a sum of the parts, separating the utility biz from the Enable stake. For the utility biz we apply the FY24 peer multiple of 15.8x. Electric peer P/E multiple is grossed up for a year to 2021 by 5% (based on average annual growth) to reflect capital appreciation across the sector. Note we apply an in-line multiple vs peers to account for robust incremental spending not yet in plan offset by a less favorable regulatory environment.
For the Energy Transfer stake we rely on the current market price of ET multiplied by the number of the shares owned by OGE to determine the equity value. We then apply a 50% tax effect to the equity value of the ET stake as there will be tax leakage upon a sale.

Downside risks are further declines in the regulatory environment possibly resulting in lower ROEs or other hurdles hindering OGE's ability to earn its authorized return. While not as exposed due to low parent interest, we see interest rate hikes as another potential downside risk. Finally, execution risk on existing capex schedule could put further pressure on earnings growth. Declines in value of ENBL share could also provide downside to our valuation.

Upside risks are shifts towards a more favorable Oklahoma regulatory environment, which could ease OGEs ability to earn its authorized return in the jurisdiction and possibly increase capex plan as management views prospects in the state more positively. Improvements in value of ENBL share.

PG&E Corporation (PCG)
Our PO of $13 reflects a -5x P/E discount to the respective electric (16.2x) and gas (14.4x) peer P/E groups with both grossed-up by 5% to reflect capital appreciation across the sector) based on 2024E. We think this discount is justified to reflect a larger fire-prone service territory, lack of dividend payment for 3yr period, and operational risks. Further, we assume a punitive wildfire fund scenario probability weighted at 100% assuming PCG hits the

cap in 3-year increments. Lastly, we net out 50% weighting of HoldCo debt and add back 50% weighting of interest expense to derive our PO.

Upside risk: Better terms on equity raise or mandatory convert, incremental capex, favorable rate case outcomes, and lower interest rates. Downside risk: Less favorable terms on further equity raises, selling pressure from unnatural owners including victims, lower capex, triggering the max liability cap for wildfires, unfavorable rate case outcomes, and higher interest rates

Pinnacle West (PNW)
Our price objective of $59 is based on a peer utility P/E multiple of 16.1x on our 2024E EPS of $4.37 with a -3.5x discount to account for future rate case risk, uncertain recovery of clean generation spend, resource adequacy concerns in the state, and general below-average regulatory environment in Arizona, PNW's sole jurisdiction. Electric and gas peer P/E multiple is grossed up for a year to 2022 by 5% to reflect capital appreciation across the sector.

Upside risks: 1) Regulatory relationships/outcomes could improve, 2) load growth in territory above expectations 3) Riders and capital trackers could help achieve ROE 4) positive weather 5) interest rate risk changes cost of capital 6) Consumer advocates or utility staff could become focused on issues that improve ROE Downside risks: 1) Regulatory relationships/outcomes could decline, including changes at the elected commission 2) load growth in territory below expectations 3) Riders and capital trackers could hurt ROE 4) negative weather hurts earnings 5) interest rate risk changes cost of capital - higher rates could worsen 6) Consumer advocates or utility staff could become focused on issues that hurt ROE 7) Solar advocates in the state have engaged in public confrontations with the utility, which could change public relations in the future.

Portland General Electric Company (POR)
Our $54 price objective is based on our 2024E EPS estimate discounted back to '21. We value shares based on a 2024E P/E methodology applying a 1x premium to the 2024 regulated utility PE multiple of 16.1x. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. While our PO is a 12-month forward projection, we use a 2024 multiple, which is reflective of a discount back to 2021.

Downside risks are 1) the ability to secure commission approval for future wind builds, 2) power market risk due to the Power Cost Adjustment Mechanism (PCAM), 3) liabilities under a negligence standard for current or future fires caused by POR equipment. 4) potential wildfires.
Upside risks are 1) continuation of small/midcap regulated rally, 2) better than expected weather adjusted load growth, 3) further strengthening of company balance sheet, 4) power market risk due to the PCAM.

PPL Corporation (PPL)
Our $28 price objective is based on a sum of the parts methodology applying respective premium/discounts to the 2024E peer group multiple of 15.7x. Electric peer P/E multiple is grossed up by 5% to reflect capital appreciation across the sector. We apply discounted valuations to the PA and KY segments for below average rate base growth profiles.

Risks to our Price Objective include but are not limited to: 1) Integration of Rhode Island assets, 2) regulatory/political/legislative changes, 3) capital markets, 4) ability to earn the regulatory allowed return on equity, 5) uncertainty into use of proceeds from UK divesture, 6) capital expenditures forecasts, 7) natural disasters.

Public Service Enterprise Group (PEG)
Our $70 PO is derived from our SOTP valuation. For the regulated utilities we utilize the electric (16.2x) and gas (13.7x) 2024E sector P/E multiples, which we then gross-up by 5% to reflect capital appreciation across the sector. We continue to apply a company-specific +2x premium to the group multiples thus derived to reflect the above-average growth and low-risk transmission & distribution (T&D) nature of PEG's operations.

Positive or negative risks to achievement of the Price Objective include but are not limited to: 1) regulatory/political/legislative outcomes, 2) changes in capital expenditures relative to forecasts, 3) nuclear incidents and natural disasters, 4) equity and capital markets needs, cost and timing adjustments for offshore wind developments, 5) ability to earn the regulated rate of return, and 6) interest rates.

Sempra Energy (SRE)
Our $126 PO is based on a SOTP valuation of 2024E earnings. We apply a discounted valuation to the California utilities (SDG&E and SoCal Gas) and a group average multiple for the TX utility (Oncor). The Infrastructure segment (SIP) is valued at an implied premium on both EV/EBITDA and P/E due to its long duration contracted cash flows. The parent drag is treated on a balanced blend of P/E and HoldCo debt netting.

Risks to the outlook include but are not limited to: 1) Regulatory outcomes, 2) achieving the regulatory allowed ROE, 3) political actions, 4) changes in financing needs, 5) commodity price changes, 6) ability to deploy capital consistent, 7) LNG investment decisions.

Southern Company (SO)
Our $69 PO is derived from a sum-of-the-parts analysis (SOTP). We use a P/E valuation approach on 2024 and use peer multiples of 16.1x for electric and 13.7x for gas, respectively (with dis/prem applied per asset depending on growth/risk): we then gross these multiple by +5% to account for sector wide EPS growth to derive a 12-month forward PO. We subtract 50% of the 2024 parent interest expense multiple by an electric P/E peer multiple to reflect parent lev supporting the utilities. We net out total parent drag and add back the remaining parent interest expense with a 50% weighting.

Upside and downside risks include but are not limited to: 1) Vogtle construction timing and costs, 2) regulatory and legislative outcomes, 3) ability to earn the allowed rate of return, 4) changes to the capital expenditure forecast, 5) nuclear incidents, weather, and natural disasters, 6) rate of customer growth, 7) O&M trends, 8) interest rates, 9) environmental policies and regulations

WEC Energy Group Inc (WEC)
Our $95 PO is based on 2024E SoTP, with a large cap electric group multiple of 16.2x and gas regulated multiple of 14.3x. Electric and gas peer P/E multiples are grossed up for a year to reflect capital appreciation across the sector. We apply a 3.0x premium to WEC's WI electric & gas subs for surety in earnings growth for the next two years following the Commission's recent settlement on above avg ROEs of 10%+. We apply a 1x premium to the gas utilities, incl IL's Peoples Gas and North Shore Gas with the Gas System Modernization Program (GSMP) and capex forecasts de-risked following the ICC order.

We ascribe a 3x premium vs. the group at ATC to account for steady earnings growth as well as above avg Federal ROE's. We give Power the Future (PTF) a 1.0x P/E premium as the ROE is set indefinitely on historical and new investments. We ascribe an in line multiple for the parent accounting for the interest expense which finances overall utility operations. We value Energy Infrastructure on a net present value basis using a WACC of 3.2%, in line with other renewable assets. We net out 50% of HoldCo debt from equity valuation and adjust to add back the parent drag on interest exp.

Risks to our PO are positive or negative changes in: 1) earned regulatory returns, 2) capital expenditures, 3) regulatory/political/legislative changes, 4) interest rates, 5) natural disasters, and 6) execution on unregulated projects

Xcel Energy Inc (XEL)
Our PO is $72. We value Xcel Energy using a sum of the parts (SOTP) approach. Given the difference in geography, earnings strength, growth opportunity and risk profile, we divide the segments by subsidiary.

We use 2024E forward P/E multiple of 16.2x to derive a value for the different business segments, including the parent segment. Electric peer P/E multiple is grossed up for a year to reflect capital appreciation across the sector.

We apply a 3x premium to XEL subsidiaries in MN, CO, NM, and WI as both utilities present solid or improving regulatory treatment with tangible investment upside. We see this multiple as appropriate as the company has growth opportunities, resolving regulatory drag and resolving uncertainty around rate cases.

We also add a discrete item reflecting upside from potential Direct Pay legislation, estimating the equity savings from 75-100 bps improvement in credit metrics and applying a probability weight of 50% to account for uncertainty.

We also net back 50% of the parent interest expense and instead subtract out 50% of parent debt to more accurately reflect HoldCo leverage.

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Downside risks to achievement of the Price Objective include but are not limited to: interest rate changes, regulatory risk such as lower authorized ROEs or less favorable riders/trackers for renewables and transmission, inability to deploy capital at guided levels, adverse legislation, execution delays, and weather/natural disasters.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	ReNew Power	RNW	RNW US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

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UNDERPERFORM				
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Adhok Bellurkar
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
RSTR				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith

Analyst Certification

We, Julien Dumoulin-Smith and Dariusz Lozny, CFA, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Disclosures

Trending

Report

The Flow Show (https://rsch.baml.com/r?q=AtwqMJ5XPIITI1z8yB99Pw&e=cturnure%40nisource.com

Favorite Trades

Michael Hartnett 2021-Nov-11

Report

BofA on USA (https://rsch.baml.com/r?q=aPqje2oxG3g-Tq1z8yB99Pw&e=cturnure%40nisource.cor

The strength in Oct continues into Nov

Michelle Meyer 2021-Nov-11

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Energy | Power & Utilities

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2021 EEI Hot Takes

Earlier this week we hosted ~30 combined electric, gas and water utilities at the Edison Electric Institute (EEI) Financial Conference. Our conversations with companies and investors centered upon 1) rising gas prices, 2) inflation, 3) renewable supply chain, and 4) Infra/Recon bill.

- Most companies think the higher gas prices are a temporary spike and have hedges or regulatory mechanisms such that the financial impact on 2021 is muted. Utilities are doing their best to offset the impact on customer bills which could be 20-30% higher in the winter months.
- From a fundamental standpoint, we foresee inflation having minimal/no impact on the near-term earnings profile of the group, as regulated entities can offset the impact of inflation with cost savings/efficiencies or ultimately pass price increases on to customers through rate cases and regulatory mechanisms. For companies with non-regulated subsidiaries and renewable development backlogs, the majority of the material/labor (and cost) needed over the next 12-14 months is mostly secure and our dialogue with industry players suggests an immaterial impact near term. Longer term, however, persistently higher inflation for regulated companies could put pressure on customer bills, which would be a headwind to utility rate base and earnings growth. Generally speaking, high inflation is coupled with higher rates and utility stock performance lags the broader market, as we have discussed previously here.
- Most companies have stated that they have not seen meaningful impacts from the renewable supply chain constraints near term given that they have already procured materials for 2021 and most of 2022 but acknowledge the risks as they plan for future years.
- Utilities view the infrastructure and reconciliation bills as a tailwind for renewables deployment and there are winners/losers from the 15% Corporate Minimum Tax on large corporations.

Utes remain attractive on relative valuation metrics. According to our model, Utilities are now 16% cheap on '21 dividend yields and ~26% cheap on '22 yields (see page 29). The group is discounting 10yr at 2.07% one year forward. NTM relative P/Es also show a discount at 0.90x versus a 1.07x average since 2006 – but notably in the 08/09 recession, it took close to 18 months after the trough to get back to normal levels. The recent valuation trough was Dec 2020 (page 30).

Where do we stand? Tough Macro Setup. Despite attractive relative valuations for the group, we remain on the sidelines. We foresee the group continuing to lag the market in the near term against the backdrop of rising inflation/rates. We prefer value (energy-exposed/more cyclical names) over quality (CNP, EVRG, ETR, OGE, and SRE are Outperform-rated names within the regulated value bucket). Within diversified names, we like AES (top pick) and EXC. Long term we are more constructive due to relative valuation support and view accelerated decarbonization along with state/federal policy support as a major tailwind to sector growth. We are Outperform-rated on AEE, DTE, AEP (top pick), and D within the quality bucket.

Within, we include company-specific tear sheets with our key takeaways from the conference meetings.

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AES
we are the energy

Outperform **TP $30**
Analyst: Durgesh Chopra / Michael Lonegan

- **Reaffirmed 2021 Adjusted EPS guidance range of $1.50 to $1.58.** Now expecting low end of the range due to a non-cash adjustment related to equity units issued in March 2021, as a result of an updated interpretation of accounting literature. They remain confident in achieving their LT targeted EPS growth rate of 7-9% through 2025 using 2020 as the starting point. On 2022, management mentioned they have puts and takes while share count accounting entry is a headwind. They have done better than expected YTD on the renewable backlog and Redondo Beach (876MW Gas plant) contract extension through 2023. AES will talk more specifically about 2022 and LT growth rate in February.

- **Fluence completed its Initial Public Offering and began trading on October 28, 2021.** AES owns ~35% of the Fluence, which is a global leader in energy storage solutions with ~3GW of storage assets in operation. Management owns a ~30% interest in two other platforms Uplight and 5B. Uplight is an energy efficiency software company working directly with utilities and has access to more than 100m households and businesses in the US. 5B is a Technology Company with a patented design solution for deploying commercial and industrial, and large-scale solar power generation. Management highlighted that just like Fluence, Uplight may be the next contender for an IPO in two to three years and see valuation in the range of 11-14x revenue.

- **Supply chain and inflation related risks.** AES has a competitive supply chain because they started working on it a year ago. They worked on many fronts diversifying the supply chain wave from China very early. At the beginning of the year, they already have all the assembling in Vietnam, Malaysian, and Thailand. Secondly, their strategy is to sign PPAs at the same time as they lock up the procurement/materials etc so they can factor the price increases in their PPA's and avoid margin degradation. They have not had any project delays or notified any large customer of any issue, which enhances their reputation with customers.

- **Infra & Reconciliation bill**. They view it as a tailwind for renewables deployment and see neutral to positive implications from tax policy changes.

- **Q3 Earnings Recap.** AES reported 3Q21 adjusted EPS of $0.50 vs. consensus of $0.43. 1Q21 adjusted EPS was $0.42. Year over year EPS increased by $0.08 primarily reflecting higher contributions from renewables growth and the Southland portfolio in the United States, as well as lower Parent Company interest expense. These positive drivers were partially offset by lower contributions from the Company's South America SBU.

Ameren

Outperform **TP $90**
Analyst: Durgesh Chopra / Michael Lonegan

- **Rush Island decision appeal**: Ameren filed for rehearing on Oct. 18th and expects to hear back by year-end 2021. The ultimate options could be to shut down the plant or install a scrubber, which would take 4+ years. If Ameren shuts down Rush Island, it would have to work with MISO to assess reliability needs. A shut down could result in the Company making a material change to its IRP, an acceleration of renewables over the next four to five years and use of securitization. We will look for an update on their plans on the fourth quarter earnings call.

- **Missouri rate case**: Ameren believes it is set up well for a settlement in the Missouri rate case, though the Company added that it could be a partial settlement given that full settlements are hard to achieve. Rebuttal testimony in the case was filed November 5th, and AEE said nothing materially changed between parties. The main difference between the Staff recommendation for a $188mm revenue increase and Ameren's $299mm request is the 1) 9.25-9.75% ROE recommendation versus the 9.80% ask, (currently they are booking AFUDC at 9.5%) 2) the equity ratio recommendation of 50.32% at June 30, 2021 versus the requested 51.0% as of September 30, 2021 to which Staff will update its date to September 2021, and 3) depreciation expense. The next step in the case is the final reconciliation due Nov. 24th, then evidentiary hearings starting on Nov. 29th, with a final decision for new rates effective by Feb. 28, 2022.

- **Illinois energy legislation (SB 2408)**: Ameren is happy with the new approach to ROE as established in the legislation, the forward-looking view of the plans and the 20-60bps performance metric. The Company expects to be able to manage well through the revenue cap. While the forward looking plan goes into effect in 2024 full ROE increase won't go into effect until 2026.

- **Incremental MISO capex**: Ameren said historically it has made about 30% of the MISO investment, using the historical investment percentage would imply they could be awarded up to $9 billion out of the $30 billion expected to be awarded by MISO in the Futures 1 component over time.

- **Incremental wind:** Ameren plans to file CCNs this year for a partial amount of the 1,200 MW of incremental wind that was laid out in its Missouri IRP, with the remaining CCNs filed next year. Recall this spending would be incremental to its five-year capex plan. Previously, the Company had said it would file all of the CCNs this year.

- **Infra & Reconciliation bill**: Like many other utilities, AEE would benefit from the extension of wind/solar tax credits (and direct pay provision), the nuclear PTC, and transmission ITC. Ameren is expected to earn roughly $1 billion of book income this year, which would make it qualify for AMT. There would be deducts from the $130 million of credits currently on the balance sheet and the $60mm expected per year going forward. The Company currently pays less than $10 million in cash taxes.

AMERICAN ELECTRIC POWER

Outperform **TP $99**
Analyst: Durgesh Chopra / Michael Lonegan

- **2022 EPS guidance issued**: AEP issued 2022 EPS guidance of $4.85-5.05/share, which represents 6% EPS growth over the original 2021 EPS guidance midpoint plus the slight $0.01-0.02/share accretion expected from the Kentucky sale.

- **Dividend**: AEP expects to pay an annual dividend of $3.12/shares in 2022, which represents 4% growth over the $3.00/share level this year. This level of dividend increase is lower than its outlined target to increase it in line with 5-7% earnings growth. AEP cited the temporary balance sheet impact of $1.2 billion (to be recovered) of Winter Storm Uri. The Company said it will target dividend growth in line with earnings going forward.

- **Five-year 2022-2026 capex plan issued**: AEP rolled forward and issued a new five-year 2022-2026 capex plan of $38 billion, which is 3% higher than its prior five-year 2021-2025 plan of $37 billion.

- **Credit metrics and financing plan**: AEP is now targeting Moody's FFO to debt of 13.5-15.0% long term versus its prior plan for “low-to-mid teens.” The Company still expects to issue $0mm of equity in 2022 and $100mm in 2023. AEP also introduced financing plans for 2024-2026, which includes $600mm of equity in 2024 and $700mm in each of the 2025 and 2026 years.

- **KY Sale:** AEP remains confident in getting the required approvals to complete the sale in Q2 2022. They will continue to evaluate their portfolio of assets going forward but are more focused on execution.

- **Federal direct pay and AMT**: the Company would preliminary expect a -$100mm FFO impact net, from a +$200mm benefit of direct pay less a -$300mm impact of the AMT. This could result in a 20-30bps impact to its FFO to debt metric.

CenterPoint Energy

Outperform **TP $27**
Analyst: Durgesh Chopra / Michael Lonegan

- **ET-ENBL merger closure and planned exit of ET**: All indications are that the merger is on track to be completed in the fourth quarter. At its Investor Day, CenterPoint announced the contingent forward sale of 50 million of Energy Transfer common units, or 25% of its ownership, and expects to monetize greater than 40% of the units by year-end 2021, including $370 million of the preferreds with a full planned exit of ET by the end of 2022.

- **Infra & Reconciliation bill**. CNP could accelerate coal retirements and see it as an enabler for EV growth. Since they are already paying ~10% cash taxes AMT if imposed would be a modest cash flow headwind before offsets.

- **Gas LDC sale closure**: The Company recently filed a settlement in Arkansas that represents an agreement amongst all parties. CNP anticipates that Arkansas Commission will issue its final approval by mid-December. In Oklahoma, a hearing was held on November 3 and they expect a final order by year end.

- **Analyst Day 09/23 recap:** CenterPoint raised its five-year capex program to $18+ billion from $16+ billion previously, and plans to spend $40+ billion through the end of the decade with an additional $1 billion of reserve opportunities. The Company now expects to grow utility EPS by 8% (vs. prior 6-8%) each year in 2021, 2022, 2023 and 2024, and also extended its forecast to target the mid-to-upper end of 6-8% growth through 2030, with dividend growth expected in line with utility EPS. The plan calls for zero external equity through 2030, CNP said it would consider asset sales if it needed to, to recycle capital.

- **Higher Natural gas prices implications**. The company sees it as a temporary spike and pointed to 50% of the gas supply already hedged at lower prices for 2021 with forward curves pointing to $3 range by mid next year.

- **Cost reductions and customer growth**: CenterPoint plans to cut annual O&M by a strong 1-2% in 2021-2025, and reductions could be as high as 2-3% this year. The 1-2% target will drive 3-4% annual reductions in both electric and gas O&M per customer, supported by strong 2%+ electric customer growth and 1% gas customer growth as previously disclosed

- **Q3 Earnings recap.** CNP posted strong Q3 adjusted EPS beat with 3Q21 adjusted EPS of $0.32 vs consensus of $0.28 and our estimate of $0.29. 3Q20 was $0.34. 2021 and 2022 utility EPS guidance was increased by a penny. Long-term EPS growth rate for 2021-2025 was unchanged. CNP still expects to grow annual EPS by 8% in 2022 through 2024, and mid-to-upper end of 6-8% through 2030 off 2021

CMS ENERGY

In Line	**TP $62**
Analyst: Durgesh Chopra	

- **Electric rate case.** On March 1, CMS filed a rate case requesting $225mm revenue increase with a 10.5% ROE and 42.80% equity ratio (incl. deferred taxes) on a rate base of $12.9 billion with a 12/2022 test year. On June 22, staff recommended an $85mm revenue increase with a 9.7% ROE (vs. current 9.9%) and 41.84% equity layer (vs. current 41.50%). On October 13, the Administrative Law Judge issued a Proposal for Decision recommending a $41.3mm revenue increase, consistent with the 9.7% ROE and 41.84% equity layer of staff recommendation. The equity layer development is a positive data point as they have been thinning in recent rate cases, most recently in 2020 rate case from 52.5% to 51.1% excluding deferred taxes (41.9% to 41.5% including). Note in Michigan, ROEs have only declined slightly as interest rates have fallen, most recently to 9.9% in the last rate case from 10% previously. The Commission Order is expected by December 22, 2021**.**

- **Next gas rate case filing:** CMS has a gas rate case stay-out and will file its next one in December 2021.

- **Infra & Reconciliation bill**. They view it as a tailwind for renewables deployment and while their ongoing earnings are <$1B (so they are not subject to the AMT), the gain on sale related to Enerbank may result in book income at/or greater than $1B and a modest cash flow hit which they could offset using unused and future tax credits.

- **Capex Plan:** CMS projects 2021-2025 capex plan of $13.2 billion to increase by ~$1 billion next year driven by electric and gas infrastructure modernization programs. IRP spending ($1.3B+) if approved would be layered in years 2026+. The initial order on their Integrated Resource Plan (IRP) with the Michigan commission is expected in April 2022.

- **Rising gas prices.** As it relates to rising gas prices for residential customer, supported by procurement of natural gas at lower costs during summer, and proactive $1B of storage and compressor station investments, 70% of CMS gas storage is locked at <$3.00/Mcf (well below current levels in the market) which positions them well for the upcoming winter season. Annual $1/Mcf movement in gas prices equates to ~$7 or 10% impact to average monthly residential customer bill.

- **Q3 earnings recap.** CMS posted Q3 adjusted EPS of $0.54, slightly exceeding consensus estimate and our projection of $0.53 and $0.50 respectively. Year over year earnings from continuing operations were $0.19 lower than 3Q20 EPS of $0.73, which included $0.04 of EnerBank. The company lifted low-end of its previously announced 2021 EPS guidance range from $2.61 - $2.65 to $2.63 - $2.65, with mid-pt. increased $0.01 from $2.63 to $2.64. They continue to expect 2022 EPS in the range of $2.85-$2.87 with mid-pt. of $2.86 versus our estimate/consensus of $2.86/$2.88, and reaffirmed long-term earnings growth towards the high end of 6%-8%.

conEdison

Underperform **TP $72**
Analyst: Durgesh Chopra / Michael Lonegan

- **O&R rate case settlement**: the 9.2% ROE settled upon represents a positive data point for CECONY in its upcoming rate case to be filed in January 2022. CECONY typically receives a similar ROE to O&R and the current authorized ROE at CECONY electric and gas is 8.8%.

- **Upcoming CECONY electric and gas rate case**: The rate case will be focused on climate-related investments for EVs, storage, transmission to support renewables, storm grid hardening and undergrounding, and electrification of heating. The case will also address Covid-related impacts.

- **Potential CECONY steam rate case**: Con Ed has not filed a steam rate case in several years but indicated the possibility of filing one in the not-to-distant future. Despite aggressive NYS climate goals, the Company believes in the long-term viability of the business as it looks into boiling water without carbon and carbon capture applications.

- **Surcharge recovery mechanism**: ED is still waiting for a commission decision on its surcharge recovery mechanism filing. In April 2021, CECONY filed a petition with the NYSPSC to timely establish a surcharge recovery mechanism for $52 million of late payment charges and fees, offset for related savings, for the year ended December 31, 2020 to begin in September 2021 and end in December 2022. The Company had requested a decision by September 2021, but the case remains ongoing and there is no definitive timeline for the Commission to act. CECONY resumed late payment charges for commercial and residential customers who have not experienced a change in financial circumstances due to the pandemic on September 3, 2021 and October 1, 2021, respectively.

- **CEBs**: Con Ed laid out a 4 GW pipeline for its renewables business. The Company has secured materials and supplies for the remainder of 2021 and its full 2022 program.

- **Change in NYS and NYC political administration**: ED is optimistic about the support of new Governor Hochel and Mayor Adams. Governor Cuomo, in particular, had been very hard on the utilities, especially as it has pertained to storm response.

Dominion Energy®

Outperform **TP $82**
Analyst: Durgesh Chopra

- **VA triennial review settlement pending SCC approval.** On Oct 18, Dominion Energy Virginia, State Corporation Commission Staff, Office of Attorney General, and other parties filed a rate settlement agreement in Dominion's triennial base rate case. The key elements of the settlement agreement include: 1) Authorized ROE of 9.35%, 15 bps higher than their current ROE of 9.2%; 2) No change to capital structure with the equity layer of ~51.92%; 3) $309MM in excess earnings applied towards Customer Credit Reinvestment Offset ("CCRO") mechanism more/less in line with company's filing, seeking CCRO eligible capital investment in the range of $300MM - $325MM; 4) Amortization through 2023 of the early retirement charges for fossil-generation units recorded in 2019/2020; 5) $330 million one-time refunds in total on customer bills, including $255 million over 6 months and $75 million over three years; and 6) A $50 million annual rate reduction starting in 2022.
- **Agreement to sell Questar Pipelines.** D agreed to sell Questar Pipelines to Southwest Gas Holdings, with enterprise value of $1.975B including $430M of debt. Proceeds will be used to repay parent-level debt. The company remains confident in their targeted year end 2021 close.
- **Offshore Wind project.** They recently filed for CPCN/Rider recovery with the VA commission where the total project cost for the 2.6GW Coastal Virginia Offshore Wind project was raised from $8 to $9.8B. The company has an updated estimate LCOE of $87/MWh vs. previous guidance range of $80-$90/MWh which still compares favorably to the average LCOE of $100/MWh for U.S. offshore wind. Although the costs are higher, the LCOE is still within their guided range as they are experiencing stronger capacity factors of ~43% vs initial expectations of 40%.
- **Infra & Reconciliation bill:** The Company thinks it is an overall positive, they are already paying cash taxes of ~11% so a jump to 15% will be a modest cash headwind before offsets.
- **VA Election.** Management stated that Virginia has a long history of bipartisan negotiations and rule making. The view the election results as neutral to positive for the company.
- **Q3 earnings recap.** D reported 3Q21 adjusted EPS of $1.11 vs consensus of $1.05 and our estimate of $1.07. 3Q20 was $1.08.Q'3 guidance range was $0.95 - $1.10. Management narrowed 21' guidance range from $3.70-$4.00 to $3.80-$3.90 with the expectation of delivering above mid-pt assuming normal weather. Initiated Q4 EPS guidance range of $0.85-$0.95. LT earnings and dividend growth target of 6.5% was reaffirmed supported by 5-year Capital plan still expected to be $32B.

DTE

Outperform **TP $127**
Analyst: Durgesh Chopra

- **2022 EPS Guidance range.** DTE clarified that it is targeting high end of 5-7% EPS growth in 2022 vs 2021 which would translate into 2022 EPS of $5.90 in line with our estimates and slightly below street projections at $5.94. The company pointed to their disciplined approach of building and executing on their plans which include a level of contingency. Management highlighted their company culture around meeting and exceeding expectations as evidenced by their historical 7+% EPS growth rate through the decade.

- **Regulatory Update.** In February 2021, DTE filed a gas rate case requesting $195mm with a 10.25% ROE and 39.9% equity ratio (incl. deferred taxes) on a rate base of $5.6 billion with a 12/2021 test year for new rates to be effective January 1, 2022. On September 28, the ALJ recommended a ROE of 9.5% and equity ratio of 51%, lower vs. company's current earnings profile (9.9%/52%). A final decision is expected in December 2021. The company expects a balanced outcome and stated that previously the commission has taken the approach of changing ROE gradually. Electric rate case filing is scheduled for early next year followed by an updated Integrated Resource Plan (IRP) filing in fall 2022 (one year earlier than planned) which if approved could drive higher capex through the forecast period driven by 5-7GW renewables deployment.

- **Capex Plan Increase with third quarter earnings.** For electric and gas utilities, 5-year capex plan was raised $1B from $17B in 2021-2025 to $18B in 2022-2026, representing over 90% of the total $19.5B 5-year investment plan including DTE Vantage of $1B -$1.5B. This $1B increase is primarily driven by higher cleaner generation capex in the electric business.

- **Long-term EPS guidance reaffirmed.** DTE reaffirmed its long-term 5-7% consolidated EPS growth target from 2021 original guidance through 2026, still projecting Electric to grow 7-8% and Gas to grow 9%. The company increased its 2021 EPS guidance range from $5.62 - $5.92 to $5.70 - $5.98 with a bias towards higher end of the revised guidance, raising 1% at the mid-pt. from $5.77 to $5.84 driven by strong year-to-date performance across all businesses and favorable weather. DTE also initiated 2022 EPS guidance range of $5.70 - $5.97 which while at the mid-pt of $5.84 is below street consensus/our estimate of $5.94/$5.90 respectively, management highlighted the conservative guidance including a level of contingency which if not consumed would translate into earnings towards the high end of that range.

- **Dividend & Financing.** The 2022 convertible equity valued at $1.3B is still expected to convert next year, and equity needs in 2023 are estimated to be within $0-$100MM versus previous guidance of $0-$200MM. 2024 equity plan is estimated in the $0-$100MM range.

- **Power & Industrials update.** With the third quarter earnings the company introduced 2022 DTE Vantage (formerly Power & Industrial) net income of $85-$95M growing to $160-$170M in 2026, approximately 15% higher at the mid-pt than previously estimated 2025 earnings in the range of $135-$150M.

DUKE ENERGY.

In Line **TP $96**
Analyst: Durgesh Chopra / Michael Lonegan

- **North Carolina energy legislation:** On October 13, North Carolina Governor Cooper signed House Bill 951 into law. The bill requires the NC Utilities Commission to follow the least cost pathway in reducing carbon emissions by 70% by the year 2030 and achieving carbon neutrality by 2050. The plan will be developed by the Commission with utility and stakeholder input and reviewed every two years to allow for improving and emerging technologies. The legislation also requires 45% of solar power to come from a competitive bidding process among IPPs and 55% from public utilities. The bill also requires public utilities to use securitization at 50% to retire coal-fired power plants resulting in lower cost to consumers. In addition, it provides for the Commission to develop multi-year rate plans and performance-based incentives on ratemaking. It also includes protections for customers that limit the utility's ability to over earn and helps ensure reliable energy by maintaining the public utility vertical integration model.

- **North Carolina IRP & Rate Case.** DUK is going to file an updated IRP mid next year. They also plan on filing for a multiyear rate plan covering 2023 and 2024 sometime next year. They expressed confidence in their ability to achieve a constructive outcome in their rate filing given multiple discussion they have had with various stakeholders during the IRP process.

- **IN IRP Filing.** They plan on filing an Indiana IRP in November, subsequently they will issue RFP's to determine ownership vs PPA mix. DUK is confident in achieving high ownership % and plans on filing CPCN's on a project by project basis in 2022.

- **GIC transaction closure:** on August 24, the FERC approved the initial closing of the transaction where GIC receives an 11% interest and Duke receives $1.025 billion in proceeds. The second closing is expected no later than January 2023 where GIC would receive the remaining ~8.9% interest and DUK would receive another $1.025 billion in proceeds.

- **Elliott Discussions on going.** In May, Elliott disclosed that it is a top 10 investor in DUK and has been engaged with Duke since July 2020, proposing a tax-free separation into three regionally oriented utility holding companies – the Carolinas, Florida and the Midwest – to unlock $12-15 billion of value. Elliott urged Duke to appoint new independent Board members and create a strategic review committee in pursuit of this goal. Duke issued a statement saying Elliott's proposal is not in the best interests of shareholders and other stakeholders, highlighting a strategy in place that has driven an increase in its long-term growth rate and outperformance in its stock price over the past several months. Management noted that they remain in dialogue with them.

- **Q3 Earnings Recap.** DUK narrowed 2021 EPS range from $5.00-5.30 previously to $5.15-5.30 now. The company reaffirmed its 5-7% EPS growth target through 2025 unchanged off a 2021 base of $5.15. DUK maintained its $59B five-year capex program with no equity issuances for 2021-2025, which is still expected to drive rate base growth of 6.5% CAGR in 2021-2025, and 7.0% CAGR in 2025-2029. Issued 2022-2026 program of $60-65 billion. No update to capital program for 2025-2029 at $65-75 billion.

EDISON INTERNATIONAL®

In Line **TP $73**
Analyst: Durgesh Chopra / Michael Lonegan

- **Best estimate of potential losses**: With third quarter results, EIX raised its best estimate of total potential losses from the 2017/2018 wildfire events by $1.3 billion to $7.5 billion, and has now resolved $5.3 billion of claims versus the last-updated $4.8 billion as of 2Q21.
- **Equity financing**: EIX completed its $1 billion (they said "up to" $1bn) equity issuance plan for this year with the November preferred equity offering of $750mm with 50% content. Earlier in the year, the Company issued $1.3 billion of preferreds with 50% equity content. EIX still plans to issue an average of $250 million of equity per year in 2022-2025 and is evaluating a higher amount ($300-400mm) than that average for 2022 to help fund the newly-announced utility-owned 535 MW storage investment.
- **Incremental storage investment**: With third quarter results, EIX raised its 2022 capex program by $500mm to reflect the addition of $900mm of incremental battery storage investment. The Company said there is potential for more battery storage to enter the plan. In October 2021, EIX filed an advice letter requesting recovery of this incremental capex and seeking a balance account treatment for the associated revenue requirement. This new 535 MW project is expected to be installed in August 2022.
- **Undergrounding**: EIX does not plan to pursue significant undergrounding in the state; it plans to only install 17 miles of underground wires in 2022. In contrast, the Company installs about 1,200 million of covered conductor per year due to its much cheaper cost and the fact that its service area's terrain is more conducive to it.
- **Discount in stock**: management said it believes the steep discount in EIX shares is way overdone given the risk reduction measures the Company has taken for wildfires. Management believes the stock currently discounts two large fires that firefighters cannot suppress where EIX gets found massively imprudent.
- **Rooftop solar**: Roughly 50% of EIX's residential customers are expected to install rooftop solar by 2045.
- **Wildfire risk reduction**: Management estimates that its wildfire mitigation and PSPS have reduced probability of losses from catastrophic wildfires by 55-65%, and the Company expects to further reduce risk and decrease the need for PSPS with continued grid hardening investments. Over time, EIX sees the risk continuing to improve.
- **Cost of capital filing:** On August 23rd, SCE filed request to set the CPUC cost of capital for 2022–2024 and to reset the cost of capital mechanism. The proposed alternative would suspend the mechanism for 2022, maintain SCE's ROE, and update costs of debt and preferreds. If adopted, SCE would file next cost of capital application in April 2022, effective for 2023–2025. SCE proposed making the cost of capital effective January 1, 2022, through use of a memo account. SCE will submit materials that would have been included in cost of capital mechanism advice letter by Nov. 8, 2021. Next steps in the proceeding will be outlined in forthcoming CPUC scoping memo.

Entergy

Outperform **TP $110**
Analyst: Durgesh Chopra / Michael Lonegan

- **Four options for Entergy-New Orleans:** Following Hurricane Ida, the New Orleans City Council launched an investigation into ETR-New Orleans. Entergy proposed four alternatives (here) to the Council for Entergy-New Orleans. The Company said it has not heard anything about its proposals to date.
- **Equity financing**: ETR is considering a range of options for its $1.25 billion equity issuance plan through 2024, including ATMs, convertible preferreds, or block equity. The Company is also considering the partial sale of an OpCo, though that seems unlikely (more below).
- **Asset sales**: Management has said it is considering a partial sale of an OpCo, though it indicated that is less likely given the 12-18 month regulatory process that would be required for closure.
- **Three-year capex plan**: ETR rolled forward and issued a new three-year 2022-2024 capex plan of $11.7 billion, which is slightly higher than its prior three-year 2021-2023 investment program of $11.6 billion.
- **Incremental capex potential through 2030**: Entergy announced that it is evaluating resilience acceleration that could include $5-15 billion of potential incremental capex through 2030. The investment could include transmission upgrades, flood mitigation, vegetation / right of way, and distributed / utility scale generation spending.
- **Three major growth themes**: ETR highlighted three major growth themes for the Company, including 1) resilience acceleration, 2) customer green solutions and planned renewables, and 3) clean electrification. On the resilience front, Entergy has said its new resiliency investments in distribution and transmission have proven to work during the severe storms while the old infrastructure saw the damage. As such, the Company is pursuing the aforementioned $5-15 billion of potential incremental resiliency spending by 2030. As it pertains to customer green solutions and planned renewables, Entergy's updated resource plan includes 11 GW of renewables (from 5 GW). On the clean electrification front, ETR said that electrification creates a significant load growth opportunity that would reduce Scope 1 emissions. Louisiana and Texas are the top two states with the most Scope 1 emissions. The Company said its addressable electrification market through 2030 is +30 TWh and its addressable electrification market through 2050 is +140 TWh; for context, Entergy currently sells 115 TWh.
- **Infra & Reconciliation bill.** They view more positive than negative in the bills, nuclear PTC's could create headroom in customer bill. AMT could be a drag on cash flow but they will try to offset it.

EVERSOURCE

In Line **TP $91**
Analyst: Durgesh Chopra

- **CT settlement approved.** CT settlement related to tropical storm Isaias was approved on Oct 27, 2021, which includes bill credit of $65M, funding for customer assistance of $10M, withdrawing appeal of the $28.4M storm performance penalty, ending the 90 and 45 basis point rate reduction docket, and freezing the base distribution rate until January 1, 2024. The company sees this as a positive development in light of their ability to develop stronger relationships with all the parties, be able to garner more support, and make headway with the policymakers in the state.

- **CT Legislation on storm preparedness**. On 10/02/20, Connecticut Governor Ned Lamont signed a legislation (HB7006) that addresses utilities' storm preparation and response. The bill lays out new requirements as well as penalties regarding utilities' performance in event of a storm. More specifically, The Connecticut Public Utilities Regulatory Authority (PURA) initiated a proceeding that would enable performance based regulation (PBR) framework by mid-2022. ES still awaits procedural schedule in the PBR proceeding.

- **Offshore wind.** South Fork wind project (132MW) is still projected to be in operation end of 2023, they next key date to watch is BOEM approval expected in January 2022. Revolution wind (704MW) is expected to achieve in service in 2025. Followed by Sunrise Wind (924MW) is now depending on timing of Bureau of Ocean Management (BOEM) Notice of Intent, expected to begin commercial operation in late 2025. During the second quarter, Eversource reached an agreement with Dominion Energy to charter the US-built wind turbine installation vessel currently under construction in Brownsville, Texas. Once construction is complete in late 2023, it will sail to New London, Connecticut where it will be used to install wind turbines for Revolution Wind and Sunrise Wind. The vessel is one of the largest of its kind in the world and will streamline offshore wind turbine construction.

- **Advanced Meter Infrastructure (AMI) proposal in MA.** In July, ES submitted an implementation plan for full deployment of AMI for MA electric customers by 2028. Total Capital investment is projected to be $500 million to $600 million primarily in years 2024-2027 (not in current capex plans through 2025), which could contribute annual EPS of $0.08 or 2% in years 2025+ by our estimate. Final decision is expected by mid-2022.

- **Q3 Earnings Recap.** They reaffirmed 2021 adjusted EPS guidance of $3.81 - $3.93. Our projection/street consensus is $3.83/$3.82. Long-term EPS Growth still expected to be in the upper half of 5-7% using 2020 EPS as the starting point. Growth rate still expected to higher than 5-7% post 2025 as larger offshore wind projects begin operating. No change to 17B in capex investments through 2025, update is expected on the fourth quarter call with spending biased higher.

evergy

Outperform **TP $70**
Analyst: Durgesh Chopra / Michael Lonegan

- **Investor feedback on Sept. 2021 Analyst Day**: EVRG said investor feedback was generally positive with investors happy with its extension of cost cutting and the PPA buyout opportunities that it laid out. The Company added that some investors had hoped for a further extension of its EPS growth rate, which was rolled forward one year for a total five-year outlook.

- **Long-term EPS growth rate**: EVRG stressed that it is focused on growing 7% each year, the midpoint of its 6-8% five-year CAGR outlook. The Company had been saying that it expected to be at the low end in early years of the plan and high end in the later years when new MO and KS rates go into effect.

- **PPA buyouts and re-powerings that would be incremental to capex plan**: Evergy is focused on PPA buyout and repowering opportunities for the 1.2 GW of PPAs with PTCs expiring in the near term. We estimate up to ~$0.10 EPS upside (or 3% of our 2023 estimate) assuming the MWs are rate based and 50% financed with equity.

- **Pre-determination filing**: Evergy said this filing (190 MW of solar) could be a roadmap for the future wind and solar approval process in Kansas. A final decision is now expected in Q1 / Q2 2022 versus prior expectation of March 2022.

- **Rate Case filings.** In Missouri, Evergy will file in 2022 (expected January) two separate rate cases for Evergy Metro Missouri and Evergy Missouri West with a test year ending June 30, 2021. The true-up date is May 31, 2022, and rates are expected to be effective in Dec. 2022. In Kansas, Evergy will file in 2023 (expected April) two separate rate cases in Evergy Kansas Central and Evergy Metro Kansas with a test year ending Sept 30, 2022. The true-up date is June 30, 2023, and rates are expected to be effective in Dec. 2023.

Exelon

Outperform **TP $56**
Analyst: Durgesh Chopra / Michael Lonegan

- **Next steps in GenCo separation process:** The GenCo separation is on track to close in Q1 2022**.** FERC approved it on August 24th. There are outstanding approvals to be made by the NRC and NY PSC. As it pertains to NRC, the updated financials and decommissioning funding status was submitted on September 29th. For the NY PSC, Exelon is engaged in confidential settlement negotiations that are expected to wrap up shortly; the Company said there is an opportunity for an approved settlement at the December 16th open meeting, and if that does not happen the next open meeting is January 20th.

- **Long-term EPS growth rate**: Exelon reaffirmed its plan to grow utility EPS by 6-8% through 2024 driven by 7.6% rate base CAGR. This was notable because the Company had not mentioned this in its Q3 materials.

- **Illinois energy legislation:** EXC spoke to the significant benefit SB 2408 provides with subsidies for nuclear generation through carbon mitigation credits that provide revenue support at baseline costs, a pricing that is much higher than the Company has been receiving. As previously disclosed, Exelon will now keep its Byron and Dresden plants operating. The legislation also includes changes to the regulatory framework applicable to electric distribution businesses. Specifically, if the bill is enacted, utilities in the state will have the option to establish new rates on either a traditional rate review using a future test year, or an investment and operating cost plan for a four-year period, to be submitted by January 20, 2023 to the Illinois Commission for review and approval for rates effective the beginning of 2024 after the existing formula rate plan framework sunsets in 2023.

- **Federal legislation benefits for nuclear and hydrogen:** EXC spoke to the significant benefits it would receive from nuclear PTCs given its large fleet. It also spoke about the sizable opportunities for hydrogen over the long term and the benefits that tax credits could provide.

- **Equity issuance plans:** Exelon still plans to issue up to $1 billion of equity through 2024 in the utility business.

- **2022 Investor Day:** EXC plans to host an Investor Day where it will update its long-term outlook and capital allocation plans for both the T&D utility and GenCo businesses.

FirstEnergy

In Line **TP $40**
Analyst: Durgesh Chopra / Michael Lonegan

- **FE announced a $2.4 billion minority sale of First Energy Transmission (FET) and $1.0 billion common equity issuance.** A 19.9% stake in FET is being sold to Brookfield Super-Core Infrastructure Partners at a 40x LTM P/E multiple and 3x firm value/rate base. For the equity issuance, Blackstone Infrastructure Partners will invest $1 billion at the five-day VWAP of $39.08 as of November 8th and has the opportunity to nominate one director at the next meeting of annual shareholders or earlier in the event of a Board vacancy. The total $3.4 billion raise from the two deals is equivalent to a blended 33x LTM P/E, a 105% premium to FirstEnergy LTM P/E of 16x and 65% premium to the UTY median LTM P/E of 20x. The transactions eliminate all non-SIP/DRIP equity needs ($100mm/year) with proceeds being used to strengthen the balance sheet and to fund incremental growth opportunities. The FET deal is subject to FERC approval and CFIUS clearance, and is expected to close in the first half of 2022. Regulatory approvals from HSR and FERC are required for Blackstone Infrastructure Partners' Board nomination which are expected by year end 2021.
- **Five-year capital plan:** with the announced transaction, FE is raising its five-year capital program by $2.2 billion to $17 billion, a 15% increase over the prior plan. In 2021, roughly 65% of the total investment plan will be recovered via formula rates and by 2025 approximately 75% will.
- **Rate base growth:** First Energy now expects to grow rate base at a 6% average annual rate for 2021-2025, including 4% in the distribution segment and 9% in the transmission business. This compares to its prior "up to" 6% rate base growth for 2020-2023, which included up to 5% in the distribution segment and 8% in transmission.
- **EPS guidance:** First Energy issued 2022 EPS guidance of $2.30-2.50/share versus 2021 adjusted EPS guidance of $2.55-2.65/share. <u>The Company now expects to grow annual EPS by 6-8% through 2025 off of a base of 2022 guidance. Recall following the announcement of the HB6 investigation, management had pulled its long-term EPS guidance range of 5-7% EPS CAGR for 2018-2023</u>
- **Credit metrics:** FE is now targeting 13% FFO-to-debt no later than 2024. Beyond that timeframe, First Energy will target a mid-teens metric.
- **Dividend:** First Energy plans to maintain its dividend of $1.56/share in 2022, which would imply a payout ratio of 65% when compared to next year's EPS guidance. At the same dividend amount in 2021, it represents a 60% payout ratio versus this year's guidance.

HEI

In Line **TP $38**
Analyst: Durgesh Chopra / Michael Lonegan

- **Long-term utility and bank EPS growth rates**: HE continues to expect the utilities to grow EPS by 5% per year starting in 2022 excluding any upside from PIMs, which are expected to materially improve regulatory lag which has been a persistent problem for the Company. Specifically, this year the Company expects to earn an ROE below 8% versus its allowed 9.5%. Separately, American Savings Bank is expected to grow EPS by 3-5% per year.

- **New PIM proposals**: Staff's new PIM proposals are primarily focused on penalties at it pertains to items such as getting projects completed and online, the adequacy of supply, reliability.

- **Hawaiian economy**: The economy saw a pullback in the late summer as the Governor encouraged tourists to pause plans to come to the state amidst the Delta surge. The Governor has since lifted the pause and tourism has been bouncing back. The strength of the Hawaiian economy has large implications for the bank; recall the utilities are decoupled.

- **New carbon targets**: Hawaiian announced a new target for 70% carbon emissions reduction by 2030 versus 2005 levels, and a plan to be net-zero (or better) by 2040. Key steps in its 2030 plan include shutting down the state's last coal plant, retiring and reducing fossil fuel generation units, adding 1 GW of renewable generation capacity, growing rooftop solar by 55%, increasing grid-scale and customer-sited storage, expanding geothermal, and time-of-use programs to incentivize use of clean low cost energy.

- **Cost savings progress**: HE is on track to deliver on its annual management audit savings commitment, and returned $3mm to customers Q3 2021 with the remaining $3mm to be delivered by year-end. The Company is on track to achieve $25mm of customer savings by year-end 2022 with 80% of the savings related to capital and 20% pertaining to O&M. The savings are expected to be achieved through increased efficiencies from: reduced overtime through improved scheduling and coordination, managed reductions in workforce, process improvements, and strategic savings.

- **Stage 2 RFP**: Hawaiian has now filed 10 PPAs for solar and storage and two self-build storage application. The PUC has now approved 7 PPAs. The Stage 2 RFP has the potential to add 382 MW of solar and 2 GWh of storage by the end of 2023.

NEXTera ENERGY

In Line **TP $78**
Analyst: Durgesh Chopra / Michael Lonegan

- **Renewable competitive advantage and supply chain**: NextEra spoke to the competitive advantages it has in its renewable business given its extensive experience, scale and relationships with customer suppliers, contractors and financers which separates it from smaller developers who have less buying power and access to tax equity. In the midst of rising inflation and supply chain issues, NEE recently reported a record quarter of renewables origination. NextEra says it has secured materials and supplies for its 2021 and 2022 renewables program and is in the process of securing beyond that.
- **FPL rate case outcome**: NEE spoke to a solid rate case outcome that sets them up well over the short and long term. Among the highlights of the approved settlement (for a four-year plan) includes a higher authorized ROE of 10.6% (versus 10.55% in the prior one) with a range of 9.7-11.7% (versus the prior 9.6-11.6%) even as interest rates have fallen meaningfully since the last rate case. The agreement also has an adder that stipulates if the average 30-year Treasury rate increases 50 bps or more over a 6-month period, the authorized regulatory ROE would increase to 10.8% with a range of 9.8-11.8%; this would not result in an incremental base rate increase but would apply for all other regulatory purposes. FPL is also maintaining its long-standing equity ratio of 59.6%. In addition, the company has essentially been granted the same SOBRA mechanism recovery that it requested in the filing. If federal or state permanent corporate income tax changes become effective during the term of the proposed 2021 agreement, FPL will be able to prospectively adjust base rates after a review of the impacts on base revenue requirements.
- **Optimistic about 2022 and long-term outlook**: Given a solid rate case settlement and the best renewables market NEE has ever seen, the Company believes it has competitive advantages that sets it up well to deliver on its 2022 and long-term outlook.
- **M&A**: NextEra anticipates it could acquire more water utility assets but that they are likely to remain a very small part of the portfolio. NEE will look to be opportunistic on FERC-regulated electric transmission acquisitions as it did with GridLiance and Transbay cable in recent years, but said it will primarily be focused on its organic growth platform.
- **Federal legislation on direct pay and AMT**: NextEra said they could actually benefit from the legislation and be cash positive from it, by getting cash upfront from direct pay and using its large tax credit balance to offset the AMT.
- **Offshore wind development**: NEE remains very opposed to doing offshore wind development given unfavorable risk/reward from high cost projects, hurricane disruptions, and the long permitting processes.
- **Offshore transmission**: NextEra submitted multiple proposals for offshore transmission in New Jersey. The Company added that the process is a competitive one that favors incumbent players. A decision on the proposals is expected in Q2/Q3 next year.
- **2022 Investor Day**: NextEra plans to host a 2022 Investor Day, likely in June, where it expects to update its long-term outlooks.

NiSource®

In Line **TP $27**
Analyst: Durgesh Chopra / Michael Lonegan

- **IRP preferred plan opportunity**: the preferred plan would require up to $750mm of capex for the replacement power, which could be owned or PPA'd. NiSource is hoping to own and rate base most if not all of it. Expect an indicative portfolio in mid-2022.

- **2022 Investor Day**: NiSource is planning to host an investor day in 1H22. The Company said it will provide an update on long-term capex, rate base, EPS and financing plans.

- **Key ongoing rate cases**: the Ohio rate case Staff recommendation is expected in the December-February timeframe with a final order anticipated in mid-2022. NiSource just filed an Indiana rate case on September 29th, with a decision is expected late July 2022. In Pennsylvania, NiSource received a proposed order from an ALJ recommending the Pennsylvania commission approve a settlement in the pending case.

- **O&M management**: Through the "Next" program, NI is on track for 8% lower O&M this year, however the Company said the Massachusetts divestiture contributes to that. NiSource said it is on track for relatively flat O&M in 2021- 2024.

- **Hydrogen**: NiSource is evaluating pilots on how it could use hydrogen in electric generation as well as blend it into gas distribution. The Company expects hydrogen implementation to become relevant in the 2030-2035 timeframe.

- **AMT and direct pay**: NiSource said AMT would likely become applicable to it in the second half of the decade when it potentially meets the $1 billion threshold of book income.

- **Portfolio optimization**: NI said it is always evaluating its portfolio to enhance value. The Company believes gas LDCs in the public market are undervalued, especially compared to the private market, pointing to the CenterPoint sale of Oklahoma and Arkansas as examples.

OG+E

Outperform **TP $35**
Analyst: Durgesh Chopra / Michael Lonegan

- **ET-ENBL closure and ET unit exit**: all indications are that the transaction is on track to close by year-end 2021. OGE has not given a precise, definite timing on its plan to fully exit ET units, but said it expects to exit more quickly than its previously disclosed window of 2-4 years given the appreciation of the ET unit price.

- **Dividend**: OGE remains committed to its dividend and recently raised it by 2%. At current utility earnings, the current dividend implies a high 80%s payout ratio. The Company plans to grow the dividend slower than 5% long term earnings growth to ultimately target a low-to-mid 70%s payout ratio. Recall prior to the announced ET-ENBL merger (and OGE's plan to exit), OGE had been targeting dividend growth in line with earnings growth.

- **Upcoming Oklahoma rate case**: OGE said it should be a straightforward rate case primarily addressing three years of capital investment, O&M savings, and excess deferred income taxes. The Company also plans to request an extension for the grid modernization rider that expires in September 2022. OGE's plan is to file the rate case by year-end 2021.

- **IRPs**: OGE is targeting 100% ownership of the replacement power. The Company's plan is to add 100-150 MW per year to smooth the customer bill impact. Any investment would be incremental to the current capex plan.

- **Securitization**: OGE's settlement on Oklahoma securitization of $740mm of the $750mm Winter Storm Uri costs will be recovered over a 28-year period and result in 2% annual customer bill increases. The Company expects Commission approval in December. OGE plans to file for Arkansas securitization of those $100mm costs in 1Q22.

- **Upside to load growth and capex**: OGE has been seeing load growth above the 1% level that it is assuming in its long-term EPS growth outlook. Once the ET merger closes, the credit agencies are expected to lower the Company's FFO to debt downgrade threshold, which OGE believes will give them up to $1 billion of balance sheet capacity, part of which could be used to fund incremental capex.

PINNACLE WEST CAPITAL CORPORATION

In Line **TP $66**
Analyst: Durgesh Chopra / Michael Lonegan

- **Rate case appeal**: PNW will file for a rehearing on the rate case decision. The Company has 20 days to file for the rehearing after the written order, which has not been published yet. Then the Arizona commission has 20 days to act on that request; they are not expected to change their decision. Then PNW would file a judicial appeal within 30 days with the AZ Supreme Court for a Special Action expedited review. A court decision would be expected in 2023.

- **Recent rate case unique in a lot of ways**: Pinnacle West said it views the recently concluded rate case as unique in many ways and would expect a better outcome in the next rate case through a settlement. The Company believes the rate case was unique because PNW was compelled by the ACC to file it and required to fully litigate with more than 50 parties over two years. In addition, one of the primary components of the rate case request was for environmentally mandated investments in a legacy coal plant. Lastly, the case was also carried out during a pandemic requiring fully virtual hearings.

- **Reset story for the stock**: PNW pitched a reset story for its stock after what it deems a unique rate case outcome. After a decline in 2022, EPS is forecasted to grow 5-7% CAGR through 2026 off 2022 levels. The growth is expected to be back-end loaded with the first full expected year of new rates in 2024 from the next rate case. PNW has committed to deferring equity in its plan (now planning $400-500mm by 2024 after the next rate case) while being able to protect the balance sheet with strong load growth and flat O&M. We note the Company is now targeting a 16-18% FFO to debt metric and is on a review for downgrade from its Moody's A3 rating; per Moody's downgrade could come with FFO to debt expected to be sustained below the 21% level.

- **Next rate case**: PNW will file another rate case as soon as possible, likely in the first half of 2022 for a final decision in 2023. Among the items included in the rate case will be a clean energy mechanism. Pinnacle West will be looking to settle the case as it has done in prior rate cases over the last 15 years, with the exception of the mandated litigation in the recently concluded one.

- **EVs**: Pinnacle West has said there is potential for $25-35 million of incremental capex per year to support EV infrastructure in the state.

- **Nuclear PTC in federal bill:** it would be expected to provide a material tailwind and could provide further rate headroom given PNW's ownership and operation of Palo Verde, the largest nuclear plant in the country.

- **O&M management**: as disclosed with Q3 earnings, Pinnacle is targeting flat nominal O&M and declining O&M per kWh over its long-term plan with specifically a step down in 2022 as detailed in guidance followed by increases in 2023 and 2024 such that O&M would be flat in 2024-2026 with 2021 levels.

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In Line **TP $31**
Analyst: Durgesh Chopra

- **Acquisition of Narragansett Electric remains on track to close by March 2022.** The company received FERC approval in September, so Rhode Island Division of Public Utilities and Carriers is the last approval required to close. In their view, it enables PPL to own a great utility in Narragansett with a lot of investment opportunity, given how progressive the state is with their clean energy goals. The network also has many transmission build out needs and smart grid technology required, including AMI. Transaction is still expected to close by March 2022.

- **Capital allocation priorities post-sale of U.K. business updated.** The company outlines at least $1 billion in additional regulated utility capital investments in PA and KY through 2025 (with majority towards PA transmission), and additional $500 million allocated to share repurchases, increasing target for 2021 total share repurchases to $1 billion (vs $500M previously). They still have ~$1 billion in left over cash from UK sale to be allocated towards capex and/or buy backs, management indicated strong bias towards utility capex in Rhode Island. Update expected in an investor day (1h 2022) following the Narragansett transaction close.

- **Regulatory calendar.** They don't anticipate filing a PA rate case in the near term, and have a stay out in KY until 2024 (see below). In Rhode Island depending upon the terms of final order and stay out provisions (if any) associated with the acquisition approval they may file in 2024/2025.

- **KY new rates:** Kentucky new rates went into effect on July 1, 2021. The commission approved settlement includes revenue increase of $199m and 9.425% ROE (vs. 9.55% previously) and Equity Layer of 53%. They also committed to a four-year 'stay-out' as a part of the deal - no base rate increases before July 1, 2025, subject to certain exceptions.

- **LT growth story.** The company sees the next five years as not only a rate base growth story, but also a repositioning of the company from an operating model perspective, which will result in cost savings (serving as return on invested capital). The combination of those two things will feed earnings growth for the next five years in the 5-7% range, and then they will start to transition into generation replacement in years 2025+.

PSEG
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In Line **TP $63**
Analyst: Durgesh Chopra / Michael Lonegan

- **Offshore wind transmission investment proposals:** have been submitted with the NJ BPU, which could be ten-figures in total incremental investment over the back half of the decade; a final decision on that filing is expected in Q3/Q4 2022. The Company added that about 50% of the power moving to northern NJ goes through their substations, giving them an advantage. They also pointed to their long term relationship with NJ labor unions who could protest/oppose if an out of state provider is chosen.
- **Next capacity auction**: the FERC has granted PJM's request to delay the next capacity auction covering the 2023-2024 energy year to late January 2022. This revised timeline places the 2024-2025 auction into August of 2022 and the 2025-2026 auction into February of 2023. Management pointed to upcoming capacity auctions and Federal PTC's as avenues to sure up future gross margin as they evaluate the long term value proposition of their nuclear fleet.
- **Fossil sale closure**: is on track to close in the late fourth quarter of 2021 or in the first quarter of 2022.
- **EPS guidance and long-term outlook:** With third quarter results, PEG raised its 2021 adjusted EPS guidance by a nickel to $3.55-3.70/share from $3.50-3.65/share previously. In addition, the Company maintained 2022 EPS guidance of $3.30-3.60/share, which it expects to narrow with fourth quarter results. The adjusted EPS contribution in 2021 is expected to be 80% utility, increasing to 90% by 2022, up from 2020 levels of 76%. PEG still expects to grow consolidated EPS by 5-7% CAGR through 2025 off of the midpoint of 2022 guidance, with utility growth also expected to be 5-7% over the same time period.
- **Capex program and rate base growth outlook**: PEG maintained its 2021-2025 capex plan of $15-17 billion, including $14-16 billion at the utility. This is still expected to drive a 6.5-8.0% rate base CAGR for 2021-2025 and be financed without any new equity issuance.
- **Federal legislation benefits for nuclear:** PEG spoke to the significant benefits it would receive from nuclear PTCs given its large fleet.

Sempra Energy

Outperform **TP $143**
Analyst: Durgesh Chopra / Michael Lonegan

- **LNG market:** Sempra said its outlook for the LNG market is bullish given the 1) very high spot prices in Asia and Europe, 2) an increase in forward pricing, and 3) China's re-entrance into the buying market.

- **Regulated versus non-regulated mix:** Sempra currently believes it can create more shareholder value by advancing its Infrastructure business and marrying that risk profile with the utility.

- **Oncor rate case next year**: Sempra plans to make the argument that its Oncor equity layer and ROE are currently below the industry average and the Company should be compensated for risks such as that it experienced with Storm Uri. Given 2/3 of the capex is dedicated towards customer growth we would expect the rate increase ask to be small/less controversial.

- **Higher Oncor capex program with incremental opportunities:** With third quarter results, Sempra increased its 2022-2026 capex plan to $15.0 billion, compared to its most recent plan for $13.6-14.8 billion. The higher capex plan represents a $2.8 billion increase over its 2021-2025 capital plan presented at its June 2021 Investor Day. Sempra spoke to even more incremental capex opportunities at Oncor.

- **AMT**: Sempra expects a neutral to slightly negative impact from a potential AMT. Given that the Company's NOL position is nearing the end of its life, SRE expects to be a cash taxpayer within the next couple of years.

- **Hydrogen hubs**: Sempra believes the LA Basin and Gulf are strong candidates for the establishment of some of the four clean hydrogen hubs to be funded from the infrastructure legislation. The Company said hubs would provide opportunities for both SoCalGas and Sempra Infrastructure.

- **Q3 accomplishments and resolution of issues:** Sempra spoke about its recent third quarter accomplishments and resolution of issues, including SoCalGas' announced agreements to resolve substantially all material Aliso Canyon civil litigation against SoCalGas and Sempra with net, after-tax cash outflows expected to ultimately be up to $895 million. Sempra also completed the sale of 20% non-controlling interest to KKR for $3.37 billion on Oct 1, 2021. In addition, the Company completed the cash tender offer to purchase the remaining publicly owned IEnova shares and delisted IEnova's shares from the Mexican Stock Exchange

- **Off-cycle cost of capital application:** SDG&E filed an off-cycle cost of capital application with the California commission, requesting a decision in 1H22. The filing comes in light of the ongoing effects of the pandemic and would result in no projected increase in customer rates. If the application is not accepted, the Cost of Capital Adjustment Mechanism would be effective January 1, 2022 and would automatically adjust SDG&E's authorized ROE from 10.2% to 9.62% and adjust its authorized cost of debt to reflect the then current embedded cost and projected interest rate.

Southern Company

Underperform **TP $61**
Analyst: Durgesh Chopra / Michael Lonegan

- **Vogtle**: Southern spoke about its commitment to completing the Vogtle project safely and effectively, acknowledging the several delays and cost increases to it. The Company was upbeat about the cash flow (200bp uplift to FFO to debt) and earnings pick-up it expects to receive once the project is complete given that the ROE penalties will go away. Recall SO recently announced another delay in the Vogtle project, now projecting a Unit 3 in-service date in the third quarter of 2022 (previously it was second quarter 2022) and a Unit 4 in-service date in the second quarter of 2023 (previously first quarter of 2023), representing a three-month delay for each unit. The Company pointed to the change in schedule as primarily due to the need for additional time to address continued construction challenges and to allow for the comprehensive testing necessary to ensure quality and safety standards are fully met. With third quarter results, Southern also raised Vogtle's total capital cost estimate by $264 million to $9.5 billion to address updated projected in-service dates, construction productivity, and increased support resources.

- **Asset sales**: SO is pursuing asset sales and presented its Virginia gas asset, which would have benefited from the ACP pipeline, as an "obvious" candidate. Proceeds could be used to eliminate the $600 million in equity needs and/or fund the capital program.

- **Conservative capex plan**: Southern said its current $40 billion capex plan for 2021-2025 is conservative given that it comprises actual projects planned with no placeholders, which they believe many peers include in their outlined programs.

- **PowerSecure and microgrids**: Southern spoke about its PowerSecure business that has a competitive advantage with 75% share of the microgrid share in the US. The Company believes it has optionality with that business if microgrids become more important in the industry, either to pursue microgrids further or to monetize the asset if it sees more value that way.

- **AMT**: Southern said with a 15% AMT it would expect slightly more in cash taxes than currently anticipated in their plan.

WEC Energy Group

In Line **TP $96**
Analyst: Durgesh Chopra

- **New five-year capex plan**. WEC shared additional details around recently announced 2022 – 2026 capital plan of $17.7B, which is $1.6 billion or 10% higher than the previous $16.1B 2021 – 2025 program. The increase is driven by higher regulated generation and distribution spending in WI offset by lower infrastructure investments.

- **Tightened LT EPS growth rate to 6-7%**. With the third quarter earnings call expected long-term EPS growth rate was tightened to 6-7% per year, based on the original 2021 guidance mid-point of $4.01, versus previous guidance of strong bias towards upper half of 5-7%. The plan requires no new equity and the management views it as a low risk and highly executable. Unless there is a huge growth opportunity that would drive the 17.7 billion capex materially higher while not change their risk profile, they would not consider issuing equity.

- **WI Rate case filing**. On August 11, The Company received commission approval for a one-year (2022) stay out, and its request to delay rate case filing in WI. Per the order, WEC is expected to file full test year 2023-2024 base rate case by no later than May 1, 2022. As part of the rate proceeding, the company will address previously announced retirements of older Oak Creek units 5,6,7 & 8 in 2023-2024 time frame and associated $35MM in annual O&M savings which affords an opportunity to add ~$280MM in additional capex without raising customer bills. The case will be largely about capital and recovery of capital projects that the commission has already approved.

- **Energy infrastructure segment capex upside.** The company will relook at the capex opportunities in this segment once they see the final reconciliation legislation. If the reconciliation bill passes with the direct pay and renewable tax credits, there may be additional opportunities. The company highlighted that Solar eligibility for PTC would open up solar investments for WEC.

- **AMT/Direct Pay.** Management highlighted that direct pay would be positive for cash flow and net of AMT they would still come out ahead.

- **Fuel Blending in WI.** WEC is seeking an environmental permit to blend up to 30% of natural gas at their 1GW power of the future coal plants in WI. They could ultimately pursue a full fuel conversion by 2035 for ~$150MM (preliminary estimate), <10% of the initial investment of $2B.

- **High Gas Prices**. While WEC is able to mitigate the impacts of higher natural gas prices with help from its hedging program and utilizing storage reserves, customers may still see $25-$40 or 30-40% bill increase in the winter months

Xcel Energy

In Line **TP $70**
Analyst: Durgesh Chopra

- **Q3 Earnings Recap.** The company narrowed its 2021 EPS guidance range from $2.90 - $3.00 to $2.94 - $2.98, with mid-pt. increased $0.01 from $2.95 to $2.96. XEL also issued 2022 EPS guidance of $3.10 to $3.20, with mid-pt. at $3.15 vs our estimate of $3.15 and consensus of $3.17. Xcel now expect to deliver its long-term 5-7% EPS growth rate using the midpoint of 2021 guidance ($2.96) as the starting point, vs midpoint of 2020 guidance ($2.78) previously.

- **Capex plan updates.** XEL announced an increased five-year base capital plan of $26B for 2022-2026 compared with $23.5B for 2021-2025, and highlighted $1.5B - $2.5B in incremental opportunities through the forecast period, including $1.0B-$1.5B renewables and $0.5B-$1B transmission. The base plan calls for a rate base CAGR of 6.5% through 2026 and the increment capex could drive that higher to 7.3%. Previous plan targeted rate base growth of 6.6% through 2025 and 6.9% with incremental capex.

- **Financing plan updates.** XEL updated base financing plan for 2022-2026 to fund the capex plan. They expect to issue $800 million of equity, likely through an ATM, and $450 million of DRIP & benefits equity over the next five years.

- **Regulatory updates.** The company has reached constructive settlement in Colorado pending Commission approval, requiring for full recovery of Winter Storm Uri fuel costs, disputed decoupling revenue, and replacement power costs during an extended Comanche 3 outage, and COVID-19 bad debt expense deferral. In Minnesota, the company Filed multi-year electric rate case with ROE of 10.2% and equity ratio of 52.50%. And Xcel also updated the expected Minnesota Resource Plan final decision date to 2022 Q1 versus 2021 Q4/2022 Q1 previously.

- **Federal legislation on direct pay and AMT**: XEL said they could actually benefit from the legislation and be cash positive from it, by getting cash upfront from direct pay and using its large tax credit balance to offset the AMT.

- **MISO Transmission capex upside**: MISO outlook includes up to 50% renewables by 2039. Initial MISO project set ~$30 billion; full plan up to $100 billion. XEL estimates $5 -$6 billion opportunity for Xcel Energy over next ten years. MISO transmission capex projects are expected to be announced in 1H22 vs Dec 21, 2021 previously

Regulated Utility Valuation Goes To ~17.5x ’23 EPS

Regulated Utilities

Ticker	Company Name	11/12/21 Price	ISI Rating	Shares Out	Market Cap	2021 Div Yld	2021 Payout	ISI EPS Estimate 2021	ISI EPS Estimate 2022	ISI EPS Estimate 2023	P/E Multiple 2021	P/E Multiple 2022	P/E Multiple 2023	'19-'23 EPS Growth	Price to Book	Prem. to Group
NEE	NextEra Energy, Inc.	$86.31	In Line	1,984	171,230	1.8%	62%	2.50	2.70	2.95	34.5x	31.9x	**29.2x**	8.9%	4.3x	67%
AEE	Ameren Corp	$84.55	Outperform	261	22,091	2.6%	59%	3.75	4.00	4.30	22.6x	21.1x	**19.6x**	6.4%	2.1x	12%
WEC	WEC Energy Group	$88.75	In Line	316	28,072	3.1%	67%	4.07	4.27	4.55	21.8x	20.8x	**19.5x**	6.2%	2.5x	12%
CMS	CMS Energy Corp	$60.00	In Line	294	17,643	2.9%	66%	2.65	2.86	3.09	22.7x	21.0x	**19.4x**	5.6%	3.0x	11%
XEL	Xcel Energy Inc	$63.13	In Line	541	34,143	3.0%	63%	3.00	3.15	3.35	21.0x	20.0x	**18.9x**	6.1%	2.2x	8%
ES	Eversource Energy	$81.95	In Line	347	28,404	2.9%	63%	3.83	4.15	4.44	21.4x	19.7x	**18.5x**	6.5%	1.8x	6%
HE	Hawaiian Electric Industries, Inc.	$39.96	In Line	111	4,418	3.4%	69%	1.98	2.06	2.20	20.2x	19.4x	**18.2x**	3.2%	1.7x	4%
CNP	CenterPoint Energy Inc	$26.60	Outperform	589	15,655	2.3%	45%	1.35	1.36	1.47	19.7x	19.6x	**18.1x**	-4.6%	2.5x	4%
DTE	DTE Energy Co	$111.96	Outperform	197	22,005	3.2%	62%	5.85	5.90	6.25	19.1x	19.0x	**17.9x**	-0.2%	1.6x	3%
DUK	Duke Energy Corp	$99.88	In Line	750	74,942	3.9%	75%	5.20	5.45	5.80	19.2x	18.3x	**17.2x**	3.4%	1.5x	-1%
EVRG	Evergy	$64.50	Outperform	228	14,674	3.4%	65%	3.35	3.50	3.75	19.3x	18.5x	**17.2x**	6.9%	1.9x	-2%
D	Dominion Resources Inc	$74.74	Outperform	820	61,311	3.4%	65%	3.85	4.12	4.40	19.4x	18.1x	**17.0x**	0.9%	2.2x	-3%
NI	NiSource Inc	$25.08	In Line	447	11,204	3.5%	67%	1.32	1.40	1.48	19.0x	17.9x	**16.9x**	2.9%	2.2x	-3%
SO	Southern Company Inc	$61.89	Underperform	1,078	66,720	4.2%	79%	3.30	3.55	3.85	18.7x	17.4x	**16.1x**	5.6%	2.1x	-8%
ED	Consolidated Edison Inc	$77.15	Underperform	358	27,595	4.0%	73%	4.25	4.60	4.80	18.1x	16.8x	**16.1x**	2.2%	1.3x	-8%
AEP	American Electric Power Co Inc	$82.02	Outperform	508	41,669	3.7%	65%	4.70	5.00	5.35	17.4x	16.4x	**15.3x**	6.1%	1.7x	-12%
ETR	Entergy Corp	$101.60	Outperform	201	20,467	3.8%	64%	6.00	6.35	6.70	16.9x	16.0x	**15.2x**	5.6%	1.7x	-13%
OGE	OGE Energy Corp	$34.44	Outperform	200	6,898	4.8%	78%	2.12	2.26	2.38	16.2x	15.3x	**14.5x**	2.4%	1.8x	-17%
FE	FirstEnergy Corp	$39.00	In Line	552	21,531	4.2%	65%	2.50	2.60	2.70	15.6x	15.0x	**14.4x**	1.2%	2.4x	-17%
PNW	Pinnacle West Capital Corp	$66.10	In Line	117	7,701	5.0%	66%	5.00	4.43	4.71	13.2x	14.9x	**14.0x**	-0.3%	1.2x	-20%
SRE	Sempra Energy	$122.10	Outperform	316	38,638	3.6%	53%	8.35	8.50	9.00	14.6x	14.4x	**13.6x**	4.5%	1.5x	-22%
EIX	Edison International	$64.24	In Line	404	25,975	4.0%	57%	4.50	4.65	4.90	14.3x	13.8x	**13.1x**	1.0%	1.1x	-25%
PPL	PPL Corp	$28.60	In Line	775	22,156	5.8%	67%	2.50	2.60	2.70	11.4x	11.0x	**10.6x**	2.5%	1.5x	-39%
PCG	PG&E Corp	$12.26	Rating Suspende	529	6,486	0.0%	0%	4.30	4.65	4.95	2.9x	2.6x	**2.5x**	5.4%	0.4x	-86%
Regulated Group Average (Excludes PCG for Div Values)						**3.6%**	**65.0%**				**18.3x**	**17.5x**	**16.4x**	**3.7%**	**1.93x**	
Regulated Group Average (Excluding Stocks: PPL, EIX, and PCG)						3.5%	65.3%				19.6x	18.6x	17.5x	3.8%	2.06x	
Regulated Group Max (Excludes PCG for Div Values)						5.8%	79.3%				34.5x	31.9x	29.2x	8.9%	4.3x	
Regulated Group Min (Excludes PCG for Div Values)						1.8%	45.3%				2.9x	2.6x	2.5x	-4.6%	0.4x	

Diversified Utilities

Ticker	Company Name	11/12/21 Price	ISI Rating	Shares Out	Market Cap	2021 Div Yld	2021 Payout	ISI EPS Estimate 2021	ISI EPS Estimate 2022	ISI EPS Estimate 2023	P/E Multiple 2021	P/E Multiple 2022	P/E Multiple 2023	'19-'23 EPS Growth	Price to Book	Prem. to Group
EXC	Exelon Corp	$54.40	Outperform	984	53,540	3.0%	57%	2.80	3.00	3.10	19.4x	18.1x	**17.5x**	-1.0%	1.5x	7%
PEG	Public Service Enterprise Group	$62.17	In Line	508	31,582	3.3%	56%	3.63	3.45	3.67	17.1x	18.0x	**16.9x**	2.8%	1.8x	4%
AES	AES Corp	$24.72	Outperform	665	16,448	2.4%	39%	1.55	1.70	1.80	15.9x	14.6x	**13.7x**	6.8%	3.4x	-16%
Diversified Group Average						**2.9%**	**51%**				**17.5x**	**16.9x**	**16.1x**	**2.9%**	**2.2x**	
Diversified Group Max						3.3%	57%				19.4x	18.1x	17.5x	6.8%	3.4x	
Diversified Group Min						2.4%	39%				15.9x	14.6x	13.7x	-1.0%	1.5x	

Updated as of 11/12/21

Source: FactSet, Evercore ISI Research

EVERCORE ISI

Utilities are 26% cheap on '22 Yields Assuming Yields Remain Unchanged

Utility Valuation 11/12/21		10 YR / Baa		1.57% / 3.22%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2021 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	**0.36%**	**0.89%**	**69.6x**	**275.7%**
	0.58%	1.04%	59.4x	220.5%
	0.80%	1.19%	51.8x	179.5%
	1.02%	1.35%	45.9x	147.7%
	1.24%	1.50%	41.2x	122.5%
	1.46%	1.65%	37.4x	101.9%
- 68% Confidence Interval	**1.68%**	**1.81%**	**34.2x**	**84.8%**
	1.90%	1.96%	31.5x	70.3%
	2.12%	2.11%	29.3x	58.0%
	2.34%	2.27%	27.3x	47.3%
	2.56%	2.42%	25.6x	38.0%
	2.78%	2.57%	24.0x	29.8%
	3.00%	2.73%	22.7x	22.5%
Predicted Valuation	**3.22%**	**2.88%**	**21.5x**	**16.0%**
	3.44%	3.03%	20.4x	10.1%
	3.66%	3.18%	19.4x	4.8%
Current Valuation	3.88%	3.34%	18.5x	0.0%
	4.10%	3.49%	17.7x	-4.4%
	4.32%	3.64%	17.0x	-8.4%
+ 68% Confidence Interval	**4.54%**	**3.80%**	**16.3x**	**-12.1%**
	4.76%	3.95%	15.7x	-15.5%
	4.98%	4.10%	15.1x	-18.6%
	5.20%	4.26%	14.5x	-21.6%
	5.42%	4.41%	14.0x	-24.3%
	5.64%	4.56%	13.6x	-26.8%
+ 95% Confidence Interval	**5.86%**	**4.72%**	**13.1x**	**-29.2%**

Utility Valuation 11/12/21		10 YR / Baa		1.57% / 3.22%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2022 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	**0.36%**	**0.89%**	**73.4x**	**307.6%**
	0.58%	1.04%	62.6x	247.7%
	0.80%	1.19%	54.6x	203.2%
	1.02%	1.35%	48.4x	168.8%
	1.24%	1.50%	43.5x	141.3%
	1.46%	1.65%	39.4x	119.0%
- 68% Confidence Interval	**1.68%**	**1.81%**	**36.1x**	**100.5%**
	1.90%	1.96%	33.3x	84.8%
	2.12%	2.11%	30.9x	71.4%
	2.34%	2.27%	28.8x	59.8%
	2.56%	2.42%	27.0x	49.7%
	2.78%	2.57%	25.4x	40.8%
	3.00%	2.73%	23.9x	32.9%
Predicted Valuation	**3.22%**	**2.88%**	**22.7x**	**25.8%**
	3.44%	3.03%	21.5x	19.5%
	3.66%	3.18%	20.5x	13.7%
	3.88%	3.34%	19.5x	8.5%
	4.10%	3.49%	18.7x	3.8%
Current Valuation	4.32%	3.64%	17.9x	-0.6%
+ 68% Confidence Interval	**4.54%**	**3.80%**	**17.2x**	**-4.6%**
	4.76%	3.95%	16.5x	-8.3%
	4.98%	4.10%	15.9x	-11.7%
	5.20%	4.26%	15.3x	-14.9%
	5.42%	4.41%	14.8x	-17.8%
	5.64%	4.56%	14.3x	-20.6%
+ 95% Confidence Interval	**5.86%**	**4.72%**	**13.8x**	**-23.2%**

Regulated utilities now look ~16% cheap on current yields

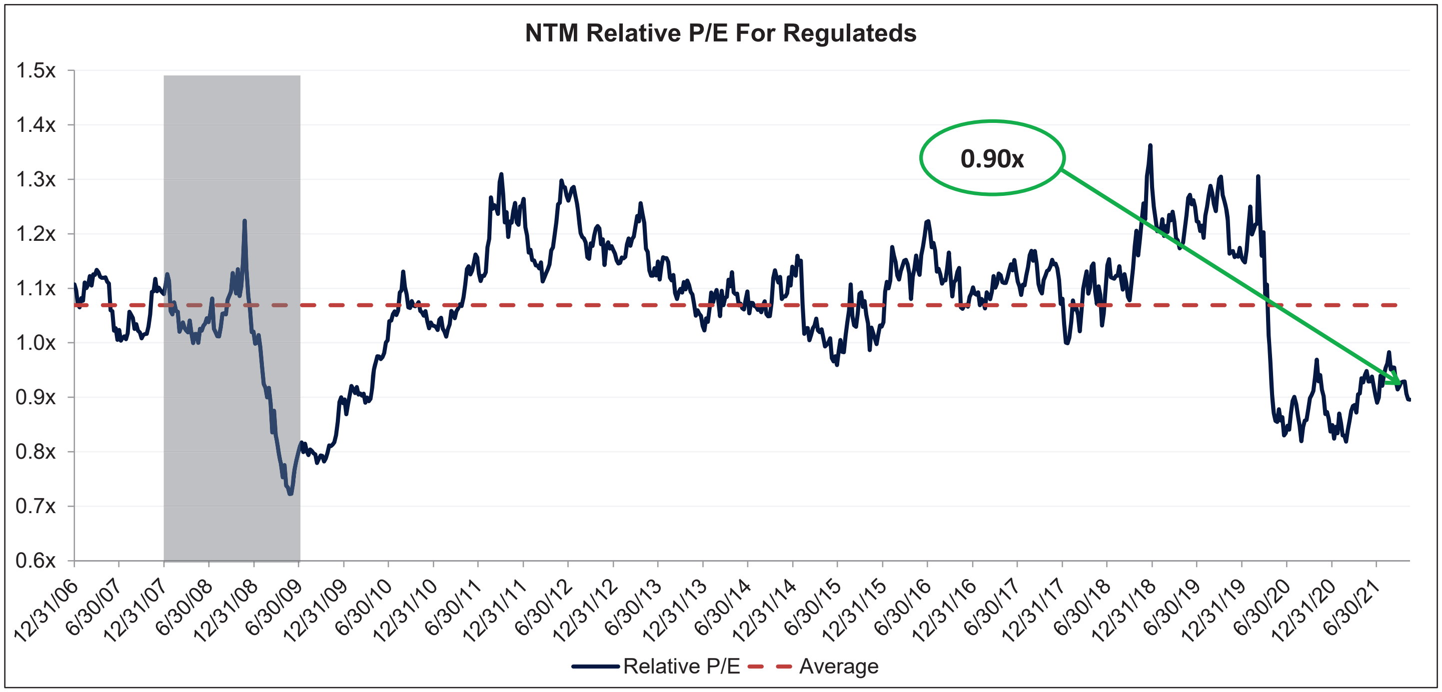
If rates stay unchanged for the next 12 months, regulated utilities now ~26% cheap

Updated as of 11/12/21

Source: FactSet, Evercore ISI Research

NTM Relative P/E Below Historical Average

- The average relative P/E since 2006 is 1.07x. Since '95 it is 0.93x.
- On 11/12/21, the relative P/E was **0.90x**, in line with last week at **0.90x** and 1.17x level at YE '19.
- The relative P/E post Brexit vote was 1.17x, which we hit again in mid November '18.
- It was 1.36x on 12/23/18 when we were pricing in recession risk at a high probability.



Updated as of 11/12/21

Source: FactSet, Evercore ISI Research

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Time of dissemination: November 14 2021 3:56 PM ET

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Outperform- the total forecasted return is expected to be greater than the expected total return of the analyst's coverage universe
In Line- the total forecasted return is expected to be in line with the expected total return of the analyst's universe
Underperform- the total forecasted return is expected to be less than the expected total return of the analyst's universe
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Sell -the total forecasted return is expected to be less than 0%

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Strong Buy- Return > 20%
Buy- Return 10% to 20%
Neutral - Return 0% to 10%
Cautious- Return -10% to 0%
Sell- Return< -10%

For disclosure purposes, ISI Group and ISI UK ratings were viewed as follows: Strong Buy and Buy equate to Buy, Neutral equates to Hold, and Cautious and Sell equate to Sell.

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Overweight- the stock is expected to outperform the average total return of the analyst's coverage universe over the next 12 months.
Equal-Weight- the stock is expected to perform in line with the average total return of the analyst's coverage universe over the next 12 months.
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Suspended- the company rating, target price and earnings estimates have been temporarily suspended.

For disclosure purposes, Evercore Group's prior "Overweight," "Equal-Weight" and "Underweight" ratings were viewed as "Buy," "Hold" and "Sell," respectively.

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Short- the stock is a negative holding in the model portfolio; the total forecasted return is expected to be less than 0%.
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Stocks included in the model portfolio will be weighted from 0 to 100% for Long and 0 to -100% for Short. A stock's weight in the portfolio reflects the analyst's degree of conviction in the stock's rating relative to other stocks in the portfolio. The model portfolio may also include a cash component. At any given time the aggregate weight of the stocks included in the portfolio and the cash component must equal100%.

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Evercore ISI rating (as of 11/14/2021)

Coverage Universe			Investment Banking Services I Past 12 Months		
Ratings	**Count**	**Pct.**	**Ratings**	**Count**	**Pct.**
Buy	514	61	Buy	119	23
Hold	291	34	Hold	30	10
Sell	16	2	Sell	0	0
Coverage Suspended	15	2	Coverage Suspended	4	27
Rating Suspended	12	1	Rating Suspended	5	42

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Price Charts

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10 November 2021 | 6:38PM EST

Americas Utilities: EEI Takeaways - increased clean energy investments ahead, managing commodity inflation

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We come away from our 2021 Edison Electric Institute (EEI) meetings with management with the following key themes: 1) increased clean energy investments ahead – US utilities continue to push for earlier retirement of their remaining coal fleet, creating incremental investment opportunities for other generation resources like renewables, storage, and clean natural gas. The proposed direct pay tax credits could reduce equity financing needs, while improving competitiveness of utility projects for potential ownership versus contracts. **2) managing bill impact from commodity inflation, supply constraints –** While not a direct impact to the bottom line, higher gas and supply/labor costs increase the customer bill, which requires balancing with capital investment impact and managing regulatory proceedings. In this brief note, we briefly highlight the 1-2 most important takeaways coming out of each company meeting.

We still expect utilities to trade at a modest discount to the S&P500 given the current negative real interest rate environment, despite relative P/E multiples appearing moderately attractive versus the market in this low but rising interest rate environment. Our top picks include large-cap regulated utilities like Buy-rated DTE (on CL) and XEL, renewable names like NEP (on CL), and value stocks like FE and EXC. Our Sell-rated stocks include PNW, AGR, and ED.

Top 5 Takeaways from EEI

1. EXC sees continued and sizable free cash flow from Exelon Generation (ExGen) — enabling strong capital allocation and even the potential for upsized dividend payouts from ExGen to Exelon Corp — which they believe could potentially reduce the planned $1bn equity issuances at Exelon Corp after the previously announced separation occurs.

2. AEP transitioned capital spending plans further towards renewables, outlining $8bn of rate base growth there and upside potential as well, but surprisingly reduced capital spend plans on its transmission business — implying more capital will flow to projects earning lower, state regulated returns than on those earning higher, federally related ones.

3. POR believes rate base/earnings growth upside exists from the upcoming clean generation auction process, with additional clarity expected by mid-2022, while continued robust customer and demand growth support organic grid investment opportunities.

4. PNW plans to engage in stakeholder dialogue ahead of its next AZ base rate case, looking to limit the scope of discussions and pursue a potential settlement; while meaningful clean energy capital opportunity exists, constructive recovery mechanisms remain key.

5. AGR remains confident the proposed PNM acquisition will close successfully, and expects a successful resolution of the legal challenge for the NECEC transmission project, with contract terms allowing for delayed delivery until 2025 (versus 2023 forecast by the company).

Company Takeaways

We hosted meetings at the fall EEI (Edison Electric Institute) conference — an industry conference for US utilities. We highlight the following company updates:

Ameren Corp (AEE, Neutral)

- Recently passed IL rate-making legislation offers constructive structure to support continued and increased utility investments in the state, and the electric utility looks to file its 4-year rate plan by January 2023 after working with the commission potentially to refine some terms. AEE awaits a re-hearing request for its Rush Island coal plant; if early retirement is the ultimate outcome, AEE could look to securitize the un-depreciated value, while transmission and renewable capital opportunities exist.

American Electric Power (AEP, Sell)

- Renewable growth spend of $8b over 5 years emerges a positive — and they highlighted this has almost another $8b of upside. This comes though with a $3b-$4b of capex reductions to FERC regulated transmission — from the nation's largest transmission owner — which earns a higher return than state regulated renewables.

American Water Works (AWK, Neutral)

- AWK's stated that its decision to divest its non-utility Homeowner Services (HOS) segment stemmed from the company's plan to fully commit to focusing on its core water/wastewater utility operations, while viewing other parties as better situated to help the HOS business expand into newer products and technologies that may increase earnings volatility. Management views the modified 7-9% EPS growth as sustainable long-term, which includes the periodic impact from equity financing needs to support both utility capital and the company's balance sheet. They do not see increased competition on the municipal tuck-in acquisition front, with potential sellers still gravitating toward AWK's long and established expertise in operating water/wastewater systems.

Avangrid (AGR, Sell)

- AGR remains confident the proposed PNM acquisition will close this year while looking to address recent recommendations from the Administrative Law Judge (ALJ); if the deal ultimately fails to close, management said that it will look to deploy the raised equity capital into regulated and renewable investments. AGR expects a successful legal challenge to the NECEC project referendum, while noting contract terms allow for delayed project delivery (to the MA electric utilities) until 2025, versus the current 2023 in-service forecast.

CenterPoint Energy (CNP, Buy)

- CNP remains confident it can achieve 8% annual EPS growth, with contingencies built in to offset any unexpected headwinds. Management still expects a 4Q2021 closing of the proposed ENBL/ET merger, while looking for an accelerated midstream exit in 2022. In Texas, CNP views transmission investment needs as under-appreciated, which could offer further capital upside opportunities.

CMS Energy (CMS, Buy)

- CMS views intervenor testimony for the proposed Integrated Resource Plan (IRP) constructively, which would allow full recovery of accelerated coal plant retirements while adding to rate base certain gas units; management still views the proposed utility purchase of the Dearborn Industrial Generation (DIG) plant — from its CMS affiliate segment — as most economic, but will look to propose alternate options if needed. Management remains confident in Michigan's positive regulatory environment despite the recent ALJ recommendation in its electric rate case, and expects a constructive final outcome. These items all support at least the upper end of its 6-8% annual EPS growth forecast, with each successive year based on the prior year's actual EPS.

Consolidated Edison (ED, Sell)

- Upcoming CECONY rate case (in New York) and pending regulatory dockets on COVID-related cost recovery are important catalysts over the next year, with the recent O&R rate case settlement a positive data point for the NY regulatory environment. ED remains focused on clean energy investments for both transmission and distribution, while renewable generation segment growth will remain stable but not currently planning for acceleration at this point. Incremental capital would be financed with a combination of debt and equity.

DTE Energy (DTE, Buy on CL)

- DTE sees opportunities to accelerate its transition out of coal generation, with plans to convert its Belle River coal plant to gas/clean while assessing early retirement or conversion potential for its Monroe plant (currently slated for 2040 retirement). The current federal proposals on direct pay tax credits and solar PTCs — if passed —

could help further accelerate their clean generation investment plans. Management still sees Michigan as a very constructive regulatory state, and will look to settle its upcoming electric rate case, while they remain committed to selectively growing the non-utility RNG investments.

Duke Energy (DUK, Neutral)

- The new legislation in NC will materially lower regulatory lag longer term but given the timing of rule makings, the first full year benefits may not show till 2024-25. Capital spend acceleration driving higher rate base growth also will kick in within the Carolinas and Indiana more in 2024-25, while Florida growth happens on a more pro-rated basis over the next few years — less back end loaded.

Edison International (EIX, Buy)

- Key parts of our discussion focused on what could provide upside to their recent multi-year rate base growth plans – incremental storage, beyond what's in the 2022 capital spend guidance, as well as an enhanced pace of building electrification spending and grid digitization, all present upside to rate base growth over time. Cost management, after the recently approved rate case, will likely come more into focus now than in prior years — with efforts to make vegetation management, T&D inspections and customer information system more effective, but also lower cost than before, likely in the coming year or so.

Entergy (ETR, Buy)

- While ETR maintained its EPS growth and its roughly $4bn/year capital spend forecasts through 2024 — the company highlighted $5bn-$15bn of cumulative potential upside to its rate base growth and investment opportunity set — albeit over ten years — tied to improving system resiliency and reducing outage impacts during major storms.

Essential Utilities (WTRG, Buy)

- WTRG still sees robust growth in its acquired gas utility Peoples Gas and believes the public market is meaningfully undervaluing the company on a sum-of-the-parts (SOTP) basis. Management remains patient and will monitor WTRG's valuation over the next year before considering any alternative options. In the pending DELCORA acquisition, WTRG believes momentum is positive in a potential resolution with the Delaware County counsel, and is still looking to complete the municipal wastewater system acquisition sometime in 2022.

Evergy (EVRG, Buy)

- EVRG feels comfortable with its upcoming rate cases in MO and KS, and is hoping to get a property tax rider in MO to mirror the tracker it already has in KS. The company also hopes to gain more clarity on "prudency" in terms of renewable investment in MO whereas KS has a pre-determination process for generation investments. The company sees opportunity for large transmission spending in SPP but likely beginning in the middle of the decade.

Eversource Energy (ES, Neutral)

- ES does not see any risks from its Jones Act-compliant ship agreement with Dominion, noting potential delays are embedded in the contract that would still allow the company to utilize the vessel for its Revolution Wind and Sunrise Wind projects. ES expects distribution and transmission capital opportunities stemming from the offshore wind expansion along the New England coast, currently not reflected in its multi-year plan. In the upcoming NSTAR Electric rate case filing in MA (expected late 2021), the utility looks to address — among other items — current storm cost recovery mechanism (allowing cost deferral above $1.25mn threshold) that historically contribute to under-earning in the state. Finally, water utility expansion also remains in focus, looking to capitalize on increased emphasis on aging water infrastructure and water quality.

Exelon (EXC, Buy)

- According to the company, potential exists for Exelon Generation to dividend cash to the "RemainCo" prior to the proposed spinoff, which they believe could reduce or eliminate the roughly $1bn in equity needs at Remainco. The company stated that the nuclear PTC could be a significant benefit for the Spinco given some units do not currently benefit from a ZEC and would therefore all serve as upside.

NextEra Energy (NEE, Neutral)

- While many new entrants now compete for renewable projects, most — especially some larger traditional energy companies — largely do not maintain their own development teams and therefore their impact on industry competition for renewable projects has not weighed on NEE's renewable growth targets — especially given some lack track records or scale in delivering projects, especially at a time when supply chain challenges exist.

NiSource (NI, Buy)

- Electric and gas utility growth outlook remains strong. At the Indiana electric utility, robust growth beyond 2024 could continue with transmission/generation investment potential to replace remaining coal plants, and the company is seeing potential for majority ownership of replacement assets (gas peaker, Sugar Creek update, and portion of solar). NI's gas utilities have pipe replacements and tech advancements (i.e. leak detection) among others, while management continues to assess the value proposition for its gas systems longer-term.

OGE Energy (OGE, Neutral)

- OGE continues to monitor the acceleration in electric demand growth (2% expected in 2022) that could offer incremental investment opportunities if sustained, including generation — the recently filed Integrated Resource Plan (IRP) assumes sub-1% load growth. OGE remains confident the ENBL/ET transaction will close by year-end, expects to prudently divest its midstream exposure, and believes that liquidity is not an issue given its relatively modest pro-forma ET share ownership. OGE expects to grow dividends at a modest pace going forward to reduce its payout ratio over time.

Pinnacle West (PNW, Sell)

- PNW plans to engage all stakeholders in constructive dialogue heading into the next AZ base rate case, looking to limit the scope of proposed items and potentially reach a settlement agreement with the various parties. Management sees meaningful capital upside to their 5-year capital plan, driven by clean energy investments, but constructive recovery mechanisms as necessary. Regarding financing, PNW expects to issue $200-$300mn of Holdco leverage to infuse equity into its utility opco, while looking to improve authorized ROEs in the next proceeding.

Portland General Electric (POR, Neutral)

- Upcoming clean generation auction — for around 800 MW of capacity/energy — presents utility capital upside to improve rate base and EPS growth, with additional opportunities through 2030 given its target to own/contract up to 3 GW of clean generation. While some equity needs may exist to support these investments and strong balance sheet, the federal proposals on direct pay tax credits — if passed — could moderate the amount. In addition, continued robust customer and demand growth support organic grid investment opportunities not fully embedded in the current growth plan.

Public Service Enterprise Group (PEG, Buy)

- While PEG sees offshore wind as a potential investment growth area, they also maintain potential to reduce risk — via a clause in their existing contracts with their development partner — and still exit their first project if costs inflate materially or if other factors make project returns less attractive. Transmission opportunities to connect offshore wind remain material — but no certainty on individual company roles on this will emerge before late 2022 as the state regulator and the regional grid operator need to work through various transmission bids submitted — this likely could become a late 2022 or early 2023 catalyst.

Sempra Energy (SRE, Neutral)

- Cameron LNG Train 4 — a 6 mtpa potential project — likely will emerge as the first LNG development project to move ahead and could be self-financing, given the available debt capacity at the Cameron complex overall — and thus not requiring equity from the parent company or external equity financing to move ahead, although we note a final investment decision may not come till late 2022.

WEC Energy Group (WEC, Sell)

- WEC still sees significant cost savings potential ahead at its core regulated electric/gas businesses and expects massive multi year renewable potential ahead in Wisconsin — and yet also sees gas utilities, including their own, as likely undervalued or underappreciated by the equity markets, given heat pump technology does not necessarily, in their view, work well enough in colder climates to displace natural gas driven home heating.

Xcel Energy (XEL, Buy)

- XEL sees benefits from the proposed direct pay tax credit structure in the reconciliation bill, which could reduce future equity needs, while a solar PTC (versus ITC) would improve utility projects' competitiveness with non-utility developers. The company continues to evaluate PPA buyouts and sees opportunities for re-powering, especially if the proposed wind PTC extension is adopted, which represent earnings growth upside.

Valuation and key risks

Exhibit 1: Price Target, Methodology, Key risks
Diversified Utilities

Ticker	Price Target Methodology	Rating	Price Target (New)	11/9/2021	Dividend Yield	Total Return (%)	Key Risks
Diversified Utilities							
AGR	SOTP 18x P/E on Regulated Utilities & Corporate & Other 2023 EPS, 10x EV/EBITDA on Renewables 2023 EBITDA	Sell	$45	$50	3.5%	-7%	1) approvals to defer all COVID-19 related costs, 2) incremental O&M savings, and 3) NECEC and offshore wind projects proceed per schedule and budget.
CNP	SOTP 19x P/E on Regulated Utilities & Parent 2023 EPS, 20% tax/liquidity discount on CNP's stake of ENBL market value	Buy	$31	$27	2.6%	19%	1) customer/demand growth slows in Houston and in other regulated jurisdictions, 2) Indiana electric fails to secure utility-owned generation opportunities, and 3) execution risks with portfolio simplification strategy.
D	SOTP 18.5x P/E on Regulated Electric 2023 EPS, 18x P/E on Gas LDCs and Corporate 2023 EPS, 12.5x EV/EBITDA on Contracted Assets 2023 EBITDA	Neutral	$76	$75	3.5%	5%	regulation, project execution, demand, and financing.
EXC	SOTP 18x P/E on Regulated Utilities & HoldCo 2023 EPS; 7.5x EV/EBITDA on 2023 Generation EBITDA	Buy	$61	$54	3.0%	16%	downside: utility regulation, power prices, cost management and nuclear subsidies.
NEE	SOTP 23x P/E on FP&L, Gulf & Parent 2023 EPS, 18x EV/EBITDA on NEER 2023 EBITDA, NEP LP value derived using NEE's share, NEP GP value derived from 7% Ke, 5% LT growth.	Neutral	$88	$85	2.0%	6%	Florida utility regulation, renewable development, tax credit legislation, and operating cost management levels.
OGE	SOTP 16x on Regulated Utility 2023 EPS, 20% liquidity discount to OGE's stake in current ENBL market value	Neutral	$35	$34	5.0%	8%	upside: 1) higher regulated capital spending, and 2) the company could be a target of a take-out; downside: 1) non-construction decision in the next OK rate case, and 2) utility jurisdictions experience moderating/decreasing customer and demand growth.
PEG	SOTP 20x P/E on Regulated Utility and Enterprise/Other 2023 EPS, 7x EV/EBITDA on Power 2023 Open EBITDA after adjusting for value of hedges	Buy	$72	$62	3.5%	19%	downside: power prices, power demand, maintaining nuclear subsidies, financing, and cost management.
SRE	SOTP 17x P/E on 2023 SDG&E, SoCalGas EPS; 18x P/E on 2023 Oncor EPS, 13x P/E on Mexico 2023 EPS; 11.5x EV/EBITDA on 2023 Sempra Midstream, US LNG, ECA (Phase 1 & 2) EBITDA & 17x P/E on HoldCo EPS	Neutral	$141	$125	3.8%	17%	project development and execution, power demand in Texas, utility regulation and financing.
Diversified Utilities (mean)					**3.4%**	**10.3%**	

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 2: Price Target, Methodology, Key risks

Regulated Large Cap Utilities

Ticker	Price Target Methodology	Rating	Price Target (New)	11/9/2021	Dividend Yield	Total Return (%)	Key Risks
Regulated Utilities (Large-Cap)							
AEP	16x P/E on 2023 EPS	Sell	$84	$83	3.8%	5%	1) Improved rate making mechanisms in a few key states, (2) lower-than-expected O&M, and (3) removal of financing overhangs.
DTE*	22x P/E on 2023 EPS	Buy	$138	$113	3.1%	26%	1) unfavorable regulatory changes, 2) incentive returns & equity layers, 3) unfavorable legislation, & 4) customer demand & usage, & cost management.
DUK	18x P/E on 2023 EPS	Neutral	$103	$102	3.9%	5%	utility regulation, cost management, financing & future rate cases or proceedings in Carolinas/Midwest states DUK serves.
ED	14x P/E on 2023 EPS	Sell	$64	$78	4.1%	-14%	1) NY utility commission authorizes recovery of the bulk of COVID-19 related costs & increased bad debt expense, 2) economic conditions in NYC from COVID-19 improve, & 3) ED's contracted renewable segment sees more robust growth elevating the company's ESG profile.
EIX	15x P/E on 2023 EPS	Buy	$76	$65	4.3%	22%	downside: wildfires in California, financing, and state utility regulation.
ES	20x P/E on 2023 EPS	Neutral	$87	$83	3.1%	7%	utility regulation, construction risks on major projects like offshore wind and financing.
ETR	17x P/E on 2023 EPS	Buy	$119	$102	4.2%	20%	downside: utility regulation, power demand and financing.
EVRG	19x P/E on 2023 EPS	Buy	$72	$64	3.4%	16%	downside: utility regulation, power demand and cost management.
FE	17x P/E on 2023 EPS	Buy	$48	$38	4.1%	29%	various investigations at the federal and state level, power demand, higher than expected costs, and general rate case and regulatory risk.
PCG	50% weight each to (1) 13x P/E on 2023 EPS and, (2) DDM analysis on 40% dividend payout in 2025.	Buy	$15	$12	0.0%	23%	2023 GRC proceeding & general regulatory risk in CA, wildfire related risk, and financing needs through both debt (including securitization) and equity issuance.
SO	14x P/E on 2023 EPS	Sell	$49	$63	4.3%	-18%	upside: regulatory, construction, power demand and equity financing risk.
WEC	20x P/E on 2023 EPS	Sell	$90	$90	3.2%	3%	higher than expected capital spend and rate base growth for 2021+, lower than expected operating costs, and better than expected power/gas demand.
XEL	22x P/E on 2023 EPS	Buy	$76	$64	3.1%	23%	1) Negative rate case outcomes, 2) XEL realizes less generation into rate base vs. PPA, impacting rate base growth & 3) PPA buyouts do not materialize..
Regulated Utilities - Large Cap (mean)					**3.4%**	**11.4%**	

*Denotes on Americas Conviction List

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 3: Price Target, Methodology, Key risks

Regulated Small-Cap Utilities

Ticker	Price Target Methodology	Rating	Price Target (New)	11/9/2021	Dividend Yield	Total Return (%)	Key Risks
Regulated Utilities (Small-Cap)							
AWK	39x P/E on 2023 EPS	Neutral	$177	$170	1.5%	6%	water quality issues, cost management, regulatory environment, growth at non-regulated segments and reduced ESG fund flows.
AEE	21x P/E on 2023 EPS	Neutral	$92	$83	2.8%	14%	upside: 1) accelerated rate base/earnings growth, 2) Illinois passes rate-making legislation, & 3) better-than-expected cost management. downside: 1) unfavorable outcome in MO electric/gas rate case, 2) 30-year TSY yields trend down, and 3) lower free cash flows than forecasted.
CMS	23x P/E on 2023 EPS	Buy	$72	$60	3.1%	23%	1) CMS fails to secure incremental regulated investments into rate base, 2) MI regulatory environment turns negative, & 3) the current IRP plan does not pass as proposed.
NI	18x P/E on Gas 2023 EPS, 19x P/E on Electric 2023 EPS	Buy	$29	$25	3.7%	20%	1) regulatory approval process for the planned renewable investments in Indiana, and 2) cash impact due to COVID-19.
PNW	15x P/E on 2023 EPS	Sell	$61	$63	5.4%	2%	1) PNW receives approval for contemporaneous recovery/return of clean energy investments, 2) a meaningfully constructive outcome in the current rate case, & 3) continued robust customer & demand growth.
POR	18x P/E on 2023 EPS	Neutral	$52	$49	3.4%	9%	upside: 1) better than expected cost management, 2) continued strong demand, & 3) more robust capital plan; downside: 1) non-constructive outcome in the electric rate case, 2) only partial deferral treatment on COVID/winter storm/wildfire costs, & 3) only a modest amount of renewables into rate base at next RFP process, slated for 2022.
WTRG	SOTP 34x P/E on 2023 water EPS, 18x P/E on 2023 gas EPS, 29.04x blended P/E on 2023 Other EPS	Buy	$55	$47	2.4%	19%	1) PA regulation turns less constructive, 2) water system acquisitions do not receive necessary approvals for completion, & 3) longer-term growth concerns about the gas utility segment compresses WTRG's valuation.
Regulated Utilities - Small Cap (mean)					**3.2%**	**14.2%**	
Regulated Utilities - Large & Small Cap (mean)					**3.3%**	**12.4%**	

Source: FactSet, Goldman Sachs Global Investment Research

Disclosure Appendix

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We, Michael Lapides, Insoo Kim, CFA, Rebecca Yuan, CFA and John Miller, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

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Disclosures

Rating and pricing information

Ameren Corp. (Neutral, $84.42), American Electric Power (Sell, $84.18), American Water Works (Neutral, $172.00), Avangrid Inc. (Sell, $50.84), CMS Energy Corp. (Buy, $60.89), Centerpoint Energy Inc. (Buy, $26.58), Consolidated Edison Inc. (Sell, $77.96), DTE Energy Co. (Buy, $113.17), Dominion Energy Inc. (Neutral, $75.68), Duke Energy Corp. (Neutral, $101.62), Edison International (Buy, $65.46), Entergy Corp. (Buy, $103.44), Essential Utilities Inc. (Buy, $47.35), Evergy Inc. (Buy, $64.69), Eversource Energy (Neutral, $83.74), Exelon Corp. (Buy, $54.45), FirstEnergy Corp. (Buy, $38.96), NextEra Energy Inc. (Neutral, $85.20), NextEra Energy Partners (Buy, $84.27), NiSource Inc. (Buy, $25.31), OGE Energy Corp. (Neutral, $34.31), PG&E Corp. (Buy, $12.40), Pinnacle West Capital Corp. (Sell, $64.53), Portland General Electric Co. (Neutral, $50.13), Public Service Enterprise Group (Buy, $62.72), Sempra Energy (Neutral, $124.61), Southern Co. (Sell, $63.86), WEC Energy Group (Sell, $90.64) and Xcel Energy Inc. (Buy, $64.39).

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The rating(s) for Ameren Corp., American Electric Power, American Water Works, Avangrid Inc., CMS Energy Corp., Centerpoint Energy Inc., Consolidated Edison Inc., DTE Energy Co., Dominion Energy Inc., Duke Energy Corp., Edison International, Entergy Corp., Essential Utilities Inc., Evergy Inc., Eversource Energy, Exelon Corp., NextEra Energy Inc., NiSource Inc., OGE Energy Corp., PG&E Corp., Pinnacle West Capital Corp., Portland General Electric Co., Public Service Enterprise Group, Sempra Energy, Southern Co., WEC Energy Group and Xcel Energy Inc. is/are relative to the other companies in its/their coverage universe: Ameren Corp., American Electric Power, American Water Works, Atmos Energy Corp., Avangrid Inc., CMS Energy Corp., Centerpoint Energy Inc., Clearway Energy Inc., Consolidated Edison Inc., DTE Energy Co., Dominion Energy Inc., Duke Energy Corp., Edison International, Entergy Corp., Essential Utilities Inc., Evergy Inc., Eversource Energy, Exelon Corp., FirstEnergy Corp., NRG Energy Inc., NextEra Energy Inc., NextEra Energy Partners, NiSource Inc., OGE Energy Corp., PG&E Corp., PPL Corp., Pinnacle West Capital Corp., Portland General Electric Co., Public Service Enterprise Group, Sempra Energy, Southern Co., WEC Energy Group, Xcel Energy Inc.

Company-specific regulatory disclosures

Compendium report: please see disclosures at https://www.gs.com/research/hedge.html. Disclosures applicable to the companies included in this compendium can be found in the latest relevant published research

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Price target and rating history chart(s)

Compendium report: please see disclosures at https://www.gs.com/research/hedge.html. Disclosures applicable to the companies included in this compendium can be found in the latest relevant published research

Regulatory disclosures

Disclosures required by United States laws and regulations

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J.P.Morgan

North America Equity Research
05 November 2021

2021 Edison Electric Institute Conference

The JPM EEI Question Bank

The J.P. Morgan North American Utilities Research team will host meetings with 26 companies at the annual EEI conference Sunday through Tuesday next week (November 7-9). In order to facilitate meeting preparation, we have compiled a list of key questions for companies that we are meeting with at the conference.

- **North American Utilities questions for:** AES Corp (**AES**), Ameren Corp (**AEE**), American Electric Power (**AEP**), Allete (**ALE**), American Water Works Co (**AWK**), Avangrid (**AGR**), CenterPoint Energy (**CNP**), CMS Energy Corp (**CMS**), Consolidated Edison (**ED**), Dominion Energy (**D**), DTE Energy Co (**DTE**), Duke Energy Corp (**DUK**), Edison International (**EIX**), Entergy Corp (**ETR**), Eversource Energy (**ES**), Exelon Corp (**EXC**), FirstEnergy (**FE**). Fortis (**FTS CN**), NextEra Energy (**NEE**), NiSource (**NI**), PG&E Corp (**PCG**), Public Service Enterprise Group (**PEG**), Sempra Energy (**SRE**), The Southern Company (**SO**), WEC Energy Group (**WEC**), and Xcel Energy (**XEL**).

- **Federal infrastructure in focus.** As DC legislators continue to work on a potential infrastructure/spending package, we expect numerous themes to appear throughout the conference including 1) clean energy tax credit extensions, 2) potential introduction of new tax credits for battery storage, nuclear energy, and hydrogen, and 3) the impacts of a corporate minimum tax. Moreover, we look for potential grid opportunities in support of the renewables buildout and electrification.

- **Supply chain/inflation, transmission, and commodity prices among a grab bag of themes into EEI.** Renewables deployment has remained resilient in the face of **supply chain** challenges and inflation fears, and it appears that leading developers have maintained margins in part through higher PPA prices. The prospect of solar panel tariffs also looms large alongside policy conflicts amid an otherwise pro-renewables backdrop. However, we see some stakeholder alignment around the need for a long-term solution without near-term setbacks to solar market growth. Separately, attention remains on the significant regional **transmission** investments needed to optimize further renewables buildout. MISO's MTEP process could now yield a first wave of transmission project announcements by March 2022. Offshore wind represents an additional avenue for transmission investment, especially given NY and NJ processes. While these opportunities and large-scale interregional transmission projects (such as Lake Erie Connector or Grain Belt Express) appear well positioned to drive back half of the decade growth, we expect projects to remain largely outside of capital plans until 2022 at the earliest. Finally, **commodity prices** have stolen the spotlight, leaving stakeholders uneasy over prospective bill impacts should elevated prices persist. These fears have disproportionally weighed on LDC performance given hedging practices and expected eventual price reversion. However, we do acknowledge growth risks under sustained high prices should regulators push back on investment to moderate higher customer rate inflation.

- **Select company updates in focus.** We expect **AEP** to release an updated 5-year capex forecast with an extension of the current 5-7% annual EPS range. However, we see the financing update most in focus after successful execution of the KY Power sale. **WEC** should introduce detailed drivers behind the 2021-2025 capital plan rolled out in 3Q. **ETR** should round out its refresh with specifics on its financing and capital investment plans. The spotlight should shine on language around equity and renewables.

North American Utilities

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See page 29 for analyst certification and important disclosures.

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North American Utilities

AES Corp. (AES)

1. What are the primary drivers of the high and low end of your 7-9% annual EPS and parent FCF growth outlook? How sensitive is this range to ramping renewables development targets to 4-5GW in 2025, particularly given 2021 strength and expected 5GW of new contracts this year? How does the new equity units accounting impact the plan period?

2. How has your renewables pipeline changed over the past 12-24 months, including overall size, US/international mix, and counterparty type? Has the demand for storage solutions at the project level changed? How do you see the overall market evolving?

3. Can you outline the key components of your 24/7 carbon-free energy agreements with Google and Microsoft? How do you see this offering positioned within a market increasingly moving away from vanilla PPAs? What is the replicability and scalability of this product? How do you see the overall market demand for clean energy versus bespoke clean energy solutions like this 24/7 product?

4. What is the Chile green hydrogen export opportunity, and how competitive is this on a global basis? Can you provide background on the feasibility study, timeline to completion, and partner involvement? When do you expect to identify the partner? What incremental AES investments could the project drive? What is the magnitude of the investment opportunity within your current long-term plan?

5. How are other projects and initiatives advancing, such as the remaining LNG contracting and parent cost savings? Over what timeframe do you expect to realize this LNG contracting upside? What is Alto Maipo's current progress toward completion?

6. Can you walk through your technology platform's value, both in terms of AES's product offerings and JV interests? How do you see these businesses positioned for growth over the plan period?

7. Where do you see 5B on the development and growth curve? How do you plan to deploy 5B's solar technology? What benefits does the Northvolt deal provide? Can you outline the R&D aspects of this deal?

8. Can you provide an update on the status of announced asset sales? What is the impact of these sales on your <10% coal generation by 2025 target? Given AES's accelerated coal transition since 2019, are there additional opportunities to advance this transition? How do these opportunities compare to renewables growth upside and the associated impacts on generation mix?

9. What federal discussions are you following across the infrastructure plan, tax credit or other tax changes, and environmental policy, among others? Are there any key items or potential impacts to your financial outlook?

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▶ Ameren Corp. (AEE)

1. How have IL discussions progressed following energy legislation's passage? Can you walk us through the process leading up to implementation of the new regulatory rate framework? What next steps are you focused on?

2. What next steps do you expect for the MO IRP? What are the considerations for Rush Island in it? When might your capital plan incorporate incremental IRP-driven renewables capex? How has the IRP informed your current MO electric rate case, including coal asset life changes? What timeline do the current RFPs contemplate, and when should we expect an update on the process?

3. Can you talk about the items that drive the low end and high end of your increased guidance range? Will you be rebasing your five-year plan off of 2021 upon the refresh anticipated for February?

4. What are your takeaways from FERC's transmission incentives NOPR and supplemental NOPR? How do you prioritize base ROE versus incentive adders, especially if the RTO adder sunsets? What FERC expectations do you have?

5. How important is FERC to continued regional transmission buildout versus RTO-level processes? Do you see a role for FERC in planning and permitting, whether through the Joint Federal-State Task Force or latest Advance NOPR? What have you seen from MISO's latest planning efforts, and how does this inform potential new projects for a potential late 2021-2022 identification? Can you describe the potential HVDC opportunity given the national focus on large-scale transmission system buildout and regional integration?

6. In your MO electric rate case, what are the top capital and expense drivers, and how do they contribute to the revenue requirement ask? Do prior settlements drive confidence in the potential to settle this case? Can you walk through the case's coal plant requests?

7. What do you expect for earned returns over the period until implementation of new rates recovering the wind investment? Do these returns cover the wind rate base, or do you consider earned returns excluding rate base under PISA/RESRAM deferrals?

8. What are your initial indications for Rush Island's appeals court ruling and over what timeframe? Do you see securitization or PISA considerations impacting the path forward? Are there other legal remedies available?

9. What potential federal policy and law changes are you particularly focused on? How do you see tax changes potentially impacting AEE? What impact do you expect to customer bills?

10. Can you talk about current economic activity and load trends across your service territories? How do you see recovery over the balance of 2021, particularly across commercial customers? How much of the residential growth seen over the past year do you think is sustainable with hybrid WFH setups?

11. Can you outline decarbonization targets and relative line of sight to achieving reduction goals? What emerging technologies could drive the largest impact here?

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▸ American Electric Power (AEP)

1. How should we think about equity needs and balance sheet capacity post the KY announcement? How should we be thinking about the opportunity for further portfolio rotation? What do you think is the ideal number of distinct jurisdictions?

2. Can you walk us through the mechanics of transitioning ownership of the Mitchell plant from KY Power to Wheeling Power and when we should have regulatory clarity?

3. Can you walk through AEP's generation transition? How should we be thinking about potential capital investment upside driven by the 16.6 GW regulated renewable investment opportunity through 2030? Do you think this could support EPS growth at the top of your 5-7% range? What is the latest on the RFPs at SWEPCO, APCo and PSO?

4. Can you talk about some of items that could drive you to the low and high end of 2022 guidance (to be released at the conference)?

5. With an increased focus on renewables integration, how will you balance transmission investment versus new generation capex from both a customer rate inflation perspective and financing viewpoint?

6. What impacts do you envision if FERC chooses to go through with the supplemental NOPR removing the 50 bps RTO ROE adder? Do you think this will impact RTO participation and meaningfully disincentivize transmission investments?

7. Are there other policy issues you are watching on the transmission development side? How much would a transmission ITC help push forward development? How large is the full transmission opportunity set for AEP? Do you think AEP will partake in larger highway type projects or mostly local reliability?

8. Do the extended tax credits provide an opportunity to accelerate contracted renewables growth? Can you walk through AEP's competitive advantages? Are there any constraints to accelerating contracted renewables development? Is there anything you are watching for from federal legislation discussions?

9. How should we think about O&M trajectory over the new five-year period? Do you plan to hold O&M roughly flat at the updated $2.62bn presented in 4Q (or whatever level is included in EEI deck), or do you think there could further opportunities to take cost out of the business?

10. Can you talk about the load trends you are currently seeing across your service territory, especially industrial demand trends after the strong 2021 numbers? Has there been any impact from the Delta variant?

11. Can you provide an update on outstanding rate cases/regulatory processes in TX, LA, IN, and OK? What are your top regulatory priorities as we move into 2022?

12. Are there any other outstanding investigations regarding AEP and Ohio that we should be watching? Do you have any update on the subpoena received from the SEC?

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▸ Allete Inc. (ALE)

1. What are the primary drivers of your 5-7% long-term EPS growth target, and how have those drivers changed over the past 12-18 months when you saw temporary negative impacts? Can you walk through each item and associated steps that returned growth to 5-7%? What drives confidence in your 5-7% long-term target given prior near-term challenges?

2. What is the current status of your large power customers? How many MW versus full nominations is large power for the current period? Do you have line of sight to nominations for the balance of 2021 and into 2022? What is the annualized EPS impact of the current nominations level versus guidance assumptions? Can you walk through the mechanics of sales assumptions in your MN rate cases, including the treatment of any difference in large power sales versus full offtake?

3. What are the key elements of MN Power's rate case? How do you see relative positioning into the rate case following MN Power's 2020 settlement?

4. Can you walk through the YoY impacts into 2021 and 2022 of 2020 interim rates, current MN rates, and expected new 2022 interim rates? What earned ROEs do you expect in 2021 and 2022 under current large power nominations? And what would you earn with full large power nominations?

5. Can you frame the required rate increase in your next MN rate case? How does this roughly break down between capital and expenses? Are there any particular regulatory, rate design, or other non-revenue requirement components to the filing?

6. How is feedback to your MN IRP? What is the current status of your coal, and how could the IRP impact this? How much regulated capex did your last IRP drive? How has local outreach around this update tracked company expectations?

7. What is the current status of each ACE project? What is your remaining safe harbor position and expected timeline to monetize?

8. How have state/federal policies and macro supply chain/inflation themes impacted ACE's development opportunities and expected project pivot? Do you anticipate changes to C&I discussions? How has the C&I market trended versus initial expectations since ACE's entrance to the space, including the complexity of potential solutions to C&I customer needs? How far along is your evaluation of ACE's new opportunity set? How many MW could you develop annually?

9. What are the drivers of your current equity needs, and what agency thresholds are the gating metrics for your financing plan? Would you look to potentially offset with capital recycling? Do you have options to highlight value across ACE's portfolio?

10. What are your current thoughts on the company's business mix and optimizing low-cost funding of both the regulated and non-regulated operations?

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▸ American Water Works Company (AWK)

1. What are the drivers of the high and low end of your 7-9% EPS CAGR and 8-9% rate base CAGR? How do regulated acquisitions, lost HOS earnings, the timing of HOS sale proceeds redeployment, and other factors impact this growth outlook?

2. What are the strategic considerations behind the HOS sale? Would you consider monetizing the Military Services Group as your remaining non-regulated business?

3. Can you outline your $13-15bn 2022-2026 capital plan, and how this investment compares to AWK's $28-32bn 2022-2031 plan? Are there any material differences to the overall capex composition, whether replacing aging infrastructure, investing in water quality, system expansion work, or other investments?

4. How has AWK realized regulated cost savings over the past several years, and are these expense drivers consistent with targeted savings to achieve a 30.0% 2026 O&M efficiency ratio? What line of sight do you have to this 30.0% 2026 target?

5. What level of customer bill impact does this plan contemplate given the meaningful capex acceleration contemplated? How does this outlook compare to expectations under the prior 5-year plan? How sensitive is the rate level outlook to continued regulated acquisitions?

6. Can you walk through AWK's regulated acquisitions, including 2021-2022 capex identified, closed, and/or in rates? How much of that identified capex do you expect to close before year-end? How does acquisition activity compare to pre-pandemic levels?

7. What is the current status of the NY sale in light of the joint proposal? What are the key terms of the proposal and are they consistent with expectations entering and throughout the regulatory review? Do you anticipate any meaningful continued opposition to the transaction? When do you expect a final commission order?

8. How and when do you intend to address the targeted $1.1bn of 2022-2026 external equity? Does the timing of NY and HOS proceeds impact your financing plan?

9. Following AWK's significant 2020 rate reviews, what rate cases are in focus over the next 1-2 years? Are there any ongoing priorities across new regulatory mechanisms, legislation, policy, or other non-revenue items?

10. Where do current growth opportunities stand for AWK's Military Services Group versus historical realized growth?

11. Do you expect any opportunities or impacts from federal infrastructure discussions? What key areas are you monitoring?

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Avangrid Inc. (AGR)

1. Can you walk through your 6-8% EPS CAGR, including steps to 2021 and 2022 from normalized 2020 EPS? What is the relative magnitude of drivers across rate increases, new renewables capacity, expense management, and PNM accretion, among any others? How does the acquisition move you within the growth rate, or absent the acquisition, how would this plan look? Can you frame the relative offshore wind contribution in 2025?

2. How would you bracket planned $13.7bn 2023-2025 capex by relative line of sight to regulatory approvals/contracts? Given offshore wind represents 50% of renewables investment for the period, do you have projects to backfill investment should project timing slip or is there relatively minimal “crowding out” of potential investments over the period? What are other large networks projects outside of NECEC?

3. What are the next procedural steps in the PNM acquisition after the hearing examiner’s recommendation against the transaction? How does local support stand in the state relative to this latest update? Can you walk through the regulatory commitments and terms versus the hearing examiner’s commentary?

4. Can you frame the range of equity needs for organic investments post-2022? How does the PNM acquisition impact organic capex equity, both from financial metrics and from an agency perspective? How closely did you involve the agencies as you created this financing plan? Are potential capital recycling opportunities significant enough to meaningfully impact equity needs? What is the relative magnitude of drivers across tax equity, capital recycling, and other items?

5. What is the overall role of cost controls in achieving your growth plan? Can you break down the relative opportunities at the enterprise, networks, and renewables levels? How much of your ROE improvement targets hinge on O&M management? What is the current status of PNM’s earned returns, and do you see a meaningful cost cutting opportunity there?

6. What are the primary drivers of the high and low end of your revised 2021 and initial 2022 EPS guidance? How much of the range does your merchant portfolio drive? Can you frame the level of revisions to portfolio assumptions versus prior expectations and how much risk remains driven specifically by these assets? Do you have meaningful line of sight to the remaining ROE improvement at the networks business? What are the upcoming procedural steps for the Maine process to remove CMP's ROE penalty?

7. Can you walk through the status of your offshore wind projects and impacts from the recent partnership restructuring with CIP? How do you see the Commonwealth Wind bid standing within the MA RFP? Are there thresholds guiding your offshore wind involvement from a business mix perspective as you evaluate upcoming RFPs? How would you grade the relative opportunity across state targets to land incremental contracts?

8. Where do NECEC’s legal options and construction stand in light of the referendum results? What are the potential paths forward to full construction?

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▸ CenterPoint Energy Inc. (CNP)

1. With the exit from midstream targeted by YE22, can you provide any color on timing and hurdles remaining? What are the different scenarios under consideration? What gives you confidence in achieving this timeline?

2. How does CNP think about the optimal regulated electric versus gas portfolio mix given valuation markers? How does renewables capex opportunities factor in to the desired mix? Is additional reweighting towards CNP's electric operations a consideration in further LDC monetization?

3. Can you talk through the plan in place to catch up on capital spending? How much line of sight do you have through year-end?

4. Could you elaborate on the incremental capex opportunities stemming from TX legislation? Are there any other pieces of legislation in the works that could augment investment in TX? How might these opportunities evolve over the next few years, and do you see any gating factors currently? What does the opportunity set look like for mobile generation in TX?

5. When thinking about the 1-2% annual O&M savings target, what types of efficiencies are you targeting? What line of sight do you have on achieving these? How do these savings position you relative to current benchmarks? How much of these cost savings will you look to reinvest in areas such as data analytics to harvest incremental efficiencies?

6. What type of progress have you seen on strengthening CNP's regulatory relationships, particularly with the PUCT's ongoing refresh? What is the status of current outreach efforts across jurisdictions? Under current plans, when is the next rate case across each major jurisdiction and what drives the prospective application timing?

7. Where do you see the balance sheet standing in 2022 and over the plan period after receiving the asset sale proceeds? What are the primary financing sensitivities going forward? How much FFO/debt improvement do you anticipate from CNP's new tax strategy? What is the status of ratings agency discussions around business risk?

8. Can you speak to near-term and medium-term renewables opportunities, including the first tranche of solar generation approved by the IURC? What are the largest drivers in deciding ownership percentage and when should we think about the second tranche of solar generation? How might tax credit extensions accelerate or alter these opportunities? Where does the IN IRP process currently stand, and what level of engagement are you seeing in the state?

9. Can you outline your RNG and hydrogen efforts, including the relative positioning of your gas system to capitalize on these opportunities versus peers? How does the MN Natural Gas Innovation Act drive near-term and long-term investments?

10. What are local economic trends across your regulated footprint? How competitive are current rate levels versus local peers?

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CMS Energy Corp. (CMS)

1. With earnings expected to now grow near the high end of your 6-8% range, can you provide any thoughts on when the new EPS trajectory will intersect with the prior earnings trajectory? Do you see this higher level of consolidated growth as achievable over the longer-term, especially if the small annual equity issuances come back into the plan post 2024?

2. Can you update on us on the impacts from the latest storm activity in Michigan? Do you think grid hardening investments could increase in focus within Michigan?

3. Can you provide color on some the top issues out of intervenor testimony on the IRP? With some of the big discussion points appearing to center on the natural gas plant acquisitions, are you open to settlement alternatives or do you see taking the proceeding all the way to Commission order?

4. Can you walk through some of the benefits of a 50/50 split between owned renewables and PPAs for both shareholders and customers? What would be the upside and/or potential downside to increased rate based renewables versus utilizing the financial compensation mechanism (FCM)?

5. Can you talk about the trajectory you see for customer bills over the course of the IRP planning horizon? How much do the cost savings from plant retirements help with limiting bill inflation?

6. It seems like CMS has a meaningful investment opportunity as underpinned by the IRP, but how should we be thinking about annual equity needs as we move beyond 2024?

7. What are some of the impacts from a potential change to federal tax policy? Do you see sufficient offsets to keep the pressure off customer bills? Can you talk about some of the items you are most focused on?

8. How do you view the current Michigan regulatory environment? In the past, the Commission has expressed interest in having a multi-year planning tool versus solely annual rate cases. Would you be open to this? With a new commissioner starting earlier this year, do you anticipate any other big picture changes?

9. Do you have any interest in expanding the non-regulated renewables segment? Is there any scenario where CMS would become a renewable developer? What if DC extends federal renewables tax credits to direct pay? What do you think is the optimal size of Enterprises relative to the utility over the long-term?

10. Can you talk about any potential hydrogen projects on the horizon or maybe discuss the optimal scale of a pilot program? Do you see an opportunity to deploy hydrogen at both the gas and electric utility? If so can you provide examples of potential uses?

11. Can you talk about some of the load trends you see across your service territory YTD? Generally speaking, do you expect longer-term impacts with regard to some of your C&I customers given potential changes in customer behavior? Do you think the residential stickiness could persist?

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▸ Consolidated Edison Inc. (ED)

1. What is your latest outlook for offshore wind under seemingly increasing BOEM momentum, greater federal prioritization, increasing state efforts, and amid lofty overall energy transition goals? How do you see the transmission system changing to accommodate increasing offshore generation, and how does ConEd's experience overlap with offshore transmission opportunities? Can you walk through the associated investment opportunities and relative attractiveness?

2. Can we walk through the status of natural gas expansion projects that would allow NY utilities to continue connecting new gas customers? If you do not complete natural gas projects, how does this impact your utilities? Will this increase the number of new electric customers, and what is the magnitude of the impact on customer bills?

3. Can you give an overview of the recent O&R joint proposal and any read-throughs to the upcoming CECONY case? What do you see as some of the key discussion points into that case?

4. Can you speak to the vision for ED's renewables platform? What competitive advantages does ED bring here? How large could these investments be over time? How might changes to renewables tax credits impact investment opportunities, particularly direct pay? Have competitive market dynamics evolved over the past one to two years?

5. Can you provide commentary on the COVID-19 docket in NY and any recent progress? Is there any notable support or opposition in the state? When do you expect a resolution?

6. What are the potential range of deferral outcomes you see in NY this year? Can you walk through 2020 impacts and the impacts realized in 1H21?

7. Do you have any ongoing reliability concerns over the balance of 2021? Can you walk through the steps taken to address the blackouts experienced last summer and the work completed to prevent similar system failures? How does the scope of reliability penalties under the new rate plan compare to the previous?

8. What are the risks and opportunities from broader electrification of the economy? How do you see this evolving over the remainder of the decade? Would ED invest in EV infrastructure outside of rate base?

9. How do the recently authorized RCC transmission projects address a changing state grid? What are the benefits of ConEd's proposed $5.3bn of T&D projects under the Climate Leadership and Community Protection Act? When will the state complete these projects' associated evaluations? Are there similar projects that ED is positioned to execute on, or larger discussions that could lead to additional investments?

10. What is the status of energy storage development in NY? Do you see the PSC's order as definitively closing the door to greater utility involvement?

11. Could you talk about the most recent rate plan's incentive thresholds and how they compare to historical levels?

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Dominion Energy Inc. (D)

1. Within your current 2021-2025 VA capital plan, when do you expect to deploy the offshore wind capex ($6.5bn total in plan), solar capex ($5.0bn total in plan), and energy storage capex ($1.8bn total in plan)? Given 2020-2035 investment potentials of up to $17bn, $20bn, and $7bn, respectively, how are you balancing current investment targets against the large potential need?

2. What level of rate inflation does your current VA capital plan target? How do you expect rate trends to progress through the initial offshore wind buildout? What levers do you have available to offset higher bills?

3. How could federal tax credit changes impact the timing of various clean energy investments? Could these changes lower expected bill inflation or alter investment mix?

4. What is your next regulatory focus with the triennial review settled? On the triennial, can you walk through known impacts through the 2024 review and progress to de-risk the 2024 outlook? What are potential CCRO needs into the 2024 review?

5. Where does the Questar Pipeline sale stand, and is the path to transaction close tracking initial expectations?

6. How have sales trended since the early COVID-19 impacts in both SC and VA? What is the current state of economic development across your electric jurisdictions? How much runway do you see to the data center opportunity, and are there similar pockets of customer growth contributing to local strength?

7. What are the primary drivers of the high and low end of your $3.70-4.00 2021 guidance range? Similarly, what outstanding items remain in focus for growth into 2022?

8. Do you see the Biden administration impacting your plan, whether through a streamlined BOEM process or tax credit changes from the administration's infrastructure plan?

9. What is the status of initial hydrogen and RNG efforts? Do you see any hydrogen opportunities outside of the gas distribution system? Are there other expansion opportunities to your RNG partnerships following the Vanguard announcement?

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DTE Energy Company (DTE)

1. How should we think about the proper base for the long term 5-7% EPS growth rate? Then, how do you see DTE growing within that range? Do you think the growth rate could converge with the 7%+ growth rates at DTE Electric and Gas? Given near-term DTE RemainCo headwinds from the convertible equity units and REF business roll-off, can we think about the base business growing in excess of 5-7% after these headwinds subside?

2. Can you talk about the line of sight you currently have to your projected 2026 earnings at DTE Vantage of $160-170mm? Given the increased competition in the RNG space, have you seen any pressure on returns?

3. Can you talk about the success you have been having with the voluntary renewables program and how much more runway is out there to continue to add MW? Could this give even more upside to the capital plan?

4. Can you update on us on the impacts from the latest storm activity in Michigan? How have these storms compared to those in the past, and how could these translate into capex?

5. What incremental opportunities do you see for gas investment? Can you talk through some of the levers you might have to mitigate customer bill impacts and do you expect significant bill pressure from the higher commodity costs?

6. What is your latest thinking on the potential to further accelerate coal retirements? Given some of the unique strategies employed within the state to exit coal, can you talk about some of the options you are looking at ahead of your next IRP filing next year?

7. What opportunities are you seeing in the carbon capture space? In your view how far away is the technology from a point where you could invest significant dollars?

8. How do you view the current Michigan regulatory environment? In the past, the Commission has expressed interest in having a multi-year planning tool versus solely annual rate cases. Would you be open to this? With a new commissioner starting earlier this year, do you anticipate any other big picture changes?

9. Can you discuss some of the load trends you currently see in MI? Do you think the residential load pickup that you experienced throughout this year could stay even beyond 2021?

10. How has the ability to defer the next electric rate case helped with customer bill headroom? Has a favorable sentiment toward accelerated renewable integration within Michigan helped alleviate some of these constraints? Do you think there could be a big bill step up in 2023 with the filing expected early next year?

11. What do you think is the optimal business mix longer term? Do you have any interest increasing the utility/non-utility business mix or do you feel comfortable at 90/10?

12. How should we think about the trajectory of O&M over the next few years? What types of benefits do you expect from some of the coal retirements?

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▸ Duke Energy Corp. (DUK)

1. Can you provide an update on the latest with Elliott? Is there anything you can say on the media report you will be adding two Elliott-backed directors to the board, one now and another down the road?

2. How do you anticipate addressing NC's new CO2 emissions reduction targets of 70% by 2030 from 2005 levels and net zero by 2050, with DUK's latest CO2 emissions reduction targets of 50% by 2030 and net zero by 2050? How do annual customer bill increases in aggressive scenarios compare to a base case?

3. What should we expect timing-wise for DUK's first carbon plan? Can you walk us through preliminary thoughts on it and how it will differ from that latest IRP?

4. Can you give any indications on what form the transition to 70% could take? Do you have any more precise thoughts on the timing of when DUK may formally adjust its reduction target?

5. How do you think about adjusting your EPS CAGR given the more favorable NC backdroup? At what point in the plan could we see improvements? Also in regards to the higher capex expected in the back half of the decade, are there any associated changes on the financing side?

6. How do you weigh filing your next NC rate case with NC House Bill 951 now through? What are your top regulatory priorities as we head into 2022?

7. What role could RNG and hydrogen play across your gas utilities? How do you see the economics of each improving over time? How do you think about the environmental attributes when considering the economics here?

8. Could you see utilizing a structure similar to the DEI/GIC transaction again in the future? While your current capital plan assumes no incremental equity, how much flexibility do you have to increase capital spending without needing to issue equity? Would employing these types of transactions to fund share buybacks make sense?

9. What opportunities do you see for Indiana renewables investment? Could we see a large pickup in renewables additions in the IRP filing expected in November?

10. We have seen non-regulated renewables market competition pick up in recent years. What hurdle rates do you target for this business? Can you discuss competitive advantages enabling DUK to exceed this hurdle rate?

11. Could you see increasing investment in the non-regulated business if we see further federal support for renewables tax credits?

12. Can you talk about the latest on load trends across your service territory? DUK appears to track ahead of plan; have you seen any changes recently in economic activity? Has the Delta variant had any impact?

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▸ Edison International (EIX)

1. Can you talk about some the drivers that could see you realize the low/high end of new 5-7% earnings guidance? What assumptions do you utilize for cost of capital? Does the current plan assume an extension of current levels or are there other considerations we should be thinking about?

2. Can you discuss the plan cushion that enabled you to maintain $1bn in total 2021 equity content after the 2017/2018 liabilities best estimate raise on 3Q? How much flexibility do you have for further revisions?

3. How should we be thinking about the overall investment backdrop and specifically how it could relate to the next GRC proceeding? Do you think the positive changes to the latest GRC could lead to more stakeholder alignment on wildfire mitigation investments the next time around? Can you walk us through the total opportunity set for reliability type investments similar to the utility owned storage?

4. What has been the initial reception to EIX's accelerated cost of capital application, and over what timeframe do you expect the CPUC to evaluate these requests? What is the net EPS impact you expect if the cost of capital mechanism triggers? Would you look for one-time offsets to mitigate the earnings impact in 2022?

5. Do you think mitigation investments or favorable weather vs past years Drove the relatively quiet nature of this past fire season? What are some of your top priorities for the 2022 Wildfire Mitigation Plan?

6. How are settlement discussions progressing with individual plaintiffs of the 2017/2018 wildfire and mudslide events? Can you walk us through an updated court timeline for associated cases and general path to ultimate resolution of these liabilities? What milestones should we look for that might lead to a cost recovery filing? Is there any way you can frame your level of confidence that we will not see further increases to the best estimate?

7. How do you view the eventual PSPS wind-down? Is there alignment with the CPUC and other key stakeholders for that program's role moving forward?

8. We have seen an increased focus in the state on potentially undergrounding power lines. Do you see this option as possible for EIX, or do the costs in your service territory remain too high? What is the relative risk reduction from the covered conductor program versus potential reduction from more widespread undergrounding?

9. Do you anticipate any changes in CPUC priorities following the departure of President Batjer? What are some of your top regulatory priorities for 2022 outside of CoC?

10. Can you walk us through the anticipated timing for memo account cash recovery? Do you think there will be meaningful impact on customer bills as these recoveries potentially gain approval?

11. What should we be expecting for timing on the remaining equity announced for 2021? What other factors outside of the claims settlement process might impact future financing plans?

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Eversource Energy (ES)

1. Now that we have more schedule certainty with the larger offshore projects, when should we expect more financial disclosure for the investments? Are there opportunities to incorporate technological developments into these projects to drive down cost via larger turbines, etc.? What risk does cost inflation play in the current projects, both materials and labor? Do you have additional thoughts on return expectations?

2. Now that we are approaching a year since closing the EGMA acquisition, can you talk about how the system has performed versus your initial expectations? Is there any way to frame the magnitude of synergies that you can drive over time through your MA systems?

3. How should we think about timing on the $700mm ATM? How does the offshore wind permitting schedule impact the financing plan? Is it fair to assume the $700mm of equity in your current five-year plan moves to the back end due to permitting delays, or are there separate investment opportunities requiring external funding? What major expenditures do you expect in the preconstruction phase? What impact could the offshore wind tax credit have?

4. For future offshore wind solicitations, how will learnings from the current projects in motion impact your approach and bidding behaviors for any future projects? Are there any meaningful construction synergies with existing projects? What are some of the upcoming auctions we should be focused on and how should we think about the timeline to fill empty lease plots?

5. With the performance-based rate proceeding recently opened, do you expect any substantive changes to the regulatory framework? In your view, what are the best ways to structure PBRs? Do you think PURA would be open to these constructs?

6. You have a number of incremental growth opportunities, including grid modernization, AMI, and offshore wind. How do you think about weighing those opportunities against each other? Do you have capacity to pursue all these opportunities simultaneously, or are there certain constraints you might face?

7. Do you see any hesitation from regulators to implement rate increases coming out of the pandemic? High customer bills remain worth monitoring, and it seems difficult to meet stated goals without further rate increases. What are some of the ways ES can mitigate bill increases while maintaining capital investment levels?

8. Can you walk through potential paths forward to reduce LDC greenhouse gas emissions? Do you see opportunities across RNG and hydrogen to fully decarbonize your system? What do you see as the relative cost of decarbonization on customers?

9. Post the settlement in CT can you give a sense of how you plan to manage the business through the rate freeze and your approach to future regulatory strategy?

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Entergy Corp. (ETR)

1. What were the primary drivers behind ETR's directional raise to 2021, 2022, and 2023 EPS guidance alongside 2Q21 results? Where do these drivers currently stand in the absence of this directional guidance language post-Hurricane Ida? Are there other incremental factors not yet incorporated into this outlook? What has changed in your assumptions?

2. What are the current range of options to settle ETR's remaining external equity needs? Why not issue a preferred now to remove the equity overhang? How do you rank the relative financing priorities across lowering ongoing financing uncertainty, timing equity proceeds over the plan period, and capturing future stock price upside, among others? Can you lay out the SERI liabilities and capex upside that factor into this equation?

3. How does your overall generation replacement cycle contribute to your capital plan's renewables target? Where do you see solar within that opportunity set versus solar and storage given your gas fleet? How much do additional capacity needs versus the replacement of current generation drive the 7,000-8,000MW target? How do you expect C&I opportunities to trend on this topic?

4. Can you outline the primary considerations behind the company's proposed TX CCGT and hydrogen fueling option? What has been the initial local reception? How does the Mitsubishi JV and hydrogen fit in with ETR's overall generation outlook? Are there any other anticipated technology developments expected?

5. Can you discuss near-term hydrogen opportunities post the recent filing associated with the Orange County Advanced Power Station (hydrogen capable)? Can you provide any color regarding conversations that you are having with industrial customers in your service territories?

6. How have local sales trends tracked versus your expectations, particularly with regard to post-COVID recoveries? What is your line of sight to large industrial load recovery? Have any individual project timelines changed across your customers, and has this changed expected future load additions? What sector could drive upside to your expected 2021 sales growth?

7. Can you outline the current transmission investments in your plan and any opportunities outside of this plan? Are there any potential impacts from MISO's MTEP process over the next one to two years?

8. In the wake of 2020 and 2021 storms, where do federal relief discussions currently stand? Are there any gating factors in DC to securing some offset for customers? Do you see potential aid taking different forms across up front funds to reduce storm securitizations, ongoing funding of system hardening, or other?

9. What is the status of the SERI complaints? Can you walk us through the backgrounds of the September 2020 and March 2021 complaints? What upcoming dates or timing expectations do you have here? What requires a FERC ruling, and is there line of sight to FERC considering the complaints? What are the potential ranges of financial outcomes here, including ongoing earnings impacts and refunds owed to customers?

10. Does the EWC shutdown track expectations? What milestones remain following the recently completed Indian Point sale?

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▸ Exelon Corp. (EXC)

1. How does the proposed federal nuclear PTC stack up versus your fleet's needs? Is there any way to frame ExGen earnings upside from this and any potential benefits?

2. Can you frame your expectations that this legislation ultimately passes and what other avenues are available to get it over the finish line?

3. Can you update us on the regulatory approval process for the ExGen spin-off? Do you still see the transaction tracking the targeted 1Q22 close?

4. What drives the high versus the low end of the 6-8% Exelon Utilities EPS growth range? How do you think about the longer-term balance sheet capacity at Exelon Utilities?

5. What are your thoughts on the new regulatory framework in IL? How should we think about the customer bill impacts from a return to forward looking/ traditional rate making? How do you weigh the multi-year plan options versus traditional rate making and is there any reason you would not choose to file an MYP?

6. What are your thoughts on SMRs and the viability of advanced nuclear technology? What type of regulatory/policy support do you think is required to increase adoption? What about for using nuclear in hydrogen production?

7. Regarding the ~$600mm in targeted ExGen actions to offset Winter Storm Uri impacts, how much progress have you made YTD? Can you talk about the types of items that drive this number? Do you think they could be sustainable beyond 2021?

8. What do you think about the recent ERCOT tweaks? Do you view this jurisdiction as a core ExGen market moving forward? Do you think the reforms will be enough to ensure reliability?

9. How do you expect the Exelon Utilities earned ROEs to track within the guided 9-10% range over the next few years? Given some of the favorable outcomes in MD/DC, is it fair to think about the top end of this range?

10. It seems like both MD and DC are committed to multi-year planning constructs. In your view, how can MD and DC improve these processes over time and do you think there could be further tweaks?

11. What are your top regulatory priorities as we move into 2022?

12. How should we think about the financing needs at a stand-alone ExGen? Can you talk about any discussions with the agencies? What about the long-term financing options regarding the CENG settlement?

13. What are your top takeaways from the finalized IL regulation? How should we think about the financial impacts from the new carbon mitigation credits and how they impact the three nuclear plants?

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FirstEnergy Corp. (FE)

1. Can you speak to the Ohio settlement and the process that led to the ultimate agreement? In light of this update, how should we be thinking about the next base rate case filing in 2024 and the range of issues that could be on the table?

2. What is the latest on your review for a potential minority stake sale of FET? Should we think about this sale offsetting the previously planned $1.2bn in equity over the next two years? What kind of timing should we think about for you to ultimately attain FFO/debt in mid-teens levels as discussed on 3Q? How do you think about improving the notable unfunded pension obligation?

3. Can you give us a sense on how you plan to re-introduce long-term guidance especially given the revenue reductions agreed to in the OH settlement? Will this come in the form of a multi-year earnings and rate base CAGR? How should we think about the proper year to base that growth from? Understanding Ohio earnings remain the key variable, but what other important moving pieces should we think about?

4. Can talk about some of your latest conversations with the rating agencies? What is your sense for what they need to see to return FE back to IG? Do you have any sense for timing?

5. What are some of the opportunities you see under the FE Forward program? How much more improvement do you see as possible above what you have already achieved?

6. What renewables investment opportunities exist across your service territory? Can you talk about some of the opportunities to increase the solar investment in WV? When could we see more of these investments in the capital plan? Additionally, how should we think about the coal portfolio in the state? Is there any possible scenario that could accelerate retirements?

7. Have there been any major developments in some of the other regulatory procedures in OH regarding the audits on the DCR and DMR? When do you think these reviews could reach completion? Is there anything else we should be watching?

8. Can you talk about some of the load trends you are seeing across your service territory? With residential load providing a tailwind during stay-at-home orders, should we expect this to reverse or will there be some stickiness?

9. Can you discuss the runway you see for transmission rate base growth? Do you think FERC’s supplemental NOPR proposing an elimination of the RTO ROE incentive will have a meaningful change on RTO participation? How should we think about potential investment timing for the NJ opportunity?

10. How much investment opportunity do you see in support of EV integration across your service territory? How near-term of an opportunity do you think this could be? How do you see timing unfolding here?

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▸ Fortis Inc. (FTS CN)

1. What are you seeing in local economic activity across your service territories? What are your sales expectations in 2021 and 2022 given favorable 2020-2021 weather? How is tourism trending in the Caribbean? How long do you expect lower travel to weigh on the Caribbean, and are you seeing any other local impacts? What is the scale and sustainability of ITC's cost reductions? How much potential do you see to replicate these cost reductions across other segments?

2. Do you see any potential inflation headwinds? What is the current status of your FX hedges in 2021 and 2022+?

3. What is the timeline for the NY generic COVID docket process, and what expectations do you have around an outcome? Can you quantify the potential earnings benefit from a favorable order?

4. How do you see AZ regulation trending given below-average authorized ROEs in AZ's latest rate cases and the extended procedural schedule even pre-COVID? What are your earned return expectations over the next two to three years?

5. What are your expectations for FERC's transmission incentives NOPR and supplemental NOPR? How focused are you on base ROE versus incentive adders? Do you expect near-term FERC progress on the NOPR? To what extent does significant regional transmission buildout depend on FERC action? What otherwise are you monitoring for future transmission investment? How do you see transmission planning progressing to enable incremental renewables on the grid? What are the key hurdles and how might the FERC, the administration, or others impact them?

6. How have discussions around ITC's Lake Erie Connector changed in 2021? Does the Canada Infrastructure Bank's involvement impact this project's outlook? Do you see a potential transmission investment tax credit boosting development efforts? Can you outline the commercial agreements needed to advance the project? How has the market evolved here in the years since Lake Erie Connector's initial announcement?

7. Can you walk through the timing of generation resource changes contemplated in the TEP IRP and 80% reduction in carbon emissions by 2035 target? Do you have a sense of minimum and maximum ownership levels of contemplated ~2,500MW of new wind and solar plus 1,400MW of new energy storage? When do you expect the bulk of associated capex to occur? How much IRP-related capex is included in your recently refreshed five-year plan?

8. How do you see your capital runway with the planned AZ generation transition, additional regional transmission buildout required to support new renewables, FortisBC decarbonization initiatives, among other items? What projects currently outside the capital plan are closest to implementation?

9. Are any potential tax policy changes currently in focus? Do you anticipate any financing or strategy impacts? Do you see new and extended renewables incentives impacting your decarbonization plan? What line of sight do you currently have to targeted 75% carbon emissions reduction by 2035 from 2019 levels?

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▸ NextEra Energy Inc. (NEE)

1. How should we think about the NEER growth trajectory under the 23-30 GW of incremental renewables from 2021-2024? This appears to present upside to the 6-8% adjusted EPS growth expectations. Are there any offsetting factors we should think about?

2. What returns do you currently achieve on your renewables projects? Have you noticed any return degradation as competition for these projects continues to increase?

3. Regarding cost inflation, can you discuss what you are you seeing within your supply chain and how it is impacting returns? How is inflation influencing deal competition?

4. What opportunities do you see for NextEra under potential federal infrastructure legislation? How would direct pay tax credits impact your renewables business? How would a minimum tax rate impact NEE? Are there other items we should be watching for?

5. How should we think about the total opportunity set for battery storage, and how could technological improvements impact this trajectory? Separately, how do you expect annual energy storage development to compare in size to wind/solar development over the next five to ten years?

6. What opportunities are you seeing with the transmission business? What types of policy changes from FERC or legislation would be supportive of upsizing the level of transmission investment in your plan?

7. Are you considering eventually introducing a net-zero emissions goal? What line of sight would you need to see for this type of aspirational goal?

8. With NEE nearly free of coal generation, how do you see your natural gas plants fitting into the long-term regulated portfolio mix? How about nuclear?

9. Can you provide additional detail on the ~50 potential green hydrogen projects identified across power, transportation, and industrial sectors? Are opportunities within any of these sectors more near term? How much help could come from a production tax credit?

10. How do you see the current environment for M&A? Do you see favorable opportunities in the market, or has increased competition complicated M&A?

11. With so much organic growth on your plate right now, how do you balance renewable growth versus regulated M&A? How do you think about M&A as a tool to stay within targeted regulated/non-regulated business mix, especially for credit purposes?

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▸ NiSource Inc. (NI)

1. What are the primary drivers of the top and bottom end of your long-term guidance ranges of 7-9% annual NOEPS growth and 10-12% rate base growth? How does your renewables capex and equity financing impact this?

2. Can you walk through the impacts of your recent equity issuance, including the timing and mechanics of remarketing, impacts on credit metrics over the plan period, and revisions to base business equity needs?

3. What is the current construction status across your renewables projects? Are there any remaining regulatory considerations associated with the current $2bn IN renewables buildout?

4. How is your 2021 IRP progressing? What is the post-submission timeline through your planned capex refresh? Can you outline the key elements in this evaluation, including the 2026-2028 Michigan City retirement, emerging technology potential, MISO resource adequacy requirements, and other considerations? How might federal tax credit discussions impact this plan, including funding aspects with direct pay?

5. What is the status of your PA rate case and timeline for a final order following the September settlement? Separately, do you have a sense of the initial reception to your OH rate case? How are the other rate cases advancing?

6. Can you outline gas system safety investments broadly and associated operational changes? How is system reliability currently, particularly in light of extreme conditions this past winter that stressed energy infrastructure in parts of the US?

7. How have recent M&A and LDC valuation markers informed your portfolio optimization efforts? What are this strategy's drivers now that the renewables equity is complete? Do you see opportunities to simplify the company's overall footprint by exiting smaller jurisdictions? Similarly, what is the relative attractiveness of selling a partial stake to offset future equity and highlight overall portfolio value?

8. What is the expected customer bill inflation under your current capital plan? How do you view rate headroom across your gas and electric customers? Are there any meaningful differences by jurisdiction? How does upward pressure from natural gas prices impact this outlook?

9. Are you seeing customer demand for RNG? What is the overall RNG opportunity to decarbonize your gas system?

10. What are current customer growth trends? How consistent is this growth with pre-pandemic levels?

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▸ PG&E Corp. (PCG)

1. Can you talk about the conditions you have experienced this wildfire season? Do you think wildfire mitigation investments or favorable weather conditions versus past years have driven the lower ignitions?

2. Can you talk through your latest thinking on potential power line undergrounding? What do you see as the main cost drivers versus prior undergrounding work, and how do these factors give you confidence on executing this ambitious program? At a high level how should we be thinking about the timing impacts from substituting O&M with capital?

3. What should we expect on undergrounding when you file the next Wildfire Mitigation Plan? What do you see as the range of regulatory options to implement an undergrounding program? Is there any possibility of folding in with the GRC?

4. What has been the initial reception to PCG's accelerated cost of capital application, and over what timeframe do you expect the CPUC to evaluate these requests? What net EPS impact do you expect if the cost of capital mechanism triggers? Is there any potential for one-time offsets to mitigate the 2022 earnings impact, and how does this rank as a relative priority?

5. After reducing the 2021 equity need to zero, how should we think about drivers to potential equity in 2022 outside of the capital plan? Can you give some color into these legacy issues that you have worked through to eliminate equity?

6. Can you talk about the line of sight you currently have to the full extent of Zogg and Kincade liabilities? Are there any data points we should be watching to enable a move to a best estimate? How should we think about ultimate recovery of Kincade liabilities in light of the recent SED settlement?

7. How do you view the regulatory backdrop in California now versus past years? Given the number of important proceedings upcoming do you have any concerns over a potential change in Commission direction after President Batjer leaves?

8. Can you discuss the requirements under the enhanced oversight process? What are the guardrails to increasing or decreasing this oversight?

9. How have recent conversations with the fire victims' trust progressed?

10. Can you talk about your intentions regarding PSPS usage for this current wildfire season? How has that program improved in recent years? How should we think about PSPS usage moving forward? Do you see better alignment within the state over the risk mitigation benefits?

11. When do you expect a return to more normal earnings power? Specifically, what are the key drivers of the level of 2022 under earnings, including parent interest and other items? How does securitization impact this trajectory?

12. How do you view opportunities for additional capital spending in support of CA's aggressive climate goals and continued electrification versus managing the current projected ~5% annual customer bill increases from the already robust capital plan and essential wildfire safety spending? Do some resource adequacy issues in the state present further capital upside potential?

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▸ Public Service Enterprise Group Inc. (PEG)

1. Can you give us a sense on some of the early feedback to your planned IAP proposal, understanding we still need to see the official filing? And then how should we think about the timing on when we would hear about extensions to GSMP and CEF-EE?

2. How should we be thinking about drivers to the low and high end of the new 5-7% EPS guidance? Then thinking about the PSE&G rate case scheduled for 2024, could there be an earnings step up as we move into 2025? Are there other considerations we should be thinking about regarding growth lumpiness?

3. Can you talk about how you are prioritizing the various options on the table for utilization of the $2bn incremental debt capacity? Could you see PEG employing more buybacks if the utility and offshore wind opportunities fail to materialize?

4. What do you see as the optimal business mix for the pro forma PEG? Do you think the relatively low debt levels open up the opportunity for regulated M&A? Do you have any specific criteria you follow when evaluating M&A opportunities?

5. With the second ZEC application process complete, do you see the opportunity for a longer-term solution to keep the nuclear plants economic? How does the proposed federal nuclear PTC stack up versus your fleet’s needs? How would this PTC impact NJ customer bills? Do you think the more stable cash flows could provide increase financial flexibility?

6. Can you talk a little about the potential investment timing on the PJM offshore transmission solicitation? Do you think this could make its way into the back part of the 5-year plan? What other priorities do you have on the transmission side? How does the recent ROE settlement play into this investment opportunity?

7. After the Ocean Wind investment decision and upcoming MD process, how do you think about additional offshore wind investments, in NJ or elsewhere? Does PEG expect any credit impact from entering offshore wind? Do you have any concerns regarding some of the recently announced project delays or supply chain impacts?

8. How do you see PEG positioned to manage customer bill inflation? Do you see offshore wind driving material bill inflation upon entering service later this decade? How do you view the current bill level for both electric and gas?

9. What are your latest expectations on the FERC NOPR regarding transmission ROE incentives? Do you think a lower RTO incentive could meaningfully change the transmission landscape?

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Sempra Energy (SRE)

1. How do you view Sempra's business mix after the Sempra Infrastructure Partners transactions? Have any of the strategic decisions in the space caused you to re-evaluate your strategy? Do you still view TX as a potential opportunity to increase regulated exposure, whether through acquiring the remaining Oncor stake or otherwise? How do you view other TX bolt-on opportunities, including transmission and natural gas?

2. What has been the initial reception to SRE's accelerated cost of capital application, and over what timeframe do you expect the CPUC to evaluate these requests? What are the potential net impacts to SRE from the cost of capital trigger mechanism? Do you see the potential to temporarily offset these headwinds in 2022?

3. How have new customer connections held up for Oncor? Are you seeing similar levels of customer growth in TX as you did pre-pandemic? How much does the move away from self-generation drive your connection backlog? What is the limiting factor to realizing the full extent of capex upside as most recently discussed?

4. What color can you provide on the current LNG environment? When looking to contract out the remaining capacity, how do you frame the Cameron expansion's value proposition versus other North American LNG projects? Can you update us on the ECA development process?

5. How should we think about SIP proceeds re-deployment into higher capex, and the ultimate timing of SRE's expected 10c average annual accretion, as laid out at the Analyst Day?

6. Can you give some color on the Aliso Canyon civil settlement and on any remaining steps needed to close out all investigations/regulatory reviews?

7. What do you see as the total opportunity set with carbon capture? Do you think current tax credits do enough to support the economics?

8. How do you view utilizing the approved $2bn share buyback program? If Sempra's stock price lags peers, would you consider utilizing a material portion of the buyback in the near term, or is the focus on other capital deployment opportunities?

9. What could drive regulated capex upside and when could this materialize? What opportunities do you see following some of the resource adequacy troubles in CA? Across the utilities, what level of bill inflation does your current capital plan contemplate?

10. Can you talk about some of the opportunities you see for hydrogen projects in CA? When might the technology gain widespread adoption? Are you also considering hydrogen opportunities with Sempra LNG?

11. What other carbon alternatives could be possible at SoCalGas? What is your sense for CA appetite towards natural gas LDCs with negative carbon offsets, such as RNG, compared to full electrification?

12. How do you view the CA regulatory backdrop following President Batjer announcement? Do you have any expectations for the next appointee?

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▸ The Southern Company (SO)

1. What are the largest risks to Unit 3 and 4 getting completed on time after the most recent announced delays?

2. Can you talk about some of the lessons learned from Unit 3 that can be applied to Unit 4? In your mind, do the discovered quality control items on Unit 3 help meaningfully de-risk Unit 4?

3. Can you walk us through the process for requesting cost recovery for Unit 4? When should we expect to see filings to the Commission on this front?

4. How should we think generally about the renewable spending opportunities across the Southern geographical footprint? Additionally, can you update us on the sentiment towards renewable integration across your jurisdictions? How do you think the commissions view integrating batteries with solar? What impacts could come from Southeast Energy Exchange Market?

5. How should we think about the potential to take out coal capacity and over what time horizon? How much replacement capacity could be needed? What are the potential impacts to customer bills? How do you think will play into near-term IRP filings?

6. What do you see as the medium term transmission opportunity across your service territory? Under what timeframe should we expect this spending to show up in the capital plan?

7. Do you have any key takeaways from the Build Back Better framework? Do potential extensions and expansion of renewables tax credits give you any interest in expanding your renewables business? What types of returns have you seen on your recent projects? Would a nuclear tax incentive increase your interest in further large-scale nuclear projects?

8. How are you thinking about the positioning of your remaining non-regulated businesses as you think about potential asset sales? Is there any color you can give into your approach to that process as you discussed on 3Q?

9. How competitive is Southern Company Gas versus other capex opportunities for SO? What relative size do you see Southern Company Gas and Southern Power within the overall portfolio in ten years?

10. Do you see an opportunity to deploy hydrogen at either the gas or electric utility? If so, when do you expect the economics to start making sense and how big of a role could it play? Specifically can you discuss any green hydrogen opportunities paired with nuclear operations? Do you think carbon capture is a viable solution for emission reduction? How far away do you see these two technologies?

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▸ WEC Energy Group Inc. (WEC)

1. With the 3Q earnings release, WEC set a target to exit coal by 2035. A notable piece of the plan is to blend up to 30% of natural gas into the Oak Creek facility over the next two years, subject to environmental permits. What does the permitting process look like here? Can you frame how conversations on the subject have been forming? Should the process move successfully, is there opportunity to seek higher blending percentages sooner than later?

2. Do you expect any strategy or other changes under the upcoming CEO transition?

3. With the capital plan calling for 7% rate base growth with no need for equity, what are the drivers of the high and low end of the 6-7% EPS growth target? Does any potential infrastructure investment acceleration put you above 7%?

4. What major assumptions underpin your raised $4.05-4.07 2021 EPS guidance and expected high end of the range? Can you walk through upside/downside drivers across COVID-19 reopening, electric sales recovery, retained cost savings, and any other impactful items? Are there any headwinds to consider for 4Q or any 2022 costs that you anticipate pulling forward?

5. Can you discuss inflationary impacts on solar?

6. Can you speak to the timing of generation additions over the five-year plan versus expected plant retirements, including how regulatory approvals may impact this? What are your expected O&M savings from these retirements?

7. What types of O&M savings drove the majority of 2020 reductions? What level of savings did WEC achieve, and how did it compare to expectations? How much of the reductions are sustainable into 2021 or beyond? Could these savings impact rate reviews timing? How do storm costs impact 2021 targets?

8. What are the drivers of current WI solar investments? Could solar be scaled in the near term on the basis of offsetting fuel expense? How does solar and storage fit into your current generation portfolio?

9. What are the drivers of the cadence of your capital spend? Where do you see potential for upside?

10. Given the importance of the gas network to home heating across your service territory, how do you view the opportunity for hydrogen currently? Do you expect RNG to gain greater near-term traction? What other technologies are you currently focused on?

11. How has the competitive landscape impacted your expanding infrastructure portfolio? What is your tax position under recently signed projects, and what do you see ultimately limiting segment investment, including overall asset base mix and the ability to monetize associated tax credits?

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▸ Xcel Energy Inc. (XEL)

1. How are your rate cases progressing, and where do you see potential to settle? Do you anticipate any case elements will limit settlement discussions? What are your process and timing expectations in MN? How do you see early feedback on the proposed second year interim rate step up and on the MN application overall?

2. How are the IRP processes tracking, and what are your expectations on timing and approvals? Can you outline phase 2 considerations and any other potential impacts to incremental capex targets?

3. How do you see MISO's evaluations progressing in the near term? What are your expectations for the first round of projects expected in 1H22?

4. How might the administration's infrastructure plan impact company strategy? Are there any policy, tax credit, or other issues you are following particularly closely? Can you walk through the potential equity financing impacts and ability to reduce equity needs?

5. What level of risk do you see to proposed incremental renewables and transmission investments, particularly given 2030 decarbonization targets? Do you see any hurdles to achieving 50% ownership? Within the plan period, what is the timing of potential transmission network upgrades?

6. Can you update us on XEL's appetite for incremental PPA buyout opportunities? Have developers been more willing to transact since the pandemic? Are you seeing any market impacts? Do you expect these transactions to remain relatively small one-off deals, or do you have opportunities to scale up the activity?

7. What are some of the limitations to fully move off coal in the near term? How should we think about opportunities to further accelerate your generation transition? How should we think about the trajectory for renewables spending over the back half of the decade?

8. Can you update us on economic activity across your service territories and how loads trended versus your expectations? How should we think about impacts into 2022, as related to the 1% load growth in your 2021 guidance? How should we think about load trends across your service territory over the course of your updated five-year plan?

9. Can you walk us through some of the cost savings you were able to achieve in 2020? What are the primary drivers behind the 0-1% O&M inflation you anticipate in 2021? Do you see further opportunity to take costs out of the business on a more permanent basis?

10. Do you see EVs as a direct capital opportunity or an indirect opportunity through load growth? How might 2025-2030 load benefit from EV deployment?

11. Do you see RNG investment opportunities stemming from the MN Natural Gas Innovation Act?

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J.P.Morgan

North America Equity Research
11 November 2021

North American Utilities: EEI Takeaways

Here Comes the Sun: DC Dynamics Poised to Shine on Industry Clean Energy Opportunity Set

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This week, we met with 27 companies at the EEI Financial Forum. Our wide-ranging conversations focused on a number of issues, including the potential impacts from the reconciliation spending package, transmission investment opportunities, and continued focus on coal retirement pull-aheads. Overall, the DC dynamics remain fluid, but net/net we see clean energy tax credit related benefits overshadowing any negative impacts from a corporate minimum tax, should the bill pass. From a company perspective, both AEP and DTE provided positive 2022 guidance updates and FE stole the show with the FET minority stake sale and $1bn equity issuance announcement. Moreover, we highlight AEE, CMS, CNP, NEE, PEG, and NI as top meetings (more details below). We include company thoughts for AEE, AEP, AES, AGR, ALE, AWK, CMS, CNP, D, DTE, DUK, ED, EIX, ES, ETR, EXC, FE, FTS, NEE, NI, PCG, PEG, SO, SRE, XEL, WEC.

- **Fluid DC dynamics with a myriad of potential implications, but net/net notably positive overall impact, if passed.** Among the multitude of considerations, increased renewable tax credits broadly could accelerate generation transition, increasing customer bill headroom and pulling forward renewable related capex, a tailwind for most in the space. We heard repeated enthusiasm on a solar PTC and a desire for the ability to opt out of normalization, leveling the playing field versus developers. The proposed nuclear PTC also garnered notable positive feedback, both on the regulated and merchant sides. While the transmission ITC received somewhat less excitement, we hold hope that this measure could somewhat aid cost allocation hurdles, the main speed bump in transmission development. Finally, hydrogen positivity percolated across numerous conversations, with a belief that the $3/kg tax credit could notably spur hydrogen development as green hydrogen would approach parity with gray hydrogen where surplus renewables existed. On the negative side, we note a wide range of reactions to the headwinds a 15% minimum tax would introduce. While some do not cross the $1bn net income threshold (making the point moot), others highlighted existing tax credits and NOLs mitigating the impact. While not everyone spoke to the magnitude of impact, all agreed that the AMT runs against the intent of advancing renewables, with the industry seeking to carve out utilities from the AMT.

- **AEE, CMS, CNP, NEE, NI and PEG stand out as best meetings.** In addition to outlining MISO MTEP potential, **AEE** provided details on Rush Island and reconciliation possibly increasing investment opportunities. **CMS** management appeared notably pleased post IRP intervenor testimony and we maintain confidence that CMS reaches a constructive resolution. **CNP** displayed continued confidence in organic TX investment upside as well as strong regulatory relationships. As the big winner from solar, wind, battery, and hydrogen tax credits, **NEE** exhibited palpable exuberance regarding reconciliation bill upside. **NI** offered a supportive outlook for ownership of $750mm of IRP-related capex plus confidence across the company's ongoing rate proceedings. Lastly, **PEG's** confidence and comfort shined through on the post fossil outlook, with a deep regulated investment pipeline and growing nuclear PTC optimism.

- **Transmission opportunities just getting started, driven by MISO and offshore wind.** The next decade's transmission opportunity will kick off with the MISO MTEP process in early 2022. MISO framed a $30-100bn opportunity driven by 60-80% emissions reduction target scenarios by 2039. XEL estimates a $5-6bn

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opportunity for itself stemming from the low-end scenario, which would carry into the next decade. Meanwhile, AEE sees total MISO opportunity biased towards the top-end of the range given accelerating emissions reduction goals among utilities and corporates. FTS also retains meaningful leverage to any MISO buildout and separately expects an update to its longstanding Lake Erie Connector mega project by year-end. Separately, PEG, NEE, ED, and FE all discussed the NJ offshore wind transmission RFP, with NJ planning to make an announcement in the back half of next year for what could be a multi-billion dollar total investment opportunity. Moreover, in New England ES takes a constructive view to the transmission investment opportunity set as projects creep closer to mid-decade in-service.

- **Positive guidance updates from AEP and DTE.** Alongside its refreshed long-term outlook, AEP introduced $4.85-$5.05 2022 guidance, slightly ahead of our $4.83-$5.03 expectations, largely driven by incremental KY Power deal accretion. Separately, DTE now sees 2022 guidance tracking the upper half of 5-7% growth, previously pegged at 6%, as strong 2021 execution has largely de-risked next year and allowed the company to turn attention to 2023.

- **FE news steals the show but stock reaction muted.** FE's Sunday announcement of an FET minority stake sale and $1bn common equity issuance possessed a disclosed blended 33x LTM P/E. Combined with the OH settlement, FE has taken numerous steps to reduce risk on both the regulatory and financing fronts while highlighting the value in its transmission business. However, thus far the stock has performed in line with the UTY this week (-0.05% relative performance). We see already lofty expectations into the announcements and the $1bn equity block as culprits.

Table 1: EEI One-liners Table

Ticker	EEI Takeaways One-liners
	Regulateds
AEE	MISO MTEP process around the corner w/ mgmt bias towards top end of $30-100bn plan; Rush Island + reconciliation could alter MO IRP
AEP	Renewables drive higher capex + extension of 5-7% EPS growth, but B/S appears to constrain capex (further portfolio roations would represent a catalyst)
ALE	MN Power's rate case framed as critical; rate mitigation efforts are a longer-term process to realize value for customers
AWK	Recently filed Joint Proposal represents meaningful progress in the NY sale regulatory review, and management remains confident in YE close
CMS	Management takes a constructive view on IRP intervenor testimony; we maintain confidence CMS reaches a favorable resolution
D	Offshore wind in focus w/ LCOE in targeted range; awaiting 4Q21 results for plan roll forward; Questar likely to close by YE; Triennial dust settled
DUK	NC and IN both well positioned to drive renewables capex upside; reconciliation bill could be net positive
ED	Management sees cautious optimism regarding the O&R Joint Proposal read-through
EIX	Revised 2017/2018 liability estimate reflects lumpy individual claims process; EIX may still have financing flexibility moving forward
ES	AMI, grid mod, transmission pot'l upside driver to ES' next capital plan update; incremental offshore wind earnings clarity to emerge
ETR	Mgmt optimistic on increasing renewables capex with 30TWh TAM; equity messaging unchnaged
FE	OH settlement and financing update derisk outlook, but equity block likely surprised
FTS	Incremental capex visibility favors transmission with upcoming Lake Erie Connector and MISO regional transmission updates
NI	Supportive outlook for ownership of $750mm IRP-related capex w/ asset composition biased towards rate basing
PCG	Undergrounding update early next year in focus, but not looking for a full ramp until mid-decade
SO	Vogtle cost sharing dispute centers on ~$350mm; potential asset sale candidates in focus
WEC	Oak Creek to 30% gas in next few years; RNG opportunity on horizon; ESG Progress Plan consistent w/ 3Q plan (+10% over prior plan)
XEL	Extended 6.5% rate base CAGR out to 2031 w/ pot'l upside from BBB framework and MISO MTEP process; MN rate case likely goes into 2023
	Diversifieds
AES	Positioned to hit 5GW+ of annual new contracts, above out-year plan expectations; AES Next optionality stands out in discussions
AGR	Management expressed high confidence PNM acquisition close by YE; NECEC strategy hinges on potential injunction after referendum outcome
CNP	Potential upside over next decade in TX with strengthening relationships in Houston and at regulatory bodies
DTE	Management looking to pull forward Monroe coal plant retirement, potentially as early as 2030; 2022 guidance seen as largely de-risked
EXC	Focus remains on finalizing Utility/Constellation spin; management optimistic on nuke PTC and sees extenders as a possible backup to BBB
NEE	Big winner from solar, wind, battery, and hydrogen tax credits out of reconciliation; best positioned should tax equity market shrinking; min tax pot'l headwind
PEG	Notable mgmt confidence and comfort; regulated investment pipeline appears robust as nuclear PTC optimism grows
SRE	FERC design review largely drives Cameron Phase 2 FID, expected by YE22; Vista Pacifico, Hackberry CCUS next in line

Source: J.P. Morgan

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MISO MTEP process in focus, although considerations remain high level

Management highlighted MISO's $30-100bn Futures 1-3 opportunity and sees a bias towards the range's high end based on the 60-80% carbon reductions contemplated relative to industry trends towards an accelerating generation transition. While AEE refrained from quantifying initial expectations, the company expects MISO to begin with "no regrets" projects, which it characterizes as projects inevitable for further renewables buildout. Management expects MISO to take a methodical and collaborative approach with serial project announcements rather than one large round, particularly given cost allocation sensitivities. Separately, AEE framed a potential transmission ITC as additive to these efforts, with FERC siting work also representing prospective help.

MO IRP questions include Rush Island, reconciliation, and Grain Belt

AEE's Rush Island plant remains in flux, with the company recently filing for rehearing of the order to install a flue gas desulfurization system on October 18. Two plausible scenarios (plant retirement or scrubber installation) both qualify as material MO IRP changes and likely trigger updates within a statutory 60 day timeframe, although AEE would likely request an extension. Management noted that retirement likely requires a process to examine local and regional reliability issues, given the significant 1,200MW plant capacity. Meanwhile, scrubber installation could run upwards of $1.0bn, relative to a current $0.4bn rate base and an additional $30-50mm expected in annual O&M expenses for the life of the plant. Separately, management anticipates some potential to also incorporate material impacts from the reconciliation bill, if passed, in the event a Rush Island outcome requires IRP revisions. Prospective solar PTCs or new transmission and storage ITCs could boost transition opportunities alongside customer benefits from a nuclear PTC. Amid the broader IRP discussion, AEE continued to highlight its Grain Belt scenario, which stands as the second highest score within the IRP analysis. The company is open to owning regional generation feeding the transmission project, bringing geographic diversity to supply and reliability considerations.

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American Electric Power (AEP)

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Regulated renewables drive capex increase as transmission steps down

Underpinned by a 16 GW opportunity set through 2030, AEP's capital plan now includes $8.2bn in regulated renewables investment, across APCo, SWEPCO, PSO, and I&M (assumed 50/50 utility/third party ownership, hopes for more. Regulated renewables now make up 22% of AEP's $38bn capital plan ($37bn prior), underscoring the company's favorable leverage to 'green rate of change'. Moreover, the 7.3% rate base growth (down from 7.4% prior) underpins AEP's 5-7% EPS growth trajectory, with management still optimistic about growing in the upper half of the range. Additionally, these new renewables serve to offset the step down in transmission related capex, $12.9bn now versus $16.1bn in the prior plan. During our meeting, management emphasized the optionality embedded in the plan, with transmission capex able to flex up pending renewables regulatory proceedings. However, investor feedback highlights concern that balance sheet constraints underpinned the lowered transmission capex given the perceived abundance of transmission needs to facilitate effective renewables deployment.

Financing concerns remains

As expected post the KY Power sale, AEP removed the $1.4bn in equity from its 2022 financing plan. However, the company now targets $2.0bn in equity from 2024-2026 to support 13.5%-15.0% FFO/debt metrics (previously low to mid-teens). Although management appeared satisfied with the current asset mix, we believe further portfolio rotation could serve as a positive catalyst here.

2022 guidance a touch ahead

AEP's 2022 guidance of $4.85-$5.05 implies ~6% growth off 2021 plus KY sale accretion, slightly ahead of our $4.83-$5.03 expectations (JPM/Street median $4.96/$4.99). Notable drivers include +1.5% retail sales growth (+5.1% from industrial class) and an increase in the regulatory earned ROE to 9.3% from 9.0% as presented on 3Q earnings.

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AES Corporation (AES)

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Renewables tailwinds in focus following 2021 target raise…

Management highlighted that YTD strength in PPA signings positions AES to hit 5GW+ of annual new contracts, illustrated by AES's revised 5GW 2021 target (raised from 4GW on 3Q earnings), already above out-year plan expectations of 4-5GW under the company's current five-year outlook. Emphasizing the company's diversified pipeline and portfolio as well as commercial innovation with 24/7 clean energy products, we see the commentary as a clear positive given additional tailwinds federal tax credit discussions and potential supply needs as global hydrogen efforts scale.

…as supply chain efforts also bolster overall positioning

Given AES seeks to lock in supply and financing alongside PPA signing, management sees the company as well positioned versus peers who are short products. Negotiations for 2024-2025 deliveries are ongoing, and AES noted benefits from its scale in the ability to secure supply. Separately, AES continues to have ample access to tax equity, in management's view.

AES Next optionality stands out in discussions

The company's Uplight, 5B, and Motor investments remain in the spotlight as AES looks to replicate its efforts in incubating Fluence. Management's vision is to combine AES's industry knowledge with an entrepreneurial approach to create value, now focusing on digital energy (Uplight) and solar design innovations (5B), among other themes. AES highlighted its close collaboration with startups as differentiated, outlining product, go to market strategies, and supply chain work with 5B as an example. Given the platform's demonstrated success and significant option value, we expect AES Next will remain a core pillar of the company's outlook.

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Avangrid (AGR)

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Doug Stuver, CFO
Catherine Stempien, President & CEO Networks
Bill White, President & CEO Offshore
Patricia Cosgel, VP Investor Relations

Notable confidence in path to PNM close despite negative hearing examiner report

Management expressed high confidence in closing AGR's PNM acquisition this year and ultimately sees the negative hearing examiner report as laying out a path to completing the transaction. Several rounds of responses are due before scheduled commission meetings in December, and the company is in the process of drafting its own response. AGR described the report's contents as largely focused on historical issues and remains in dialogue with intervenors. Other elements to watch are any commission modifications to the NM settlement, which would then revert to AGR for ultimate acceptance of new conditions, if any. We highlight the company's confidence as clear, notable, and standing out amid the typical process noise inherent in M&A regulatory approvals.

Post-referendum NECEC strategy hinges on potential injunction

AGR is pursuing a lawsuit and injunction following the Maine referendum outcome against its large transmission project. The situation remains complex in advance of the referendum's upcoming January 3 enactment, which could impact project permitting absent an injunction. The company retains contractual timing flexibility through August 2025, versus NECEC's currently targeted 2H23 COD, which alleviates some pressure of a likely extended legal process into 2023 (including anticipated appeals). That said, opponents are seeking to stay project permits on the back of the referendum results, which could limit construction during the full legal process. As such, we see injunction success as a key near-term milestone and potentially informing agency direction in the permit reviews. AGR expects a court ruling on the injunction by the end of December and may re-evaluate the construction schedule following a decision. For now, construction continues to progress. Separately, the company highlighted continued support from the Governor and 600 at-risk jobs associated with the project as among factors bolstering NECEC's case.

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Allete Inc (ALE)

Bethany Owen, Chair, President, and CEO
Robert Adams, CFO
Al Rudeck, Jr., President-Allete Clean Energy
Jeff Scissons, Director – Corporate Development
Steven Morris, VP, Allete Controller & Chief Accounting Officer
Vincent Meyer, Director Investor Relations & Treasury

Minnesota Power's rate case represents a key regulatory ask

The company is seeking a $108mm rate increase and expects interim rates of $87mm to go into effect at the start of 2022. Drivers include a demand charge for the Manitoba Hydro PPA and revenue true ups for lower taconite production, lost customers (including the Verso shutdown), and an expired wholesale contract. As a result, this case differs from traditional capital recovery or O&M asks. Management emphasized local engagement and education leading up to the filing, framing the rate case as critical in advance of future IRP-related investments. We highlight significant attention on ALE's proposed industrial sales rider which would reduce the impact of large power volatility and help MN Power avoid future rate cases by collecting or refunding sales changes outside of a +/-$10mm deadband. While early to gauge support, the company sees this new mechanism as fair and balanced, potentially providing upside for customers as anticipated new load comes online in 2023-2024.

Rate mitigation efforts are a longer-term process to realize value for customers

ALE expects rate mitigation work to take several years in returning ~$100mm from land sales to customers. This land is not in rate base, surrounds current hydro operations, and is not needed for the company's regulated operations. Much is under long-term leases, and ALE has seen positive initial reactions from leaseholders to the prospects of owning the underlying land. Work remains in advance of initiating sales, including determining a mechanism to return proceeds to ratepayers, which could take 2-3 years to commence. However, success here could be a powerful tool to help enable rate increases across a rate-sensitive service territory, in our view. While ultimately lagging the current MN Power rate case, we expect this process to capture attention as ALE advances through the case process.

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American Water Works Company (AWK)

Walter Lynch, President and CEO
Susan Hardwick, EVP, CFO
Cheryl Norton, EVP, COO
Aaron Musgrave, Senior Director of IR

NY sale takes a significant step forward to close

The company's recently filed Joint Proposal represents meaningful progress in the regulatory review, in our view, and provides a path to closing the longstanding NY sale. The Governor's direction on now-settled municipalization questions enabled this agreement, which will drive larger municipalization considerations around select portions of the system after deal close. Management remains confident in finalizing the transaction by year-end and expects the commission to take up the application after a November 16 hearing.

HOS sale and capex acceleration framed as a virtuous cycle to increase regulated value

Management outlined deliberate structuring to HOS proceeds timing for efficient reinvestment into AWK's regulated operations. The company sees this deal driving value conversion from its success in growing the segment. This also enables the significant increase in regulated capex under its refreshed five-year plan to accelerate efforts to address aging infrastructure and asset renewal. Under this latest capital program, AWK anticipates ~5% average bill increases, up from prior 4%, framing economic conditions, system investment needs, and relatively smaller customer bills as factors supporting this bill inflation target.

Financing plan optionality remains in focus

AWK emphasized flexibility in addressing its targeted $1.1bn in plan equity, with evaluations ongoing between an ATM and block issuance. Elements appear attractive across both options and include an ability to match ATM proceeds to plan spend versus the ease and speed of a block, among other factors. Management flagged AWK's 60% debt/cap target as largely driving the currently anticipated ~2023 timing.

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CMS Energy Corp (CMS)

Rejji Hayes, EVP & CFO

Notably pleased, CMS upbeat post IRP intervenor testimony

Management appeared notably pleased coming out of the intervenor testimony filed late last month in the Consumers integrated resource plan proceeding. Specifically, staff largely took a constructive view on the early coal retirements, regulatory asset treatment, and non-affiliate gas plant acquisition. Key debate points center on alternative solutions for the Campbell Unit 3 replacement plan (retirement pulled forward from 2040) and associated affiliate gas plant acquisitions, both unsurprising, in our view. Staff advocated purchasing the plant at book as opposed to market value, a wide gap, or studying alternatives including more renewables and storage. CMS reiterated the proposal stands as a whole plan, not a buffet to pick from, with the $650mm net savings driving considerable value for the customer. After our meeting, we remain confident that CMS can attain a constructive IRP outcome and see the relative delta between the company and intervenors as manageable.

Robust MI investment backdrop, with DC potentially providing further support

Given opportunities across renewables development and grid resiliency, we left our meeting maintaining confidence in the premium MI investment backdrop. Even outside the IRP related investments, CMS's recent Voluntary Green Pricing program approval and EDIIP filing both support near-term capex opportunities. As discussed after the Enerbank transaction, CMS maintains at least $1bn in capex upside that come could enter the next 5-year plan iteration. Moreover, the various renewables tax credit improvements included in the Reconciliation package would help CMS better compete on solar economics, although we do not expect any changes to folding into this IRP process. With regards to minimum tax concerns, CMS stands under the $1bn threshold and therefore would not be included today.

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CenterPoint Energy (CNP)

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Jason Wells, EVP & CFO
Phil Holder, SVP, Strategic Planning & IR
Jackie Richert, Director, Investor Relations
Panpim Lohachala, Manager, Investor Relations

Potential TX upside over the next decade stands out

Following Winter Storm Uri and with management actively pursuing stakeholder relationships in Texas, CNP highlighted continued capital upside underpinned by strong local growth. Management noted a heightened priority towards resiliency and hardening, emphasizing this thematic importance to and alignment with City Hall given Houston's estimated $1.4bn economic impact for any day without power. Opportunities include undergrounding ($1mm/mile new, $1.5mm congested areas) and extend to broader city initiatives around widespread EV deployment, where Houston targets 500,000 electric vehicles by 2030 (up from the current 35,000 of the 2.0-2.5mm fleet). On this front, higher penetration could drive another +1.5% of growth on top of a baseline +2.0%. We remain encouraged by the effort put towards and progress made in strengthening regulatory relationships based on management's recent experiences, and see a clear path for CNP to potentially accelerate its $40bn+ 10-year capital plan.

Financing considerations point to continued LDC monetization

Management framed CNP's LDCs as a liquidity source for any acceleration in its capital plan, while also reiterating the company's primary goal to meet its EPS growth outlook annually. Current investment and upside potential skews towards the company's electric operations, and any additional LDC sales would only accelerate this relative re-weighting to electric. We flag notable confidence in achieving similar valuations, with continued elevated inbound interest largely informing management's views here. Separately, CNP also could see upside to current agency metrics. Management expects proceeds from securitization and the LDCs sale to improve 2022 FFO/debt before normalizing in 2023. Furthermore, CNP's 14% Moody's downgrade threshold stands above most peers at 13% due to midstream risk that the company expects to exit by YE22. That said, the company intends to a maintain 150bps cushion to a lower 13% downgrade threshold, if revised.

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Dominion Energy Inc (D)

Diane Leopold, EVP & COO
David McFarland, Director, Investor Relations
Mark Mitchell, SVP, Project Construction

Questar transaction certainty highlighted

D reiterated confidence in the Questar transaction closing by year-end. The transaction is not cancellable and only requires HSR approval, which the company sees as a formality given no territory overlap. Management noted that the 30-day HSR window concludes in the next few weeks, upon which the transaction will be complete absent any issues raised in review.

Offshore wind in focus after most recent filings

D filed its Coastal Virginia Offshore Wind (CVOW) application last week, which outlined project costs, economic benefits, suppliers, and other associated information. Top updates include: 1) higher ~$10bn estimated installed cost ($3,800/kW, including transmission), up from $8bn ($3,000/kW, including transmission), 2) an increased 43.3% estimated capacity factor (prior 41%+), and 3) an expected $87/MWh LCOE, within D's previous $80-90/MWh guidance (low end possible with tax credits). While the cost increases reflect inflationary pressures, LCOE remains within D's targeted range and well below the $125/MWh cost cap. Management sees the project as competitive at these prices relative to other energy costs, especially with recent commodity price pressures.

No major changes; awaiting 4Q21 results for roll forward

D reiterated its 6.5% growth rate outlook and noted that the triennial settlement is supportive of the growth rate, with the settlement representing a positive outcome for all parties and showcasing VA's constructive regulatory environment. D will update its long-term plan with 4Q21 earnings, and revised timelines for CT and pumped storage investments to offset higher offshore wind capex.

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DTE Energy Company (DTE)

Jerry Norcia, CEO
Dave Ruud, CFO
Barbara Tuckfield, Investor Relations

Alternatives to Monroe plant in focus

Ahead of its IRP filing next October, DTE discussed potential alternatives for the Monroe coal plant, currently scheduled for 2040 retirement. Under the most optimistic scenarios, DTE could see pulling the retirement forward to ~2030, but the mid-2030s appear more likely at this stage. Additionally, pulling forward this retirement could provide DTE with significant solar and storage investment opportunities, as well as potentially new gas capacity. The Monroe and Belle River (expected swap into gas in 2028) possess $3.5bn of rate base to work down. DTE approaches the filing with an open mind, looking for broad stakeholder input on the best alternatives for the future resource mix.

Vantage opportunities remain in RNG space despite increased competition

Despite increased industry competition (specifically regarding M&A), DTE management takes a constructive view on the RNG space, with organic levered returns in the mid-teens. Management sees DTE's strong track record and relationships with farmers as a key advantage. Alongside co-generation opportunities, DTE management targets $15mm per year net income growth at DTE Vantage, with any CCUS fueled growth still several years down the road. Moreover, management acknowledges investor preference for at least a 90/10 regulated/non-regulated business mix and does not see growing Vantage outside of those limitations. Should a frothy RNG M&A environment continue, monetizing RNG projects and recycling proceeds into regulated growth could serve as a positive catalyst.

Well positioned on early 2022 guidance, looking to de-risk 2023

In the EEI materials, DTE added expectations for reaching the top half of the $5.70-$5.97 guidance range first announced alongside 3Q earnings. We see this change as largely unsurprising given management's usually conservative approach to future year guidance. While REF business roll-offs serve as a headwind in 2022, successful planning and execution enables DTE to start de-risking 2023 earnings. Overall, with robust utility capital opportunities, including ~$35bn electric capex over the next 10 years, we see DTE well positioned relative the 5-7% long-term EPS guidance.

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Duke Energy Corp (DUK)

Steve Young, EVP & CFO
Alex Glenn, SVP & CEO of Duke Energy Florida & Midwest
Chris Jacobi, Director, Investor Relations

NC legislation implications and timing

DUK addressed the recently passed NC House Bill 951, highlighting the state's new 70% carbon reduction target by 2030 and the relative renewables investment opportunity set. Timing remains uncertain on DUK's carbon plan submission, but we see potential for mid-2022 and note a chance that the commission could rule ahead of the required year-end 2022 timeframe. Management will work with the commission and other third parties to decide the best path forward on its resource plan, ultimately guiding DUK in its multi-year rate plan (allowed to file for up to three years). The commission will review the path every two years on a go forward basis to match grid needs and account for changes in cost and technologies. At a minimum, we expect the plan to address coal and potential renewables replacement.

Attractive load trends and investment backdrop

DUK's load trends recovered from the initial impacts of COVID in 2021 faster than initially projected and accelerated growth in its jurisdictions, especially in North Carolina. Management initially expected load growth would run in the 1-2% range, but sees growth slightly north of 2% now, and expects even more growth in 2022 given 1Q21's winter headwinds creating a soft YoY comparison. Anecdotally, the pandemic appears to have triggered population migration to DUK's territories in NC and FL, causing general population and employment growth. These load and population trends set an attractive investment backdrop, especially when combined with policy in DUK's service territories and at the federal level. Management highlighted that the company remains well positioned to benefit from potential tax changes. Nuclear and solar PTCs could specifically contribute to bill headroom, which DUK would likely capitalize on with accelerated investments. NC legislation also carries benefits as discussed above. DUK plans to file its IN IRP this month, which could potentially shorten coal plant asset lives and provide opportunity for higher renewables spend. Additionally, DUK believes that South Carolina can get on the same path as NC over time through its own IRP process. Finally, DUK appeared optimistic on the Clemson hydrogen blending pilot and SMR partnership with Terra.

Nothing new to report on the Elliot relationship.

Nothing.

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Consolidated Edison (ED)

Tim Cawley, CEO
Robert Hoglund, Senior VP & CFO

Management sees cautious optimism in the recent O&R Joint Proposal
The Orange and Rockland Key Joint Proposal terms include a 9.2% ROE and 48.0% equity layer, late payment fees make-whole, and uncollectibles recovery. Management sees cautious optimism in these agreement elements in advance of CECONY's upcoming rate case, highlighting this data point against a generally principles-based approach from the PSC and Staff. As such, overall support should bring similar application despite the significantly larger dollar figures in CECONY's COVID impacts, in the company's view. Still, relatively restrictive NY regulation leaves us cautious. Attention has largely passed by NY's generic COVID docket, with the rate reviews representing a logical forum to address associated impacts. We continue to see cap structure risks into CECONY's rate case given elevated utility debt levels, although note the implied ROE uptick at 9.2% provides some offset.

Other topics include system resiliency, storm response, hydrogen + transmission
ED outlined undergrounding as a key component of system resiliency efforts, expecting to target high customer density areas with significant trees in work to underground additional sections of its service territory (75% currently undergrounded). Storm response also remains a key priority, with more robust recent mobilization seen improving the company's overall storm efforts, in line with management's expectations. We note that this mobilization has contributed to 2021 O&M drags and represents an additional headwind into 2022 until reflected in rates. Separately, the company noted hydrogen testing across various types of pipes, framing this work and its pipe replacement activity as potentially positioning the system for future hydrogen use (plastic pipe represents 40% of the system). Finally, ED continues to seek incremental transmission investments, both for offshore wind and under NY's energy transition goals. This includes exposure via NY Transco to the LIPA RFP, where the company expects the competitive process to take roughly one year.

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Edison International (EIX)

Maria Rigatti, CFO

Continuing to reduce wild fire risk, open to refining approach

Management highlighted the numerous efforts undertaken to reduce catastrophic wildfire risk, with advanced third party scenario modelling verifying risk reduction. EIX now estimates annual risk of a >$1bn loss falling to ~3% from ~8% only a few years ago. While the windy season in Southern California continues to present risk this year, the relatively quiet wildfire season thus far appears to provide evidence of the improved risk framework. Moreover, management again highlighted its covered conductor program as the most efficient risk mitigant under for EIX's topography. That said, management acknowledged the changing risk profile brought about by changing climate conditions and appears open to further analysis of more absolute risk reduction investments, such as undergrounding, as we move later in the decade. Undergrounding costs appear to vary widely across EIX's footprint, ranging from ~$1.8-5.0mm/mile with a ~$3mm average.

2017/2018 wildfire claims settlements remain a work in progress

After the surprise raise to the 2017/2018 wildfire/mudslide best estimate to $7.5bn from $6.2bn on the heels of guidance, management discussed the lumpy nature of the individual claims process with sufficient new data driving the change at that point in time. While this update creates increased uncertainty moving forward regarding future changes to the best estimate, we view the unchanged 2021 equity content need as a constructive offset (complete with pref offering last week). Still, further best estimate changes could increase future financing needs, though we believe the plan retains some flexibility to continue debt funding, dependent both on size and timing of any potential change.

Not expecting any major CPUC changes post Batjer departure

After CPUC President Batjer's departure, investors focused on the CPUC outlook going forward. On this topic, EIX noted the governor continues to prioritize a healthy utility environment. Since the governor chooses the CPUC president and his utility policy direction remains unchanged, any notable CPUC change appears unlikely at this juncture.

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Eversource Energy (ES)

Joe Nolan, CEO
Phil Lembo, CFO
Jeff Kotkin, VP, Investor Relations

AMI, grid mod, transmission could provide upside in capital plan roll forward
Ahead of ES's traditional 4Q capital plan roll-forward, our meeting touched on potential upside drivers to the current plan, with CT AMI and grid mod representing strong inclusion candidates, pending timing on regulatory processes. Otherwise, we note management optimism about the transmission investment backdrop in the Northeast. With numerous offshore wind projects scheduled to come online through the middle of the decade, ES appears well positioned to capitalize on the associated transmission opportunity set. While the 4Q update might not precisely define offshore wind transmission capex dollars, we could see incremental color in this area.

Offshore wind earnings power squarely in focus
With review schedules now in place for all three ES offshore wind projects, management plans to provide increased disclosure into the long anticipated offshore wind earnings power uplift. The precise nature of the update remains unclear given commercial competitiveness sensitivities, still uncertain nature of precise commercial operation timing, and lumpiness of earnings step-ups. That said, we look for greater visibility into the offshore earnings contributions, while keeping those investments separate from the base utility capital plan. With regards to offshore wind competition, ES still sees the potential for aggressive bidding by Big Oil to enter the space, but remains constructive on the opportunity to win new business in the future.

CT regulatory issues largely in the rearview
After reaching a settlement in the CL&P interim rate reduction docket, the CT regulatory noise appears largely in the rearview. CL&P can now stay out of a base rate review until 2025 at the latest (rate freeze also through 2023), also de-risking the near term earnings power. Management now appears focused on continuing to rebuild the regulatory relationship through focusing on areas of mutual interest, especially AMI and renewables related solutions.

Smaller items of note
With regards to the impact of a minimum tax, should DC pass this measure, ES already pays cash taxes and does not see a material impact. On the Columbia acquisition, management seemed quite pleased with the integration process and noted NI service agreements rolling off in mid-2022 will mean that 2023 represents the first clean year of EMGA contributions. Finally, ES noted the potential for solar and offshore wind to create hydrogen opportunities in the future.

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Entergy Corp (ETR)

Drew Marsh, Executive Vice President and Chief Financial Officer

2022-2024 plan introduced with renewables and emissions target update

Entergy pulled forward its 50% CO2 emissions goal to 2025 from 2030, alongside the preliminary three-year capex and renewables update. The company's preliminary $11.7bn capital plan for the 2022-2024 period includes $5.7bn for distribution and utility support, $3.9bn for generation, and $2.1bn for transmission. Management noted that capex buckets remain similar to ETR's prior $11.6bn 2021-2023 plan, with the exception of renewables generation displacing some previously planned CCGTs. The company's new 11GW renewables target through 2030, sized up for increasing demand over the past year, includes 2.2GW through 2024 and 8.5GW between 2025-2030 (with the potential for higher ownership percentages driving capex upside). Long-term cost trends, gas prices and volatility, customer demand for clean capacity, and customer growth represent the drivers behind this higher renewables outlook. We see industrial demand for greener generation as a key tailwind for ETR, as the company estimates a 30 TWh addressable market through electrification and Scope 1 emissions reduction in its service territories (this compares to 115 TWh in service today). Entergy displayed notable optimism on this front. Moreover, ETR highlighted increasing emphasis on this trend, with scope considerations not on many customer's radars one year ago.

Few changes to equity messaging

Management reiterated the ability to satisfy ETR's <$1.25bn remaining equity needs through the ATM, but remains opportunistic with other forms of equity. Consistent with this message, 2021 and 2022 share count guidance implies a 2022 issuance of 4mm shares, or about a third of plan equity. On the debt side, ETR expects to meet or exceed its Moody's (>14% CFO pre-WC/debt, <25% parent debt) and S&P (14-16% FFO/debt) ranges by YE22 with securitization. Management also outlined an intent to maintain some cushion to downgrade thresholds going forward to cover any future plan risks or growth upside.

Initial 2022 adjusted EPS drivers introduced

ETR reaffirmed the 2022 adjusted EPS guidance range of $6.15-6.45. Key drivers include: 1) ~3% weather-adjusted sales growth driven by industrial and commercial load; 2) a full year of 2021 rate actions, new renewables assets, pending filings, and expected 2022 filings; 3) $2.74bn O&M; 4) $1.75bn in depreciation and higher net interest expense due to gains on nuclear decommissioning trusts in 2021; 5) ~8.5% utility book ROE; 6) ~23% effective income tax rate; and 7) ~206mm fully diluted average shares (versus 202mm 2021E).

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Exelon Corp (EXC)

Joe Nigro, CFO
Dan Eggers, CFO of Exelon Generation

Limited update ahead of early 2022 targeted spin date

EXC continues to work through the regulatory process ahead of the planned Utility and Constellation separation early next. NY PSC approval represents the highest remaining hurdle, although momentum appears favorable after the announcement of settlement negotiations on October 25. Assuming EXC gains Commission approval by year-end, management sees hosting dual Analyst Days in late January, ahead of close in mid-February. Given the heightened focus on achieving full regulatory approvals, we notes a relatively quiet update at EEI, with attention squarely on new Constellation disclosures potentially coming early next year.

Continued optimism for a federal nuclear PTC

Notably, EXC remains confident that the reconciliation spending program ultimately passes this year. The $15/MWh could meaningfully de-risk the earnings power of the Constellation nuclear fleet. Despite continued negotiations surrounding the reconciliation, the nuclear PTC evolution only involved changing nuclear PTC length (latest version is ~6 years) as opposed to changing levels or coming in and out of the legislation. Moreover, the expansion to also include regulated nuclear plants appears to strengthen support in DC. Also, while relatively unusual, EXC believes the nuclear PTC could get passed alongside tax credit extenders at year end (and outside of the reconciliation bill), given broad policy support. However, we have limited visibility on the likelihood of success here.

Looking for execution to unlock value, M&A not off the table

While near term focus remains on successfully delivering the spin, remainco EXC targets steady execution and organic growth to unlock value, with a relatively lighter regulatory schedule. However, EXC did note balance sheet flexibility could allow for targeted M&A. Moreover, Constellation M&A appears possible as well.

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FirstEnergy (FE)

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Jon Taylor, SVP & CFO
Steve Staub, VP & Treasurer
Irene Prezelj, VP, Investor Relations

FET minority stake sale and equity issuance strengthens financial flexibility

On Sunday, FE announced both a 19.9% minority interest sale in FET and $1bn common equity issuance at a disclosed combined multiple of 33x LTM P/E. During our meeting, management highlighted the importance of this transaction in enabling incremental capex (+$2.2bn over prior plan) and alleviating balance sheet constraints. While the combined multiple represents a clear positive, we believe the equity block (largely unexpected) and already lofty expectations contributed to recent underperformance. Relying on the expertise of our credit counterpart Kevin Kwan, we see these transactions putting the company back on track for investment grade credit ratings from two of the three agencies by mid-22. FE now sees FFO/debt trending to 13% by 2024 and mid-teens thereafter. However, we look for more color on the mechanics that underpin the mid-teens improvement.

OH settlement de-risks earnings outlook, but questions remain, in our mind

We believe the unanimous OH settlement indicates a turning point regarding regulatory relationships in the state. Management highlighted a new approach to stakeholder engagement, driving constructive negotiations and management's confidence in ultimately receiving final PUCO approval. While FE will still file a base rate case in 2024, the customer rate credits undoubtedly help de-risk that proceeding. Additionally, FE introduced both 2022 guidance of $2.30-$2.50 and 6-8% long-term EPS growth, underpinned by an increase in formula rate investments. FE's increased focus on both transmission investments should support an improved consolidated return profile. We look for more color on drivers to the higher end of the 6-8% range given 6% rate base growth (though we note different base years between rate base and EPS guide CAGRs and lower rate reductions over time).

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Fortis Inc (FTS)

David Hutchens, President and CEO
Jocelyn Perry, EVP & CFO
Stuart Lochray, SVP, Capital Markets and Business Development

Incremental capex visibility continues to favor transmission investment efforts

Among incremental capital opportunities within its recently refreshed five-year plan, FTS sees its Lake Erie Connector project and MISO regional transmission buildout as best positioned for additional clarity over the next twelve months. For Lake Erie Connector, government negotiations continue in advance of an expected year-end update, which could lead to a signed contract early next year for the longstanding transmission mega project. Goals include customer savings, driving GHG emissions reductions, and the efficient utilization of capacity and excess energy in Canada, although current public updates offer minimal insight into the progress of negotiations. The MISO process appears more concrete, in our view, as FTS awaits an initial list of projects expected in February 2022. However, ultimate timing may largely push any associated investments outside of the company's current 2022-2026 planning period. Overall thematic leverage remains meaningful, in our view, despite the current unknowns around investment levels.

FERC questions loom large, although commission direction remains to be seen

FTS sees FERC's transmission efforts as largely positive, highlighting only the supplemental NOPR to cut the RTO adder as misaligned with policy goals. Management highlighted the importance of potential planning and interconnection queue considerations in FERC's ANOPR and expects the commission to first focus on policy before settling incentive questions. Separately, the proposed transmission ITC could boost transmission development in the Southwest across UNS' footprint, where the company sees an opportunity to bring additional NM wind resources into its service territory.

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NextEra Energy (NEE)

Rebecca Kujawa, Executive Vice President Finance and Chief Financial Officer
John Ketchum, NextEra Energy Resource. President and Chief Executive Officer

Federal infrastructure provides opportunities across the business…

Coming out of EEI, NEE looks to us like the potential big winner from tax credits in the reconciliation bill. A potential extension of the wind & solar tax credits and introductions for both standalone battery storage and hydrogen all serve to support NEE's incumbent clean energy leader position. On hydrogen specifically, we note optimism that the proposed $3/kg production tax credit could bring green hydrogen economics to parity with gray hydrogen in multiple regions. We believe this could lead to more significant near-term hydrogen investments for NEE. Separately, NEE appears advantageously positioned for the tax equity market's potential narrowing and expected residual tax equity needs to monetize accelerated depreciation.

…but still some risks to sort through

However, the proposed book minimum tax could represent something of a headwind, depending upon ultimate outcome. The precise mechanics remain up in the air, with allowances for renewables tax credits and other allowable offsets potentially mitigating the headwind. Moreover, even despite these potential impacts, NEE stands well positioned to benefit from the legislation, in our view.

Flourishing in market disruption, renewables confidence unchanged

As supply chain disruptions continue to reverberate through the renewables sector, we see NEE relatively insulated given scale and relative buying power, with smaller competitors bearing the brunt of supplier cutbacks. NEE's mid-teens solar and 20% wind levered IRRs remain unchanged. NEE's project backlog stands at 18.1 GW, just shy of the 23-30 GW expected over the 2021-2024 period. Moreover, management continues to see a favorable development environment with no slowdown in sight. Specifically, CA appears to be an especially strong environment for battery storage projects given the resource adequacy issues over the past few summers.

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NiSource Inc (NI)

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Chris Turnure, Director of Investor Relations

Supportive outlook for ownership of $750mm IRP-related capex

Management outlined plan elements in support of NI's targeted >50% ownership of expected $750mm IRP-related investments. Overall asset composition appears biased towards rate basing given the Sugar Creek uprate and new gas peaking, and the company sees a similar case around peaking-like utility-scale commercial storage. The company also highlighted its current round of renewables as proof of its JV structure's competitiveness for new solar. Ultimate economics to customers as the RFP analysis continues should largely determine ownership, but confidence appears high in the prospects of securing a majority of this investment, particularly as customers begin to benefit from new renewables through 2023 under the current build program. Separately, NI clarified that required transmission investments are included in this $750mm figure.

OH/IN rate asks in focus

The company sees its OH rate case as a straightforward application despite the lengthy period elapsed since its last full case in 2008. With a PUCO Staff report due in the December to February timeframe and intervenor testimony following, settlement discussions could begin late 1Q or early 2Q22. NI anticipates a case outcome in mid-2022. Case elements include renewed CEP and IRP riders as well as a new carbon reduction rider to allow customer opt-in for offsetting carbon emissions, among others. Separately, the IN gas rate case process remains early, but management pointed to the recent Vectren settlement in the state and NI's settlement in its last 2018 rate case as general indicators for the process outlook. Hearings are set for March with an order due late July, and the company is requesting a two-step rate increase in September 2022 and March 2023. NI is also seeking a new $1.6bn TDSIC through 2026, noting minimal pushback or concerns in the process to date.

Hedging and O&M levers highlighted amid higher natural gas prices

Management does not expect a long-term impact on customer affordability from higher natural gas prices but outlined hedging and short-term O&M management as offsets to near-term impacts. Commodity prices represent one third to one half of the customer bill, and quarterly adjustments can help spread out changes over 12-18 months. Current hedge levels stand at ~77% after spring gas purchases for storage, limiting exposure to the more recent pricing moves. NI also highlighted O&M levers as another option to mitigate near-term customer rate impacts.

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PG&E Corp (PCG)

Chris Foster, EVP & CFO
Marlene Santos, EVP & Chief Customer Officer
Matt Fallon, Senior Director, Investor Relations

Wildfire season takeaways top of mind

During our meeting, discussion centered on takeaways from this relatively calm fire season. The combination of more favorable weather and the use of fast tripping circuits both contributed to this positive outcome, Dixie Fire excluded. On the fast trip circuits, management sees potentially ramping to include all high risk circuit miles as part of the 2022 wildfire mitigation plan, a potentially important bridge item to more sustainable risk mitigation measures. Moreover, management remains confident in full cost recovery for the Dixie Fire given greater insight into ignition and protections under AB 1054. However, we do not expect much movement on a 1054 filing until the company completes the claims settlement process, which has historically ranged from two to three years (or more).

Looking forward to undergrounding update, but expecting a few years of ramp

With PCG planning to roll out an initial undergrounding operational plan early next year, we highlight management's continued confidence in long-term customer and safety benefits out of this program. Early cost estimates still track $2.0-$2.5mm per mile, in the best case, though with numerous caveats concerning geography. Given the many complexities and capital intensity associated with this program, we do not expect significant lines undergrounded until we move closer to the middle of the decade. Moreover, PCG continues to evaluate regulatory options for cost recovery where we believe a separate program filing could represent a logical solution for all stakeholders, in our view.

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Public Service Enterprise Group (PEG)

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Brian Reighn, Investor Relations Manager

Regulated investment backdrop strong, with numerous upside opportunities.
During our meeting, management discussed the recently filed $848mm IAP program and reiterated expectations for a mid-2022 program decision. Overall, we see stakeholders largely aligned on the importance of this program and expect a relatively smooth process leading to a partial program approval. Separately, management remains constructive on extensions for both CEF-EE and GSMP, with any run-rate increases representing upside to the base capital plan. Along with the NJ offshore wind transmission RFP scheduled for decision late next year, PEG possesses multiple avenues to realize regulated earnings upside, with ample balance sheet capacity.

Cautiously optimistic on federal nuclear support
Management highlighted the continued changing perceptions regarding nuclear energy, both at the state and federal levels. While not as impactful relative to peer EXC, the nuclear PTC could both help de-risk PEG's nuclear fleet economics and provide relief to NJ rate-payers (ZECs would step-down). On potential passage, management appeared incrementally optimistic to us, but saw less potential for PTC inclusion in any year-end tax credit extender agreement. Moreover, PEG continues to see support at the state level, as evidenced by the latest ZEC proceeding.

Comfortable and confident in future outlook
With the fossil sale slated to close late this year or early next year, management exuded strong body language during our meeting.

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The Southern Company (SO)

Robin Boren, SVP Finance and Treasurer
Scott Gammill, Director of Investor Relations

Vogtle focuses: sharing bands disagreement, expectations into staff testimony
Management clarified the disagreement over sharing bands at GA Power. The difference centers on $350mm stemming from disagreements both on the cost baseline and the treatment of COVID-related costs. We note that resolution could come through arbitration or litigation, if the parties cannot reach an agreement. Separately, as we look for staff VCM testimony on December 1, we continue to expect disagreements versus the company proposed schedule.

Portfolio rotation a viable option as an alternative to equity needs
After highlighting sales such as the recent Sequent divestiture and earlier Jefferson Island storage project, SO noted the company continues to evaluate further portfolio rotation in lieu of common equity. Moreover, SO has received inbound interest in noncore assets. Management did highlight SO can cover Vogtle write-offs with roughly two years of DRIP (not yet turned on). SO highlighted a handful of non-core asset divestiture candidates left, which we believe largely resides on the non-regulated side. SO also recently refreshed the ATM, which serves as another alternative to manage the balance sheet, though the refresh should not be viewed as a signal for use.

SEEM to improve sale of excess capacity and reduce customer bills
SO strongly reiterated support of SEEM. Management sees the partners working well together and that customers will win through the process, which avoids unanticipated complexities and consequences of RTOs. At this point, no real hurdles remain, with the expectation to stand up SEEM in 1H22 and enjoy the benefit of selling excess capacity across different time zones and latitudes across the Southeast around the corner. Management highlighted that the opportunity focuses on price over capacity, and that the structure should reduce the cost to customers and support generation transition.

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Sempra Energy (SRE)

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Lisa Alexander, SVP, Corporate Affairs & Chief Sustainability Officer
Nelly Molina, VP, Investor Relations

Post Cameron 2, LNG attention turns to Vista Pacifico and Hackberry CCUS

Among development projects, Cameron Phase 2 remains SRE's top priority, with partner commercial discussions continuing to advance the expansion. The company expects FERC will largely dictate the project's targeted YE22 FID, as the facility requires an amendment from the commission for its latest design plans. Additional Cameron upside exists in a 1mtpa debottlenecking opportunity at Cameron 1, which SRE expects to realize with minimal capital investment. Second to Cameron, management attention appears focused on Vista Pacifico and Hackberry CCUS. For Vista Pacifico, SRE sees an opportunity to source Permian gas into Asia, with underutilized Mexican pipeline enhancing already a favorable economic arbitrage. This excess CFE contracted natgas transportation capacity could further incentivize Mexican government support as the expected natgas power generation has not materialized. Separately, Hackberry presents a unique opportunity to reduce Cameron emissions, while providing a larger sequestration platform to target regional industrial customers. Despite the company's relative enthusiasm, a path to additional offtake agreements or any initial net-zero investments remains unclear at this time, in our view.

TX pot'l drives long capex runway, but already robust plan balances NT upside

Oncor continues to benefit from Dallas-Forth Worth metroplex growth, increasing renewables interconnections, and Permian strength. Management highlighted the West Texas opportunity in particular as producers switch to grid power from diesel generation. We see the Permian resurgence as somewhat underappreciated by the market. While line of sight to Oncor's current $15bn 2022-2026 capital plan and $775-1,275mm upside capex appears high, management described investment levels as approaching an efficient balance of growth and capability to deploy. As such, we see recent trends of outsized capital plan increases appear as less likely to continue. Separately, SRE expects continued constructive outcomes in the state despite PUCT turnover, noting confidence in its engagement in advance of Oncor's 2022 rate case.

BBB could present upside, less concern on minimum tax

SRE appeared positive on Build Back Better impacts, should the bill pass, specifically noting higher 45Q levels supporting CCUS, the hydrogen tax credit supporting clusters, as well as other items. With regards to the impact of a minimum tax, should DC pass this measure, SRE already pays cash taxes and does not see a material impact.

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WEC Energy Group (WEC)

Gale Klappa, Executive Chairman
Scott Lauber, President & CEO (effective Feb 1, 2022)
Kevin Fletcher, President & CEO (retirement effective Feb 1, 2022)
Xia Liu, EVP & CFO
Beth Straka, SVP Corporate Communications and Investor Relations

ESG Progress Plan details published follow initial on 3Q earnings

Consistent with expectations, WEC released full plan details and annual capex, comprising its $17.7bn 2022-2026 "ESG Progress Plan". Initially previewed alongside 3Q earnings, the company increased planned capex by +10% over the prior five-year plan, driven a $1.3bn increase in renewables investment and $0.5bn, increase in grid and fleet reliability investments. Between 2022-2026, WEC plans on investing $3.5bn in regulated renewables, with plans to build and own nearly 2,400 MW of solar, wind, and battery storage. For the Infrastructure portfolio, WEC identified $1.9bn capex for the 2022-2026 period.

Oak Creek coal transition regulatory processes and details in focus

During our meeting, management highlighted its newly announced coal retirement plan. WEC plans to eliminate coal as an energy source by 2035, including a transition from coal to natural gas at its Oak Creek plant. With modest capex, the company intends on reaching a 30% natgas blend over the next few years, with only an EPA air permit modification required on the regulatory side. Getting to a 60% natgas blend would only require around an initial ~$30mm ish investment, with possibly $100-180mm more capex needed to reach full a full switch to natgas. Capex over $15mm will require commission filings, but management expects a relatively straight forward path there. Management highlighted that the project aligns directly with the governor's public policy goals, with positive feedback from the governor's office. While WEC's targets full conversion by 2035, we see potential for a quicker conversion pending stakeholder support.

RNG announcements on the horizon, key to reaching net zero methane by 2030

Over the next year or two, WEC anticipates making an announcement regarding RNG supply. Management plans to directly inject RNG into WEC's gas distribution system, enabling the net zero methane by 2030 goal. Management highlighted that the company will have one of the most aggressive reduction targets on this front. Beyond reducing methane emissions, additional benefits include avoiding ground water contamination from manure.

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Xcel Energy (XEL)

Brian Van Abel, CFO
Emily Ahachich, Director – Investor Relations

10-year forecast introduced, with upside pot'l in Build Back Better framework

XEL extended the current 6.5% rate base CAGR through 2031, establishing its first ever 10-year forecast and highlighting management's transparency and confidence in XEL's investment runway. Upcoming IRPs, potential tax credits from the Build Back Better framework, and the MISO MTEP process all contribute to drive this runway. Additionally, XEL's IRPs do not assume tax credit extensions, leaving further upside potential. If passed, management sees direct pay removing inefficiencies, offering an estimated 75-100bps FFO improvement, and driving a \$200mm annual nuclear PTC savings opportunity. Separately, this long-term outlook incorporates \$5-6bn transmission capex from MISO's low-end \$30bn Future 1 scenario, with expected timing extending into the mid-2030s.

Carbon reduction plan and coal exit the backbone of plan

XEL targets an 80% reduction to CO2 emissions by 2030 and a full coal exit by 2040, driving further generation transition that underpins this outlook. Management noted community impacts and replacement needs require a careful balance to the pace of transition, both of which influence plant shutdown timing. NSPM and NSPW expect the fastest coal exit, with a 2030 exit and 85% carbon reduction target. XEL intends to replace the retired NSPM/NSPW coal plants with an aggregate 5,800MW of new renewables over the 2024-2034 period. At SPS, XEL expects >70% carbon reduction, a full coal exit by 2032, and 1,900 MW of new renewables beginning in 2025. At PSCo, XEL targets an 85% carbon reduction and full coal exit by 2040, with 3,900 MW of new renewables expected in the 2025-2030 period. We would not be surprised to see this 2040 timeframe inch forward over time, especially given the market's focus on exiting coal.

MN rate case outstanding, but longer-term consideration

XEL filed a three-year electric rate case in October 2021, requesting a \$677mm rate increase over three years, or a 21.2% total increase. While the request appears high as a headline number, management highlighted the length of time elapsed since XEL's 2016 rate case. We acknowledge some market anxiety over associated regulatory risk. However, XEL's relationships in the state remain strong, in our view, and the company has demonstrated success in recent MN proceedings. As a result, we see recent underperformance as a buying opportunity, particularly after the company's recent resolution of other high profile proceedings in CO. Management expects a 2Q23 final decision, consistent with MN's extended rate case process.

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"Other Disclosures" last revised October 16, 2021.

Equity Research

WELLS FARGO

Event Update — November 10, 2021

Utilities

2021 EEI Conference Takeaways

Our Call

We met with executives from 32 utility companies during the November 7-10 EEI Financial Conference (18 in-person & 14 virtual). The tone of the conversations was overwhelmingly positive given multiple drivers of upside investment, combined with generally supportive regulatory treatment and sales growth back on solid footing.

No shortage of investment opportunities. If it wasn't already evident from the Q3 call commentary, EEI drove home the point that YE'21 capex refreshes are going to be positive. The upside opportunities are primarily tied to generation modernization, with a multitude of ongoing or upcoming RFPs across the sector and a clear bias toward self-ownership that could be further enhanced if direct pay is passed. Other drivers include system resiliency/reliability (wildfire mitigation efforts, storm hardening, grid modernization), and investments to enable the clean energy transition and accommodate transportation electrification.

Hydrogen grabs a seat at the table. Many utilities are discussing the possibility of adding hydrogen-enabled combustion turbines (CTs) to the generation fleet and/or exploring hydrogen blending in existing plants. While most are slow-walking it in order to allow the technology/economics to improve, we expect project announcements will become increasingly common over the next 5-10 years, especially if the proposed hydrogen PTC ($3/kg) passes. NEE, which is pursuing green hydrogen projects outside of the regulated footprint, was particularly bullish on the future of hydrogen; and EXC previewed potential pink hydrogen opportunities with the nuclear fleet.

Federal legislation. There was a good amount of hype regarding potential legislation to extend renewable tax credits and allow for direct pay, which would both simplify the accounting (good riddance to HLBV) and make utility ownership more competitive. On the flip side, the AMT for large corporations could accelerate cash tax payments for some. While opinions were mixed on whether Build Back Better will ultimately pass, the general expectation is that some form of renewable tax extenders will pass. Of note, the Wyden bill, which represents a shot on goal if the reconciliation package fails, includes direct pay and renewable tax credits, but does not currently include nuclear.

Supply chain & O&M. While executives acknowledged potential inflationary pressures on costs, most expressed confidence that they are quite manageable. A focus on cost efficiencies has been a theme in recent years, and we think there's likely more room to cut. Similarly, we did not sense significant concern on supply chain issues as it relates to executing on capital plans.

Sales growth part of the story…for some. A number of utilities highlighted accelerating sales growth, driven by relocations based on lifestyle along with new large customer additions and pent-up demand for expansion projects. While this is not the case across the board, it was notable in our meetings with BKH, IDA, OGE, PNW, and POR. More broadly, companies highlighted the opportunity to spread costs over a larger customer base as EVs pick up (as early as '23/24 according to some). Sticking with the electrification trend, ETR highlighted significant potential load growth tied to electric conversion of industrial customers looking to reduce scope 1 emissions; SRE similarly highlighted the potential creation of hydrogen hubs in L.A. and the Gulf.

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Standouts. There were a lot of good stories at the conference. The ones that stood out relative to our expectations (which were already elevated by the constructive Q3 updates) were Overweight-rated ETR, EXC, NEE, PCG, and WTRG.

ALLETE, Inc. (ALE/Equal Weight/$65.38) (Akers)

The main focus of our meeting with ALE was the recently filed rate case, which seeks a $108mm, or ~18%, rate increase. Mgmt. has been laying the groundwork for this case via significant outreach with the commission and key parties regarding Minnesota Power's (MP) customer mix, recent regulatory outcomes, which did not yield significant base rate relief, and clean energy goals. The company appeared optimistic that these efforts will result in a more supportive outcome. Favorably, the company noted that the initial reception to the proposed large load mechanism has been encouraging; approval of such a mechanism would help reduce the volatility/cyclicality in MP's results.

Looking ahead, mgmt. expects to give more details on rate base growth opportunities on the February call. Also more to come on ACE's organic and acquisition opportunities in the solar/storage space. Finally, mgmt. was very bullish on the potential implications of direct pay on both regulated and ACE investment opportunities.

Ameren Corp. (AEE/Overweight/$84.42) (Kalton)

Our meeting supported our belief that AEE is positioned to achieve EPS toward the top end of the 6-8% EPS CAGR goal. Drivers include (1) likely new renewables in MO as part of the pending RFP for 1,200 MW (the process is ongoing and our sense is that the capex will not show up in the official capital plan until after MoPSC CCN approval), (2) likely higher earned ROEs for IL Electric Distribution once the company pivots to a new regulatory scheme in the back half of the 5-yr outlook and (3) potential investment opportunities related to the likely (in our view) early retirement of the 1,242 MW Rush Island coal plant.

On Rush Island, while AEE has filed for a rehearing on the scrubber ruling, it seems unlikely that the court will reverse the decision. It also seems unlikely that AEE will elect to install scrubbers (at a cost of ~$1B) on a coal plant, given environmental-driven asset life uncertainties. Should Rush Island be forced into retirement within the next few years, the remaining investment could be securitized and recovered from customers, with replacement capacity likely more than offsetting the stranded investment. We also think Invenergy's $2.5B Grain Belt Express (GBE) could come into play as it would provide an option to tap into high class wind in KS. Investment opportunities include both the wind in KS and the transmission via a potential equity investment in GBE.

American Electric Power Company (AEP/Equal Weight/$84.18) (Kalton)

We thought AEP's EEI update including the 5-yr capital refresh really hit the mark. What stood out to us was the company's thoughtful articulation on capital allocation. Notably, in last year's refresh, 30% of the capex was not under commensurate recovery mechanisms. This year, the number was 15%. It is pretty clear that, to the extent possible, mgmt. is allocating capital to investments with the best return profiles. Separately, we were impressed with both the flexibility of and the upside opportunities contained within in the $38B capex plan including (potentially) $2-4B related to regulated renewables in the event AEP self-owns more of the capacity than currently contemplated. (5.9 GW of self-own vs. a total renewables target of 10 GW during '22-26).

Shifting to the balance sheet, mgmt. targets an FFO/Debt ratio of 13.5-15.0% during the period, which holds up in the event the AMT proposal remains in the Build Back Better Bill (a modest negative 20-30 bps impact). And while the financing plan contemplates $600-700mm of equity annually during '24-26 (a palatable 1.5% of the current market cap), mgmt. has a lot of flexibility on this front as well, including potential future asset recycling opportunities.

American Water Works (AWK/Equal Weight/$172.00) (Reeder)

Investors were still trying to digest and understand the strategic updates from the prior two weeks. Burning questions included why wasn't the regulated capex ramped up sooner and why sell Homeowner Services when AWK's premium multiple was not being penalized for the non-regulated ops. AWK believes regulators will be supportive of the higher capex (improve service quality, create jobs & other economic benefits for the state, etc.) while affordability of rates can be maintained (5% annual increase vs. 4% previously, but avg. monthly bill to remain a minimal percent of household income, as operating efficiencies should be able to keep future O&M increase similar to the 10-year avg. of 1%). At the end of the day, management decided to take some near-term pain for what it believes will be longer-term gain by providing a clearer path to a higher quality 7-9% EPS CAGR that it believes can be sustained well beyond 5 years.

On the M&A front, management believes the $1.5-2.0B 5-year capital deployment goal is achievable, as the deal pipeline is strong. AWK is also watching how the DELCORA and Chester situations play out, as it believes there could still be an opportunity for it to step in. Management believes experienced water utilities like AWK or WTRG possess difficult-to-overcome advantages when competing for deals with newer entrants into the industry like NEE. Finally, the settlement announced a few days ago in AWK's pending sale of regulated NY ops to AQN includes the key parties and should clear the way for approval by YE'21.

AVANGRID, Inc. (AGR/Overweight/$50.84) (Kalton)

There is simply a lot going on at AGR. In the near term, the most topical items are the PNM acquisition and recent NECEC developments. On PNM, while our conversation was nuanced, the key takeaway is that mgmt. continues to express a high degree of confidence in closing the deal. On NECEC, while the recent referendum vote against the $950mm project was a meaningful setback, mgmt. emphasized that the fight is far from over. AGR is challenging the constitutionality of the referendum and requesting injunctive relief to prevent the referendum from being enforced once it becomes law on 1/4/22. An injunction would require the court to find that AGR is ultimately likely to prevail on the merits and that there would be irreparable harm if relief is not granted.

Looking beyond these two developments, other topics included (1) onshore renewables origination—the lack of new signed PPAs in Q3 is seen as an aberration as customers digest the fluid macro backdrop; (2) offshore renewables—it sounds as if there are productive discussions with potential counterparties around AGR's 2.5 GW Kitty Hawk lease area in NC and (3) the continued, and (likely) underappreciated improvement at the NY utilities. While there is still some work to do to lift the ROEs to the allowed levels of 8.8%, the financial performance in '21 is encouraging given an active storm season (40% higher than in '19). Per mgmt., the improvement reflects both the new regulatory construct and better planning and execution around storm events.

Black Hills Corp. (BKH/Equal Weight/$66.43) (Akers)

The two items that stood out in our BKH meeting were (1) accelerating sales growth as people flee bigger cities and (2) a strong focus on cost controls. On the latter, mgmt. intends to keep O&M growth below inflation, with the potential to be closer to flat. The company also struck a positive tone on regulatory matters with recent settlements in the CO & IA rate cases (and Uri cost recovery settlement in KS announced after our meeting). We were particularly encouraged by the comments on the improved landscape in CO given recent challenges in the state; the next data point out of CO will be resolution to the Uri docket where the company has seen some pushback (mgmt. remains optimistic for a constructive outcome).

Separately, BKH has made significant progress in filling out the capital plan including the recently announced Ready Wyoming transmission project. The company expects good support on the project, but noted that it does require some new rights-of-way. New generation projects represent further upside to the plan, with targeted renewable additions as early as late '23 (subject to RFPs next year).

CMS Energy (CMS/Overweight/$60.89) (Kalton)

Our discussion with CMS management honed in on intervenor testimony in the pending IRP, specifically that of the PSC's staff. Management found the testimony to be largely supportive of the company's clean energy vision, which involves accelerating the complete exit of coal-fired generation to 2025 from the current plan of 2040. The primary disagreement related to the early retirement of Campbell 3 in '25 and CMS's plan to replace that capacity with its non-regulated, affiliated-owned DIG plant at a $520M market value (staff says it should be done at book value). With the parties relatively close on many issues, we believe a settlement agreement is likely to be reached in Q1'22—after the parties file rebuttal testimony later this month, but before the ALJ's proposed final decision in March. The PSC's initial order is due in April.

In typical CMS fashion, management stressed that achieving the 6-8% EPS CAGR target is not dependent on the IRP outcome and the incremental capex associated with the acquisition of the gas plants or solar buildout. Rather the IRP would simply serve to strengthen and lengthen the 6-8%. Furthermore, we discussed CMS's ability to continue to find cost savings in order to keep bills affordable and deliver the predictable EPS growth that investors have come to expect. Management expressed a high degree of confidence in continuing the trend even in spite of current inflationary pressures.

Consolidated Edison (ED/Equal Weight/$77.96) (Akers)

We walked away from our ED meeting encouraged on multiple fronts. First, we expect a positive capex refresh with the YE update (system resiliency and facilitating NY's clean energy goals). While some of the projects will be subject to approval in the rate case, the spending initiatives appear to align with the Governor's agenda. Second, data points on the NY regulatory environment suggest it could be a bit more hospitable into the CECONY rate case. In addition to the allowed ROE (O&R settled at 9.2% but CECONY will depend on the formula inputs at the time), key factors include the level of imputed O&M efficiencies (not achievable in last case) and the level of revenue from the collection process. On the last point, the utilities have commenced the collection of fees, which should be a tailwind into Q4 & 2022, though there is an exception for COVID-related hardships.

Outside of the regulated utility business, the company continues to pursue electric transmission opportunities via CET & Transco. The most notable opportunity is the Long Island solicitation where Transco, in cooperation with NYPA, is one of four bidders; an outcome is expected in late '22 (investment dollars not stated but the scope is relatively large). Finally, mgmt. likes the clean accounting provided by direct pay (if passed), but we did not get the sense that legislation would unlock meaningful new investment opportunities for CEB.

DTE Energy (DT/Equal Weight/$113.17) (Kalton)

Similar to many of our EEI meetings, the focus was on the upcoming plans and opportunities from decarbonizing the generation fleet. DTE plans to file the Clean Vision Plan (next IRP) in October '22, but has outlined current thoughts, which include accelerating the conversion (1.2 GW Belle River in 2028) or shutdown (3.1 GW Monroe Plant no later than 2040) of all coal-fired generation and replacing it predominately with renewables (5-7 GW), as well as storage (1 GW), gas (1-2 GW) and demand response. That said, the plan is to be refined based on broad stakeholder engagement over the months ahead to ensure clean energy goals are met while maintaining reliability and affordability.

While the 5-year electric capex budget is $14B, DTE believes the 10-year opportunity could be roughly $35B, with the bulk being grid modernization work. Increased electric demand from widespread EV adoption could help fund the growth while keeping rates affordable, as could the nuclear tax credits for existing units that are currently contemplated in the reconciliation bill. These drivers, combined with anticipated growth from the gas utility and the unregulated Vantage segment, seems to position DTE well to continue its impressive track record of delivering EPS growth at (or above?) the high end of the 5-7% targeted range for many years to come.

Duke Energy (DUK/Equal Weight/$101.62) (Kalton)

It is hard to poke holes in the DUK story. Heading into EEI, mgmt. had provided initial high-level thoughts on the impact of recent landmark clean energy legislation in NC. Bottom line: it likely means an accelerated shift to renewables, with positive implications on the 5-10 year capex outlook (pointing to the upper half of the previous guidance in the $65-75B range for '25-29). We think solar and battery storage will play into the plan in a big way (Carolinas & FL). Conversely, despite NC Governor support, it sounds like offshore wind is likely still a ways off in NC given legitimate concerns about customer rate implications along with considerations around the long-haul transmission development needed to bring the power to DUK's load pockets in the center of the state (200-300 miles from the coast).

Taking a step back, the recent legislative developments in NC (including a constructive multiyear rate framework), combined with the simplification efforts of the past several years, position DUK to regain the former reputation as one of the premier, low-risk utilities in the US. For years, FL and NC were considered to be among the best regulatory environments in the nation. However, the coal ash issues were a setback in NC and caused some degradation in regulatory outcomes. In our view, the recent legislation changes the narrative for the better. Now, it is just on mgmt. to continue to execute on the financial goals.

Edison International (EIX/Overweight/$65.46) (Kalton)

First, on the topic of wildfire risk mgmt. noted that the multi-pronged wildfire mitigation approach of PSPS, vegetation management, and covered conductors is materially reducing ignition events across the company's system. As it currently stands, EIX continues to believe the covered conductor strategy is the optimal strategy for the majority of the company's high-risk lines (as opposed to undergrounding). To date, EIX has installed covered conductors on ~25% of the targeted lines, with full execution likely within the next 5 years. As for undergrounding, EIX's current plans contemplate 17 miles of the highest risk lines. However, at a cost of ~$3mm/mile vs. $0.5mm/mile for covered conductor, mgmt. thinks the cost/benefit for its service territory skews heavily toward the covered conductor strategy. Over time, should undergrounding costs move down to $1.5mm/mile or lower, EIX could reevaluate the balance.

We also touched on the recent $1.2B increase in estimated damages from the '17/18 wildfire and mudslide events. Consistent with comments on the Q3 call, mgmt. emphasized that the remaining estimated liabilities of $2.2B are simply a best estimate given the results to date and that, presumably, the range of final possible outcomes continues to narrow. EIX's '22-25 equity financing guidance of ~ $1B contemplates the $2.2B estimate. Liabilities in excess of that amount could potentially require additional equity, but that will depend on both the amount and timing of cash outflows.

Entergy Corp. (ETR/Overweight/$103.44) (Kalton)

Solid update on all fronts. Despite several hiccups and some regulatory noise, mgmt. pointed out that ETR has executed on the company's financial goals over the past year and expressed confidence in the 5-7% EPS CAGR goal and guidance ranges through '24. In addition, we thought ETR did a better job of fleshing out a couple of unique growth opportunities related to (1) storm-related resiliency spend ($5-15B potential by '30, depending upon regulatory buy-in) and (2) electrification. Bottom line: we came away from the meeting with the impression that these opportunities could result in a meaningful step-up in ETR's current annual capex run rate of $4B.

On the electrification front, ETR thinks the desire/need for the company's industrial customer base to reduce scope 1 emissions (CO2 emissions from their operations) could result in ~30 TWh of incremental electricity demand by 2030 and 140 TWh by 2050. For context, ETR's annual utility-billed sales totaled 120-130 TWh from '16-20. Should these sales come to fruition, it could have meaningful implications for new generation capacity. While this opportunity may take a little longer to play out, we think it is a unique and compelling angle to the ETR growth story that is arguably not reflected in the share price.

Essential Utilities (WTRG/Overweight/$47.35) (Reeder)

We walked away from our WTRG meeting excited about the prospects for '22. Catalysts include the following. (1) A potential settlement in the pending PA water/wastewater rate case. (2) The potential to reach the elusive DELCORA settlement as County Council President Zidek is set to leave at the end of '22. (3) Potential approval by the receiver (or judge overseeing him) of the Chester water system sale. (4) '22 guidance initiation should imply solid EPS growth, driven by rate relief, including the PA water/wastewater case, as well as M&A deal accretion, partially offset by share dilution. (5) Continued success on the water/wastewater M&A front, including more deals leveraging relationships across Peoples' Western PA footprint like the recent $41M Beaver Falls one.

We are not sure investors fully appreciate the meaningful ramifications if WTRG can manage to move the ball forward on both DELCORA and Chester. Together they represent $700-800M of immediate rate base growth, followed by significant capex needs in the years after close. Equity would be needed to finance the deals, but it would help shift the current 70% water/30% gas utility mix more heavily toward water, which could provide an uplift to WTRG's blended P/E multiple.

Eversource Energy (ES/Overweight/$83.74) (Kalton)

With the CT rate settlement and subsequent PURA approval in the rear view mirror, we touched on the regulatory landscape going forward in CT. Mgmt. is cautiously optimistic that the company will be able to work constructively with the PURA (including Chairman Gillett), on the pending AMI ($475mm) and EV filings. Looking ahead to the capex refresh in early '22, ES highlighted several positive drivers, including likely additional transmission spend (including offshore wind related) and higher distribution spend across electric, natural gas and water. While there could be some grid mod and AMI spend, we think the likelihood is that the large CT and MA AMI programs will not yet be ripe to include in the outlook.

On the topic of offshore wind, not much new to report. ES/Ørsted remain very much in alignment with regard to future bidding opportunities and the companies will pursue new solicitations if they make strategic sense (ES/Ørsted sat out the recent MA solicitation, as they deemed the price cap to be unattractive). Finally, mgmt. is wrestling with how to better present the earnings opportunities from the pending projects in the company's financial guidance. We expect inclusion in conjunction with the Q4'21 earnings release.

Exelon Corporation (EXC/Overweight/$54.45) (Kalton)

It remains a wait-and-see on a number of fronts. First, the spin-off of ExGen (Constellation) is on track for early next year, at which time the company will be able to provide refreshed forward-looking guidance for both RemainCo (utility) and Constellation. In addition, all eyes are on the Build Back Better package and nuclear PTCs currently within the proposal; the passage of the bill could have material positive implications for Constellation's EBITDA outlook and risk profile.

Separately, we had an interesting conversation with new Constellation CEO Joe Dominguez regarding the company's high-level strategy going forward. It seems pretty evident to us that mgmt. would like to position Constellation as a decarbonization play and not your ordinary IPP (this is consistent with how we view the company). In addition, our sense is that growth opportunities will be focused on the core nuclear strategy and could include M&A (roll-up of merchant and potentially regulated nuclear facilities) along with an intriguing pink hydrogen opportunity. While early, mgmt. thinks that the proposed $3/kg hydrogen PTC could open up the potential for "inside the fence" hydrogen production opportunities. Put simply, mgmt. thinks pink hydrogen production for industrial customers could offer a higher margin than selling nuclear output onto the grid and realizing the nuclear PTC.

Fortis Inc. (FTS/Equal Weight/$56.96) (Kalton)

We used our meeting with FTS to dive a bit more into the company's recently refreshed 5-yr capital investment, including upside opportunities. While the outlook supports a healthy 6% rate base CAGR through '26, it excludes several sizeable opportunities including the C$1.7B Lake Erie Connector and opportunities related to MISO's planned $30-$100B transmission expansion. While Lake Erie has been on the drawing board for a long time, the project is down to the last step—government approval from Ontario—and we could get some clarity in the coming months. As for MISO, the expectation is for a suite of initial projects to be rolled out in 1H'22 with a more robust plan to follow. We think FTS, via ITC Holdings, is extremely well-positioned to capitalize on these opportunities and point out that the company has ROFRs in IA, MN and MI (pending legislation). We see the opportunity for FTS as being in the multi-billion dollar range, but think that meaningful capex might not begin to roll into the plan until after the existing '22-26 plan.

Shifting to AZ, the investment community has become increasingly concerned about AZ's regulatory environment in light of the recent onerous PNW rate case outcome. While mgmt. accurately pointed out that FTS's AZ utilities (including Tucson Electric Power) have consistently been able to achieve more constructive regulatory outcomes in the state (including in '20), we think it will be difficult to overcome the negative perception in the near term.

Hawaiian Electric (HE/Underweight/$40.66) (Reeder)

Incoming CEO Scott Seu is not surprisingly focused on continued advancement and execution of HE's current strategy. At the utility, this means enabling HI to achieve decarbonization goals while operating successfully within the PBR framework and helping to influence the establishment of new, balanced PIMs. Opportunities exist to accelerate the utility's 4-5% EPS growth rate to one more in line with industry peers (5-7%). These include (1) regulatory approval of EPRM-recovery eligible capex proposals such as T&D grid resiliency work that could add hundreds of millions of dollars to the budget over a 5-year period and (2) achievement of PIM incentive revenues—Stage 1 & Stage 2 renewable project delays (and even cancellations) could affect the timing of realization of RPS-A incentives, which have the potential to be a meaningful driver starting in '23.

Non-utility wise, HE remains fully committed to the bank (ASB) and Pacific Current, as well as considering new investment opportunities. Pinpointing ASB's near-term earnings is challenged by the $22M of qualitative reserves still on the balance sheet related to COVID. Future releases and/or the amount of the provision depend on HI's economic activity and ASB's loan growth. As such, ASB's EPS power may not "normalize" until '23. Furthermore, it sounds as if ASB is comfortable with the large balance sheet, which could actually grow modestly in '22. Management believes ASB is really leveraged to the upside at this point given expectations that rising rates and/or loan growth could cause NIM to improve.

IDACORP, Inc. (IDA/Underweight/$104.07) (Akers)

The main takeaway from our meeting with IDA was the level of growth and economic activity mgmt. is seeing in the service territory, which could culminate in some splashy new customer announcements. This growth is supportive of infrastructure investment, which could drive what mgmt. called a "shift in mode." We take this to mean a reversion to the traditional utility model of rate base growth and rate cases (versus customer growth, O&M savings and one-off regulatory outcomes). A lot of the projects on the drawing board appear likely to firm up throughout 2022, which could support a rate case filing in the next couple of years. In terms of financing, IDA has room on the balance sheet to debt fund the initial projects (would also bring down the equity ratio to a more reasonable level into the rate case).

NextEra Energy, Inc. (NEE/Overweight/$85.20) (Kalton)

It is all systems go for NEE. First, mgmt. is optimistic that the Build Back Better package will pass, noting that the Democrats need another win heading into the '22 midterms. Clearly, passage of the bill has material positive implications for renewables (extension of renewable tax credits and direct pay). In addition, NEE highlighted the hydrogen PTC ($3/kg) as representing a meaningful opportunity for the company's burgeoning green hydrogen. Mgmt. noted that the $3/kg PTC could bring green hydrogen costs down to $1/kg and open the door for an acceleration of green hydrogen adoption. NEER envisions new renewables solely dedicated to green hydrogen offtake arrangements with industrial/transportation companies. NEER also envisions ownership of hydrogen production facilities (it is our understanding that the capital investment opportunity is a roughly 50/50 split between the renewables and the hydrogen production).

Other tidbits: (1) Supply chain constraints - scale matters and we think NEE is likely benefitting from global supply chain issues (capturing market share). NEE characterized the supply chain as being in good shape for '21 & '22 with some exposure in '23 & '24. (2) Water—mgmt. is very excited about the long-term opportunities in the water/wastewater sector and would not rule out larger M&A if it made sense (but we did not get the sense mgmt. viewed a larger platform as needed to effectively compete for privatization opportunities). NEE also pointed out that offering water/wastewater solutions to municipalities provides yet another in with customers (can cross-sell renewables and transmission solutions).

NiSource Inc. (NI/Overweight/$25.31) (Akers)

Things continue to move in the right direction for NI, as mgmt. projected confidence in the growth plan and regulatory strategy. On the electric side, many of the resources identified in the IRP that constitute the ~$750mm investment need appear to be well-suited for ownership opportunities. Furthermore, the company should be in a position to finance the growth with proportionately less equity versus the current build-out, which could shrink the delta between rate base growth and EPS growth post '24. That investment also drives another opportunity to consider strategic capital recycling.

On the gas side, NI is seeing a lot of support in the company's key jurisdictions (i.e., no anti-gas sentiment). The company plans to further engage with stakeholders in 2022 to assess opportunities for decarbonization of the gas system.

NorthWestern Corp (NWE/Overweight/$58.29) (Reeder)

Management's establishment of '22 EPS guidance of $3.20-3.40 was a disappointment relative to expectations. It represents yet another year of flattish EPS—recall, '15 weather normalized EPS was $3.15. Furthermore, it seemingly creates investor concern that the below-industry average long-term 3-6% EPS CAGR target may be a challenge to achieve and/or come in lumps versus the more predictable fashion generally preferred by utility investors.

That said, there should be an impending ramp-up in EPS as the capex budget continues to increase. The rollover of the 5-year forecast to 2022-26 was $300M higher than the 2021-25 forecast, with 60-65% of the increase driven by T&D spend, and in general appears to be hovering in the $400-450M/yr range excluding new generation, as compared to more like $300M/yr prior to '20. The catch is the growth has to be financed with new equity ($225-250M in '22 after $200-225M in '21) and suffers from regulatory lag with a need to file an MT electric rate case in '22 (also reset the PCCAM). There also remains generation upside potential with capacity needs in MT and SD. The next MT RFP likely won't occur until late '22, as the size depends on whether Colstrip will operate into the 2030s—the outcome of co-owner arbitration should clarify each's rights and better frame negotiations.

Management believes the MT regulatory environment in general and the company's relationship with the PSC is improved, but admitted it has taken much longer than anticipated to get here. NWE's goals for '22 include speeding up the time that it takes to file a rate case (has been Sept.) in order to have interim electric rates by early '23, as well as trying to get more current/prospective recovery of both capital and expenses (vs. the current historical test year). The hope is to be able to avoid more frequent (annual?) rate case filings and perhaps lay the groundwork for recovery of the Laurel Generation Station when it comes on-line around YE'23. And on that front, management was not concerned that MT would balk at the decision to build gas generation and believes the recent population influx will serve to strengthen the state's Republican majority.

OGE Energy Corp. (OGE/Equal Weight/$34.31) (Akers)

We got good vibes out of the OGE meeting, as robust load growth is providing a nice tailwind to the story. In addition to new large customer additions, existing customers are pursuing expansions (some pent up from the past couple of years), and the company is not seeing a drop-off in residential demand.

OGE has one of the better balance sheets in the group (FFO/Debt in the high teens), which should allow the company to fund upside investment opportunities without the need to issue equity. The planned exit from midstream provides even greater flexibility, given an improved business risk. We did not sense meaningful urgency on ET sales, but mgmt. remains fully committed to the exit plan (more likely via a dribble strategy vs. block trade). Timing could be affected by the market price of the ET units (opportunistic sales on strength).

ØRSTED (ØRSTED/Overweight/DKK875.40) (Kalton)

Along with attending EEI, we also caught up ØrstedIR team during the week as a follow-up to a senior mgmt. meeting with analysts on 11/9. Cost inflation concerns are once again top of mind for investors following recent negative commentary from offshore wind manufacturer Vestas. Ørstedemphasized that not much has changed since the Q2 update; suggesting that, overall, inflationary pressures appear to be manageable and pose a modest risk to project returns for a few projects that sequence mid to late decade.

Shifting to an EEI theme, Ørsted noted that the direct pay element of the Build Back Better package would be quite positive for the company's onshore renewables projects in the US on a go forward basis, as the company would be able to lean less heavily on tax equity financing. It could also allow Ørsted to recognize a bit more of the offshore wind project cash flows up front, depending upon the agreements with ES and PEG. While the arrangements are premised on equal economics, it is our understanding that because of PEG's and ES's tax appetites, the companies would likely realize the lion's share of the ITC and MACRS depreciation tax benefits.

Finally, we were encouraged to hear from both ES and PEG that they continue to hold Ørsted in high esteem and remain very much committed to their respective offshore wind strategies.

PG&E Corp (PCG/Overweight/$12.40) (Kalton)

We thought it was a positive meeting. The conversation revolved around recent wildfire mitigation successes. Aside from the Dixie Fire (unique circumstances), it appears that PCG's PSPS and EPSS strategies are having a profound impact on reducing wildfire risk. The company plans to continue to push forward with the EPSS strategy over the next several months and in advance of the next peak wildfire season in 2H'22. Longer term, undergrounding remains the best option for the ~10,000 miles of distribution lines in the highest risk areas. There is more to come on this program; but mgmt. remains very excited about the cost/benefit, as the benefits of scale should greatly bring down costs.

As for Dixie, mgmt. emphasized that the takeaway from the Q3 earnings release was that the company did not take an earnings charge for the $1.15B in estimated damages (low end of estimable range), as full recovery is deemed likely (including, most notably, the $150mm anticipated to be drawn from the AB 1054 Wildfire Fund). With shares trading at a P/E of 11X our 22E EPS of $1.10 (vs. Regulated Electric peers at 18.5X), we continue to think shares reflect far too much pessimism around future wildfire risk, particularly in light of the notable progress the company has made over the past 2-3 years.

Pinnacle West Capital Corp. (PNW/Equal Weight/$64.53) (Akers)

The main takeaway from our meeting with PNW was the focus on improving both the allowed and earned ROE in the next rate case, which is likely to be filed in 1H'22. The company also plans to pursue legal recourse on the SCR disallowance (and potentially other items). The disallowance is critical in terms of relying on the prudence standard going forward, but earned returns are more of a needle mover on EPS. We think a critical factor in recouping some earnings power (and potentially even resolving legal issues) will be whether the ACC is open to a settlement in the next case. Of note, two Commissioners will be up for re-election next year—Commissioners Kennedy and Olson—and we expect Kennedy will seek to retain her seat. Finally, we did not get the sense that mgmt. is embedding an overly aggressive rate case outcome to support the 5-7% EPS growth target.

In terms of the appeal process, the company will first appeal the decision at the ACC (within 20 days and the ACC has another 20 days to respond). Assuming the appeal is denied, the company would then either seek Special Action (raises a point of law and has a more expedited resolution; only 20% of cases are accepted) and/or file with the Court of Appeals, which could be a 12-18 month process (could then appeal to AZ Supreme Court if necessary). Given the legal process is likely to overlap with the rate case, we would not rule out some interplay, though we note that PNW does not plan to retry the SCR in the GRC.

Portland General Electric (POR/Equal Weight/$50.13) (Akers)

There is not much new to report as POR continues to work through the rate case and RFP process. The company emphasized positive alignment with regulators, and mgmt. reiterated prior comments that ownership opportunities from the RFP would represent upside to the 4-6% growth rate. Furthermore, the company sees new equity needs only if there is a large step up in capex. On the rate case, the company remains confident in the outlook even with staff comments aimed at cost management and the Integrated Operations Center (staff recommended a haircut). The company continues to see structural lag of ~90 basis points and, outside of regulatory activity, sales growth has exceeded expectations and cost discipline remains a focus.

PPL Corp (PPL/Overweight/$28.78) (Kalton)

We sense the calm before the news. PPL is waiting to close the Narragansett acquisition before providing a robust capital plan (on track for early '22). That said, on the Q3, call mgmt. provided some color on the incremental capital investment opportunities in PA & KY ($1B through '25 and skewed toward FERC-regulated transmission in PA). In our meeting we touched on potential investment opportunities in RI, which could be meaningfully higher than the current annual spend of ~$300mm. PPL is still assessing the need and we keep in mind that the pace of spend will likely depend on customer rate considerations (the faster PPL can improve Narragansett's cost structure, the faster the company can deploy capex). All that said, it will likely be a couple of years before RI capex moves up considerably.

Finally, mgmt. emphasized that the company is going through a broader operational efficiency initiative now that the UK sale has been finalized. The cost savings initiative will not only be good for customers, but could free up room on the bill for additional capital spending, particularly in KY. All told, a solid update but the real substance will be in early '22.

Public Service Enterprise Group Inc.(PEG/Overweight/$62.72) (Kalton)

Mgmt. expressed confidence in a constructive resolution for the recently filed $848mm Infrastructure Advancement Program; New Jersey BPU approval of the plan would increase our confidence in PSE&G's ability to achieve capex toward the higher end of the $14-16B guidance range for '21-25. Separately, we touched on PEG's recent bid into NJ's competitive process for offshore wind transmission. PEG submitted 9 bids (solutions) out of ~80 solutions bid in total. Characterized as a $1B+ opportunity, mgmt. thinks access to land along with local knowledge and relationships provides the company a leg up vs. the competition (especially in the northern part of the state).

Staying on the topic of offshore wind, PEG remains fully committed to the current strategy, which includes a 25% ownership interest in the Ocean Wind 1 project, a potential investment in Ocean Wind 2 along with the development of the Garden State Offshore Energy (GSOE) lease area. Ørsted, which owns. 50% of GSOE, is using the lease area to bid the 760 MW Skipjack 2 project into MD's pending solicitation. That said, mgmt. noted that the company still has potential off ramps for Ocean Wind 1 should potential delays and/or cost pressures substantially threaten the economic prospects for the project. Finally, the Build Back Better package could offer meaningful EBITDA upside potential for PEG's nuclear fleet (and protect on the downside should power prices return to pre-pandemic levels).

Sempra Energy (SRE/Overweight/$124.61) (Akers)

The phrase that comes to mind following our SRE conversation is "stay the course." While the stock has lagged (underperforming the S&P Utilities by ~8% YTD), mgmt. believes continued strong execution on financial targets and positive momentum on capex opportunities will drive value. Furthermore, the company expects to give an EPS growth target (YE'21 call or '22 Analyst Day), which could help inspire confidence in the outlook despite less visibility (at least from the outside looking in) on non-utility growth. The company did not rule out strategic approaches to unlocking value, but noted that there is still expertise within the SRE family of companies that benefits the LNG growth ventures.

Shifting to federal legislation, SRE highlighted multiple aspects of the infrastructure bill that are supportive of the company's strategy, including EV charging/infrastructure, wildfire mitigation, hydrogen hubs (L.A. and industrial decarbonization opportunities in the Gulf), and private activity bonds. While noting that there's still a ways to go on the reconciliation bill, the company sees bipartisan support for the 45Q tax credit, which would be supportive of the Hackberry carbon capture/sequestration project. On the flip side, a minimum tax would be neutral to slightly negative on the cash profile.

Southern Company (SO/Overweight/$63.86) (Kalton)

The year 2022 should be a very important one for SO and our Overweight thesis as it pertains to new nuclear and regulatory matters. IRPs in AL & GA will lay out generation transition plans away from coal. However, the specific capital investment opportunity—generation and transmission needs—will not be known until regulators weigh-in on the plans later in the year. Management is contemplating whether to try to quantify those opportunities for investors when rolling the 5-year capex budget forward to 2022-26 in early '22. We note that '24 EPS guidance of $4.00-4.30 and the 5-7% EPS CAGR are premised on SO's current capex budget whereas our forecast assumes $4B of additional capex. The other key regulatory item is the rate case that Georgia Power will file by 7/1, with the hope of reaching a settlement in early December.

As for Vogtle 3&4, at the risk of stating the obvious, receipt of the NRC's 103(g) letter authorizing fuel load is the critical milestone. Eight systems still need to get turned over in order to complete the associated ITAACs by April, clearing the way to get the 103(g) letter in May and meet the recently revised Q3'22 in-service date. It should also give investors confidence that meaningful additional cost overruns are unlikely. Furthermore, it could open the door for SO to pursue a global Vogtle settlement clarifying the total amount recoverable from ratepayers while obviating the need for future VCMs and the prudency review. Management is mindful of the timing both in terms of clearing the Vogtle regulatory deck before filing the GA rate case, as well as the Nov. '22 GaPSC commissioner elections.

We also had an interesting discussion regarding federal legislation, in particular the reconciliation bill. CEO Tom Fanning seemed more skeptical than other executives at the conference regarding the chances of passage now that it is untethered from the infrastructure bill. Instead, maybe the Wyden tax bill gets done. But the window is closing fast as Democrats' slim majority in both chambers could be at risk in the '22 midterm elections.

WEC Energy (WEC/Overweight/$90.64) (Kalton)

Aside from learning that WEC is in possession of a couple of unusual and valuable urns, there were not any major revelations from our meeting, which is just fine. We did spend a little time on the company's recently announced (and somewhat surprising) planned exit from coal by '35, particularly as it relates to the PTF structure for the Oak Creek units. Note that mgmt. said that the lease arrangement is "fuel neutral" and all that is required to retrofit the plant to run on natural gas (~$180mm cost) is the standard regulatory approval. All told, we view the coal announcement as another example of WEC getting out in front of a potential risk (further federal regulations on coal) with a well-thought-out strategy.

Shifting to contracted renewables, mgmt. reiterated the comments on the call that the modestly lower capital investment for WEC Infrastructure (WECI) in the latest 5-yr capex plan simply reflects conservatism and is shaped by the company's current tax appetite. The opportunity set remains robust and should the Build Back Better package pass with direct pay, it could allow for WECI to deploy more capital (with solar of increasing interest).

Xcel Energy Inc. (XEL/Equal Weight/$64.39) (Kalton)

One of the clean energy pacesetters in the sector, XEL spelled out a highly compelling ESG friendly capital investment strategy that could extend the '22-26 base case rate base CAGR of 6.5% all the way through '31. In addition to the ongoing capital programs related to renewables and T&D spend, XEL highlighted a likely pick-up in emerging technologies such as EV infrastructure and hydrogen adoption in both the electric and gas LDC operations.

Finally, there is reason to believe that there could potentially be both near- and long-term upsides to the investment plans, driven by potential PPA buyouts, wind repowerings, and/or more self-ownership of renewables, particularly in the event that direct pay of tax credits is passed in the reconciliation package. XEL's 10-yr plan contemplates 50% ownership of 10 GW of new renewables.

Acronyms

ACC – Arizona Corporation Commission

ACE – ALLETE Clean Energy

ALJ – Administrative Law Judge

AMT – Alternative Minimum Tax

BPU – Board of Public Utilities

CCN - Certificates of Convenience and Necessity

CEB – Clean Energy Businesses

CECONY – Consolidated Edison of New York

CET – Consolidated Edison Transmission

DELCORA – Delaware County Regional Water Quality Control Authority

DIG – Dearborn Industrial Generation

EPRM – Exceptional Project Recovery Mechanism

EPSS – Enhanced Powerline Safety Settings

EV – Electric Vehicle

GRC - General Rate Case

GW – Gigawatt

HLBV – Hypothetical Book Value

IPP - Independent Power Producer

IRP – Integrated Resource Plan

ITAAC – Inspections, Tests, Analyses, And Acceptance Criteria

LDC – Local Distribution Company

MISO - Midcontinent Independent System Operator

MoPSC - Missouri Public Service Commission

MW - Megawatt

NECEC - New England Clean Energy Connect

NIM – Net Interest Margin

NRC – Nuclear Regulatory Commission

NYPA – New York Power Authority

O&M - Operation & Maintenance

O&R – Orange & Rockland

PBR – Performance-based Regulation

PIM – Performance Incentive Mechanism

PPA - Power Purchase Agreement

PSC - Public Service Commission

PSPS – Public Safety Power Shutoffs

PTC - Production Tax Credit

PTF - Power the Future

RFP – Request for Proposals

RPS – Renewable Portfolio Standard

SCR – Selective Catalytic Reduction

T&D – Transmission & Distribution

VCM – Vogtle Construction Monitoring

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WOLFE RESEARCH

ELECTRIC UTILITIES

Regulateds – Market Overweight
IPPs – Market Weight

November 5, 2021

UTILITIES & POWER

EEI conference preview; Questions to ask companies

Live from Hollywood! Edison Electric (EEI) utility conference next week
The annual EEI conference will be held Nov 7-9 in Hollywood, FL. Most of our companies will be there live but a handful of meetings will be virtual. This report is a helpful guide for investors attending and includes questions to ask each company and summary model info. Key industry topics include:

1) **Biden clean energy infrastructure plan implications –** The Dems infra plan has recently taken shape and the clean energy tax credits are massive. What are initial thoughts from companies on their renewables transition plans and financial impacts of the large tax credits and direct pay option (which seem promising)? The nuclear PTC is a gamechanger and we would like more from EXC, PEG and others on potential implications. For larger companies, we want to know the risk from the minimum 15% tax provision.

2) **Impact of rising inflation and nat gas prices** – Many investors are asking about the risk of the current inflationary environment for utilities and especially rising fuel and power costs. What's the risk of coal and gas shortages this winter? Will utilities be able to pass all cost increases through? If so, what is the customer bill impact, and could there be a political/regulatory risk in response? How are companies managing cost inflation generally? Can any companies benefit from rising prices?

3) **Regulation and new FERC; climate events** – Regulation has remained quite constructive in recent months (NEE, ES, D, FE settlements), can this continue? FERC will turn majority Dem soon, what could this mean? Impacts for project approvals, transmission ROEs, transmission policy, power market structures, etc.? Climate events have become bigger risk issue – fires for CA, hurricanes for ETR, Uri cold in Texas, storms in the northeast, Michigan. How will companies seek to protect their systems and manage this risk?

4) **Capital plans, balance sheets and financing needs** – Several companies have and will be updating their capital plans, and they keep rising. How will companies fund this? Could we see more equity or asset sales? What are companies doing to improve balance sheets if at all?

Companies to watch at EEI (and new disclosures)
AEP – 2022 guidance, drivers; new 5 yr capital, 3 yr financing plan; renewables.
AGR – Implications of NECEC referendum vote and PNM merger update
ETR – 2022 drivers, refreshed capital plan, more color on hardening in LA.
EXC/PEG/NEE/AES – What the Biden tax credits mean for nuke, renewables
FE – #1 focus. OH rate deal and maybe the transmission sale and LT plan.

Exhibit 1: Companies included in report

AES Corp.	Eversource
Alliant Energy	Exelon Corp.
Ameren Corp.	FirstEnergy Corp.
American Electric Power	Fortis
American Water	NextEra Energy
Avangrid	NiSource
CenterPoint Energy	OGE Energy
CMS Energy	PG&E Corp.
Consolidated Edison	Pinnacle West
Dominion Energy	Portland General
DTE Energy	PPL Corp.
Duke Energy	PSEG
Edison International	Sempra Energy
Emera	Southern Company
Entergy Corp.	WEC Energy Group
Evergy	Xcel Energy

Source: Wolfe Research Utilities & Power Research

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WOLFE RESEARCH

Utilities & Power

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Note: All Exhibits in this report priced as of 11/4/21
**WR estimates are as of 11/4/21*

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Comparables Tables

Exhibit 2: Utility Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
AES Corp.	AES	$25.12	666	$16,739	16.8x	15.5x	14.4x	13.2x	2.4%	5.0%	40%	7.5x	18%
Alliant Energy	LNT	$55.65	250	$13,927	21.3x	20.2x	19.2x	18.2x	2.9%	5.9%	62%	2.4x	45%
Ameren	AEE	84.37	258	21,734	22.0x	20.7x	19.3x	18.3x	2.6%	7.0%	57%	2.3x	42%
American Electric	AEP	83.89	504	42,251	17.9x	16.8x	15.8x	15.0x	3.5%	5.7%	63%	2.0x	37%
Avangrid	AGR	51.16	387	19,809	24.3x	20.7x	19.6x	19.2x	3.4%	0.0%	84%	1.0x	70%
CenterPoint Energy	CNP	26.50	629	16,664	20.7x	19.2x	17.8x	16.4x	2.4%	8.0%	49%	2.2x	35%
CMS Energy	CMS	60.02	290	17,388	22.6x	20.9x	19.0x	17.2x	2.9%	6.7%	66%	3.0x	32%
Con Edison	ED	76.28	353	26,956	18.1x	16.4x	16.0x	15.3x	4.1%	1.3%	74%	1.4x	44%
Dominion	D	75.44	807	60,844	19.5x	18.3x	17.2x	16.0x	3.3%	6.0%	65%	2.5x	40%
DTE Energy	DTE	113.40	194	21,969	19.3x	19.3x	18.2x	17.2x	3.2%	7.2%	61%	2.6x	33%
Duke Energy	DUK	101.02	769	77,706	19.4x	18.7x	17.6x	16.5x	3.9%	2.0%	76%	1.7x	42%
Edison International	EIX	63.04	380	23,949	14.1x	13.6x	12.7x	11.9x	4.2%	4.0%	59%	1.7x	36%
Emera*	EMA	58.36	257	14,969	20.6x	18.3x	17.3x	16.3x	4.4%	4.0%	91%	1.8x	38%
Entergy	ETR	102.90	201	20,678	17.2x	16.3x	15.3x	14.5x	3.9%	6.0%	67%	1.9x	30%
Evergy	EVRG	63.72	229	14,611	18.0x	18.0x	16.6x	15.8x	3.4%	6.2%	61%	1.6x	45%
Eversource Energy	ES	83.82	344	28,804	21.7x	20.3x	19.0x	18.0x	2.9%	6.2%	62%	2.0x	43%
Exelon	EXC	54.11	978	52,937	19.8x	24.0x	22.7x	21.5x	2.8%	0.0%	56%	1.6x	44%
FirstEnergy	FE	38.91	544	21,183	15.0x	16.1x	14.8x	N/A	4.0%	0.0%	60%	2.8x	24%
Fortis*	FTS	56.40	473	26,672	20.7x	19.3x	18.2x	17.4x	3.6%	5.8%	75%	1.5x	43%
NextEra Energy	NEE	84.76	1,962	166,311	33.4x	31.4x	29.0x	27.1x	1.8%	10.0%	61%	4.5x	40%
NiSource	NI	25.07	392	9,838	18.5x	17.3x	16.4x	14.4x	3.5%	6.0%	65%	2.0x	40%
OGE Energy	OGE	34.16	200	6,838	13.9x	16.0x	15.2x	14.6x	4.7%	2.0%	65%	1.9x	43%
PG&E	PCG	11.66	1,985	23,149	11.5x	10.7x	9.8x	8.9x	0.0%	N/A	0%	1.1x	33%
Pinnacle West	PNW	63.60	113	7,173	12.7x	15.0x	14.6x	13.9x	5.1%	1.5%	64%	1.3x	43%
Portland General	POR	49.20	89	4,399	17.7x	17.5x	16.8x	16.4x	3.5%	7.1%	61%	1.6x	44%
PPL Corp.	PPL	28.89	770	22,234	26.7x	17.4x	16.3x	N/A	5.7%	0.0%	153%	1.5x	53%
PSEG	PEG	63.68	506	32,201	17.6x	18.3x	17.4x	16.4x	3.2%	4.1%	56%	2.0x	45%
Sempra	SRE	127.35	319	40,666	15.4x	15.3x	14.7x	14.0x	3.5%	8.0%	54%	1.7x	51%
Southern Company	SO	62.50	1,059	66,177	18.4x	18.0x	16.6x	15.3x	4.2%	3.9%	78%	2.3x	35%
WEC Energy Group	WEC	89.72	315	28,301	22.0x	20.8x	19.5x	18.4x	3.0%	7.1%	67%	2.6x	43%
Xcel Energy	XEL	63.07	539	33,974	21.2x	19.9x	18.5x	17.5x	2.9%	6.4%	61%	2.2x	38%
Average					**19.3x**	**18.4x**	**17.3x**	**16.4x**	**3.4%**	**4.8%**	**65%**	**2.2x**	**40%**
Average (ex EIX & PCG)					**19.7x**	**18.8x**	**17.7x**	**16.8x**	**3.5%**	**4.8%**	**67%**	**2.3x**	**41%**

Source: Wolfe Utilities & Power Research, FactSet
*Current price shown in $CAD

Exhibit 3: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div Yield
Clearway Energy	CWEN	36.80	202	7,423	13.8x	11.6x	12.5x	13.0x	3.6%
NextEra Energy Partners	NEP	87.00	177	15,423	12.6x	10.1x	9.8x	9.4x	3.1%
Atlantica Yield*	AY	39.91	111	4,423	11.9x	11.1x	10.7x	10.8x	4.3%
Brookfield Renewable Partners*	BEP	39.90	275	10,970	25.0x	23.4x	22.6x	21.6x	3.1%
Average					**15.8x**	**14.0x**	**13.9x**	**13.7x**	**3.5%**

Source: Wolfe Utilities & Power Research, FactSet
*Not covered by Wolfe Research, estimates based on consensus

Exhibit 4: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Free Cash Flow Yield 2021E	Free Cash Flow Yield 2022E	Free Cash Flow Yield 2023E	Free Cash Flow Yield 2024E
NRG Energy	NRG	35.56	245	8,704	8.8x	7.3x	6.2x	N/A	9.2%	15.0%	20.6%	N/A
Vistra Corp	VST	19.21	483	9,269	11.4x	5.3x	5.2x	N/A	3.3%	25.3%	26.8%	N/A
Average					**10.1x**	**6.3x**	**5.7x**	**N/A**	**6.3%**	**20.1%**	**23.7%**	**N/A**

Source: Wolfe Utilities & Power Research, FactSet

Exhibit 5: Wolfe Research EPS Estimates for Utilities vs. Consensus

		2021E		2022E		2023E		2024E	
Company Name	**Ticker**	**WR**	**Cons**	**WR**	**Cons**	**WR**	**Cons**	**WR**	**Cons**
AES Corp.	AES	1.50	1.53	1.62	1.65	1.75	1.78	1.90	1.91
Alliant Energy	LNT	2.61	2.58	2.76	2.74	2.90	2.89	3.06	3.06
Ameren	AEE	3.84	3.81	4.08	4.04	4.36	4.34	4.61	4.61
American Electric	AEP	4.70	4.69	5.00	4.97	5.30	5.26	5.61	5.57
American Water	AWK	4.24	4.25	4.44	4.55	4.77	4.92	5.23	5.27
Avangrid	AGR	2.10	2.15	2.47	2.43	2.60	2.50	2.66	2.68
CenterPoint Energy	CNP	1.28	1.43	1.38	1.41	1.49	1.52	1.61	1.59
CMS Energy	CMS	2.65	2.66	2.87	2.87	3.16	3.12	3.48	3.30
Consolidated Edison	ED	4.20	4.25	4.66	4.51	4.78	4.72	4.99	4.91
Dominion	D	3.87	3.87	4.13	4.12	4.38	4.38	4.70	4.67
DTE Energy	DTE	5.87	5.87	5.88	5.94	6.23	6.28	6.61	6.73
Duke Energy	DUK	5.20	5.23	5.40	5.47	5.74	5.77	6.13	6.13
Edison International	EIX	4.47	4.51	4.63	4.66	4.95	4.95	5.32	5.23
Emera*	EMA	2.83	2.83	3.20	3.07	3.37	3.25	3.57	3.49
Entergy	ETR	5.99	5.97	6.32	6.33	6.74	6.72	7.11	7.08
Evergy	EVRG	3.55	3.54	3.54	3.54	3.84	3.77	4.04	4.02
Eversource Energy	ES	3.87	3.83	4.13	4.09	4.40	4.38	4.65	4.66
Exelon	EXC	2.74	2.80	2.26	3.38	2.38	3.47	2.52	3.48
FirstEnergy	FE	2.60	2.59	2.42	2.54	2.62	2.66	N/A	2.78
Fortis*	FTS	2.72	2.68	2.92	2.88	3.10	3.03	3.24	3.20
NextEra Energy	NEE	2.53	2.53	2.70	2.74	2.92	2.95	3.13	3.16
NiSource	NI	1.36	1.36	1.45	1.44	1.53	1.54	1.74	1.72
OGE Energy	OGE	2.45	2.28	2.14	2.16	2.25	2.23	2.34	2.34
PG&E	PCG	1.01	1.01	1.09	1.10	1.19	1.25	1.31	1.33
Pinnacle West	PNW	5.01	4.98	4.23	4.40	4.37	4.61	N/A	4.82
Portland General	POR	2.78	2.74	2.82	2.80	2.93	2.92	3.00	3.00
PPL Corp.	PPL	1.08	1.19	1.66	1.61	1.77	1.80	N/A	1.85
PSEG	PEG	3.63	3.61	3.47	3.50	3.65	3.66	3.87	3.91
Sempra	SRE	8.29	8.22	8.30	8.43	8.66	8.92	9.12	9.32
Southern Company	SO	3.40	3.37	3.48	3.53	3.76	3.82	4.09	4.13
WEC Energy Group	WEC	4.07	4.06	4.31	4.31	4.59	4.58	4.88	4.88
Xcel Energy	XEL	2.98	2.98	3.17	3.17	3.40	3.39	3.61	3.62

Source: Wolfe Utilities & Power Research, FactSet
*Estimates shown in $CAD

Exhibit 6: Wolfe Research EBITDA Estimates for YieldCos v. Consensus

Company Name	Ticker	2021E WR	2021E Cons	2022E WR	2022E Cons	2023E WR	2023E Cons	2024E WR	2024E Cons
Clearway Energy	CWEN	$1,185	$1,192	$1,238	$1,242	$1,149	$1,251	$1,096	$1,206
NextEra Energy Partners	NEP	1,446	1,449	$1,677	1,685	$1,778	1,830	$1,926	1,950
Atlantica Yield*	AY		845		904		941		927
Brookfield Renewable Partners*	BEP		1,911		2,036		2,105		2,207

Source: Wolfe Utilities & Power Research, FactSet
*Not covered by Wolfe Research, estimates based on consensus

Exhibit 7: Wolfe Research EBITDA Estimates for IPPs v. Consensus

Company Name	Ticker	2021E WR	2021E Cons	2022E WR	2022E Cons	2023E WR	2023E Cons	2024E WR	2024E Cons
NRG Energy	NRG	1,800	1,929	2,100	2,259	2,300	2,408	N/A	2,395
Vistra Corp	VST	1,556	1,652	3,359	3,332	3,165	3,329	N/A	3,265

Source: Wolfe Utilities & Power Research, FactSet

AES Corp. (AES)

1. How should we think about your 7-9% EPS CAGR throughout the entire 2025 outlook? Do you expect to still be within the range even with the dilution from the equity units in 2022 and 2023? What type of offsets do you have within your portfolio?
2. What is the company's competitive advantage in renewables development in the U.S. and internationally? What kind of returns are you getting?
3. Are you seeing inflationary impacts on input costs for your various renewable projects? How much of your backlog is locked up (i.e., not exposed to these impacts)? Are you seeing any issues with your supply chain?
4. Can you discuss the line of sight you have to meeting your targeted 4-5 GW of signed renewable PPAs annually? How big is your pipeline? What is the split of U.S. vs international?
5. What do you see as the biggest benefits for AES from the proposed reconciliation bill? How would the direct pay option impact future financing needs? Any impact from the different tax proposals (i.e., minimum book tax, GILTI, etc.)
6. Can you talk about your strategy regarding AES Next (i.e., the clean tech businesses)? How much of a drag is AES Next on your earnings today and how do you see that evolving through the 2025 planning period?
7. AES Ohio and Indiana are both growing rate base at a 9% CAGR through 2025 – what type of projects are driving this growth? Can you discuss timing of next rate cases for each utility and how this will impact the expected earnings contribution?
8. How do you balance being able to meet EPS / parent FCF growth targets while quickly transitioning away from coal?
9. How should we think about timing for future coal retirements and sell downs? Are you in any discussions currently or have most already been announced?
10. What is the latest with respect to your LNG operations in Central America? Are you close to signing additional contracts for the existing capacity in your storage tanks? How do these assets fit into your portfolio over the L-T – would you eventually seek to monetize?
11. How are discussions going with the Bulgarian government over EU competition issues related to the Maritza plant contract? What are the possible solutions and on what terms are you hoping to resolve the issue?
12. What is the latest in Chile with respect to the constitutional re-write? Do you expect any radical changes? How might this impact AES Andes' plans for future renewable investment?
13. How long do you expect currency controls to remain in place in Argentina? If cash remains trapped in for an extended period, how do you expect to offset the impact? Is there any risk of further earnings degradation?
14. What is the latest on the LNG / CCGT projects in Vietnam? What size equity investment and levered return are you targeting for these projects?
15. Now that you are investment grade rated at Fitch and S&P, when do you expect that Moody's might follow suit?
16. Which businesses do you expect to provide the bulk of the cash distributions up to AES over the next few years? At what businesses do you have leverage capacity or an ability to increase cash dividends by pushing out debt amortizations and maturities?

Exhibit 8: Financial Summary

Financial Summary	2021	2022	2023	2024
Adjusted EPS	1.50	1.62	1.75	1.90
Earnings growth	*4%*	*9%*	*8%*	*8%*
Parent free cash flow	894	909	968	1,019
Adjusted pre-tax contribution	1,398	1,543	1,665	1,809
EBITDA (consolidated)	3,546	3,741	3,913	4,106
Dividends per share	0.60	0.63	0.66	0.70
Diluted Shares Outstanding	696	708	709	711

Pre-tax Contribution	2021	2022	2023	2024
US and Utilities	649	744	813	853
South America	438	501	551	594
MCAC	310	326	337	387
Eurasia	166	126	120	120
Corporate	(165)	(155)	(156)	(145)
Total adjusted PTC	**1,398**	**1,543**	**1,665**	**1,809**

Source: Wolfe Research Utilities & Power Research

Exhibit 9: Financial Ratios

Financial Ratios	2021	2022	2023	2024
P/E Multiple	16.8x	15.5x	14.4x	13.2x
EV/EBITDA	11.3x	10.8x	10.4x	10.0x
Dividend yield	2.4%	2.5%	2.6%	2.8%
Parent FCF yield	5.1%	5.1%	5.4%	5.7%
Net Debt / EBITDA	5.6x	5.4x	5.4x	5.2x
Recourse net debt / Unlevered Parent FCF	3.4x	3.4x	3.7x	3.9x
FFO / consolidated net debt	12%	12%	13%	13%
Parent FCF / debt - recourse	26%	26%	25%	23%
Debt - Recourse	3,446	3,446	3,946	4,446
Net Debt - Consolidated	19,830	20,333	20,961	21,329
Noncontrolling Interests	1,754	1,595	1,243	881
Preferred / Redeemable Stock	872	872	872	872
Market Cap	17,495	17,775	17,813	17,851
Enterprise Value	39,951	40,576	40,889	40,933

Capital Allocation	2021	2022	2023	2024
Share Repurchases	0	0	0	0
Dividends	413	446	470	494
Growth investments in subsidiaries	1,350	692	977	877

Source: Wolfe Research Utilities & Power Research

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Alliant Energy Corp. (LNT)

1. How do you feel about your overall 5-7% EPS growth rate? What gets you to the higher or lower end in any one particular year? What is driving you towards the top-half of the guidance range in 2021?
2. You recently wrapped up a large-scale wind investment program in Iowa and are about to roll-out a big solar build program in Wisconsin and Iowa. What drives the difference in selection of resource type? Have regulatory approvals been relatively straightforward? How are these investments being recovered?
3. What percentage of the generation mix are you ultimately targeting for renewables? Do you foresee any additional capacity needs beyond the next several years? How are you making sure that reliability and affordability remains intact during this transition?
4. The treatment/recovery of your latest coal plant retirement at Edgewater in Wisconsin seemed constructive. Do you believe a similar mechanism can be used for Columbia? What is the remaining book value on your co-owned coal plants in Iowa? When do you anticipate you'll be able to announce shutdown dates there? What is the precedent for coal investment recovery in Iowa?
5. You filed a balanced rate case settlement agreement in Wisconsin earlier this year. Can you list some of the key components? When do you expect the WI PSC to approve the settlement?
6. When will you next file a rate case in Iowa? How big of a deal was the renewables rider that you are able to use?
7. What has enabled you to be so successful in achieving rate case settlements over the last decade? What is your view on Wisconsin and Iowa regulation overall? Is there anything you would change?
8. What are some of the other key components of the capital plan? What is a normalized annual capex run-rate once beyond the big renewables programs? How much runway is there on your T&D undergrounding plan and how do the costs/benefits stack up there?
9. Are you seeing any inflationary pressures within your business, particular the current solar build-out? What can you do to manage increased costs on this front?
10. What are your thoughts on the Biden clean energy plan – extend renewables credits and direct pay?
11. Under the current capital plan, should we expect any incremental equity after 2021? How do you weigh increased capex potential versus increased equity needs? When do you expect to start moving forward with the tax equity funding for your solar investments?
12. What are your latest views on sales growth in your service territories coming out of the COVID pandemic? How are you seeing the puts and takes of having a different sales mix by customer class going forward?
13. What are your thoughts on potential consolidation in the sector? Are you a buyer or seller?
14. Where do you see future rate base opportunities at ATC? What are some of the major projects in ATC's 10-year capital plan? Do you see any potential large-scale projects coming out of the MISO plan? Does your stake in ATC still make sense as part of the business mix?

Exhibit 10: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.61	$2.76	$2.90	$3.06
Diluted Shares Outstanding	250	250	251	251
Dividends Per Share	1.61	1.71	1.81	1.92
Dividend Yield	2.9%	3.1%	3.3%	3.4%
Dividend Payout Ratio	61.7%	61.8%	62.4%	62.7%
Equity Ratio	43.0%	43.6%	45.5%	45.3%
FFO/Net Debt	16%	16%	16%	17%
Valuation Metrics				
P/E	21.3x	20.2x	19.2x	18.2x
Price/Book	2.3x	2.2x	1.9x	1.9x
Segment EPS				
IP&L	$1.38	$1.46	$1.54	$1.63
WP&L	1.06	1.14	1.21	1.28
ATC	0.14	0.14	0.14	0.15
Parent	0.03	0.02	0.01	0.00
Total EPS	**$2.61**	**$2.76**	**$2.90**	**$3.06**
IP&L Electric and Gas				
Realized ROE	9.3%	9.3%	9.3%	9.8%
Average Rate Base ex CWIP	$7,137	$7,404	$7,457	$8,103
WP&L Electric and Gas				
Realized ROE	9.9%	9.2%	9.7%	10.0%
Average Rate Base ex CWIP	$4,793	$5,068	$5,275	$5,800

Source: Wolfe Research Utilities & Power Research

Exhibit 11: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capital Spending ($M)				
IP&L	$375	$680	$735	$535
WP&L	$765	$780	$700	$675
Other	155	165	170	160
Total Capex	**$1,295**	**$1,625**	**$1,605**	**$1,370**
Financings ($M)				
Total Equity Issued/(Repurchased)	$25	$25	$25	$25
Total Debt Issued/(Repurchased)	525	450	325	440
Sales Forecast				
Electric	6.4%	0.8%	0.8%	0.8%
Gas	0.4%	0.4%	0.4%	0.4%

Source: Wolfe Research Utilities & Power Research

November 5, 2021

Ameren Corp. (AEE)

General
1. What are the upside/downside risks to your 6-8% LT EPS and dividend growth targets? What's your conviction level on meeting them?
2. Do you anticipate the same growth as your rollforward to 2026? Will that growth be off 2021 or 2022?
3. When will you give 2022 guidance? Explain the drivers. Do you expect to grow within 6-8% off your latest 2021 guidance?
4. Do you expect your next 5yr capital plan to be higher/lower than your current 2021-25 capital plan of $17B?
5. Describe the investment opportunities through 2030 of $23B+. How confident are you in those opportunities?
6. What do you think Congress passes from the Biden clean energy plan and tax credits? How would that impact your current plan?
7. What is the impact to your earnings/cash outlook if natural gas and purchased power prices rise? What does your coal supply look like?
8. How about inflationary pressure? Do you see it as manageable?
9. What are your capital structure and FFO/Debt targets? What are your equity needs through 2025?
10. What is your strategy and views on 1) M&A and 2) ESG?

Missouri
11. Incremental renewables – What is the latest on the incremental renewable investments? Would they be incremental to your 8% rate base growth? When will you file CCNs?
12. MO rate case – What's the chance of settlement? Do you have any concerns about MO regulation?
13. PISA – How has it worked? What has been the feedback from regulators/lawmakers? What happens when it expires in a couple of years? Can it be extended?
14. Rush Island – What are your plans if the appeal is denied? Will you install scrubbers or retire early? Is there any earnings risk from either of your decisions?
15. Securitization – Do you expect to accelerate your current fleet transition schedule in MO given the new securitization law?

Illinois
16. IL legislation – How does it impact your business? Do you see upside to LT growth, either through increased capex or higher ROE?
17. Gas business – What earned returns do you project going forward for AEE IL gas distribution? Any upside opportunities?

Transmission
18. MISO opportunities – Describe the potential opportunities from MISO's MTEP report expected in early 2022? When will investors know how much can be added to your $40B+ investment opportunities through 2030? And specifically will the projects be incremental to your 5yr plan?
19. FERC ROE – What is the risk from the proposed elimination of the RTO/ISO ROE adder (50bp)? Do you see any mitigation, such as higher base ROEs? What FERC ROE do you assume in your outlook?

Exhibit 12: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.84	$4.08	$4.36	$4.61
Consensus	$3.81	$4.04	$4.34	$4.61
Diluted Shares Outstanding	255	260	265	269
Indicated Dividend Per Share	$2.20	$2.35	$2.52	$2.70
Dividend Yield	2.6%	2.8%	3.0%	3.2%
Payout Ratio	55%	56%	56%	57%
Equity ratio (excl ST debt)	43%	43%	44%	44%
FFO/Net Debt	18%	18%	18%	18%
Valuation Metrics				
P/E	22.0x	20.7x	19.3x	18.3x
P/B	2.2x	2.1x	1.9x	1.8x
Segment EPS				
Ameren Missouri	$2.02	$2.10	$2.28	$2.41
Ameren Illinois (ex transmission)	1.04	1.12	1.17	1.23
Transmission (AIC and ATX)	0.90	1.01	1.06	1.12
Parent/Other	(0.14)	(0.15)	(0.15)	(0.15)
Total EPS	$3.84	$4.08	$4.36	$4.61
ROE				
Ameren Missouri	8.6%	8.4%	8.8%	8.9%
Ameren Illinois (ex transmission)	8.6%	8.7%	8.7%	8.8%
Transmission (AIC and ATX)	10.5%	10.5%	10.5%	10.5%

Source: Wolfe Research Utilities & Power Research

Exhibit 13: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending ($M)				
Ameren Missouri	$2,174	$1,636	$1,654	$1,706
Ameren Illinois (ex transmission)	850	888	888	888
Transmission (AIC and ATX)	725	734	734	734
Parent/Other	3	3	3	3
Total Capital Spending	$3,753	$3,262	$3,280	$3,332
Financings ($M)				
Total Equity Issued/(Repurchased)	$365	$400	$400	$400
Total Debt Issued/(Repurchased)	1,524	1,065	915	940
Sales Forecast				
Ameren Missouri	6.0%	(0.7%)	0.2%	0.2%
Ameren Illinois	4.9%	0.5%	0.5%	0.5%

Source: Wolfe Research Utilities & Power Research

American Electric Power (AEP)

1. What conviction level do you have on your 5-7% EPS growth target? Are you targeting the top end? What are the key drivers?
2. How much renewables do you have in your updated 5yr capital plan?
3. What fleet transition opportunities ($ and MW) are included and what would be incremental?
4. What is the latest on the KY Power transaction? What has been the reaction from KYPSC and intervenors? Any risk to closing?
5. Are there other assets you may consider selling? What are your thoughts on further M&A generally?
6. What percent of rate base will come from coal in five years vs now? How about in 2028 when you repurchase KYP's share of Mitchell from Algonquin?
7. What are your projected cash needs through 2026? How much equity do you need? What are your forecasted FFO/debt metrics?
8. What do you think Congress passes from the Biden clean energy plan and tax credits, including for transmission? How would that impact your capital plan?
9. What transmission opportunities do you see from the upcoming MISO MTEP report or plans from SPP or PJM? When will those opportunities show up in your plan?
10. What is the risk to FERC ROEs? What transmission earnings growth do you project through 2026?
11. Which of your pending or upcoming rate cases do you expect to be the most contentious? Which have you not yet settled? What's the latest on your OH settlement?
12. How much lag do you project across your utilities? Which are significantly under-earning?
13. What is the impact to your earnings/cash outlook if commodity prices continue to rise? How about inflation and labor costs? Are they manageable?
14. What level of growth do you expect from your nonutility contracted renewables segment? How does the Biden Plan impact the business, particularly returns from renewable projects?
15. What is your targeted dividend growth and payout?

Exhibit 14: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.70	$5.00	$5.30	$5.61
Consensus EPS	$4.69	$4.97	$5.26	$5.57
Diluted Shares Outstanding	499	507	517	527
Dividends Per Share	$2.96	$3.14	$3.33	$3.53
Dividend Yield	3.5%	3.7%	4.0%	4.2%
Dividend Payout Ratio	63%	63%	63%	63%
Equity Ratio	40%	39%	39%	39%
FFO/Net Debt	15%	15%	15%	15%
Valuation Metrics				
P/E	17.9x	16.8x	15.8x	15.0x
Price/Book	1.8x	1.8x	1.7x	1.6x
Segment EPS				
Vertically Integrated Utilities	$2.25	$2.32	$2.42	$2.54
T&D Utilities	1.11	1.23	1.31	1.40
Transmission Holding Co	1.25	1.35	1.43	1.53
Generation & Marketing	0.29	0.35	0.37	0.40
Parent and Other	(0.20)	(0.24)	(0.24)	(0.26)
Total AEP	**$4.70**	**$5.00**	**$5.30**	**$5.61**

Source: Wolfe Research Utilities & Power Research

Exhibit 15: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Total Capital Spending ($M)				
Regulated Operations	$5,337	$5,915	$4,897	$4,688
Transmission Holding Co	1,597	1,404	1,370	1,647
Nonutility	531	434	436	434
Total Capex	**$7,465**	**$7,753**	**$6,703**	**$6,769**
Financings ($M)				
Total Equity Issued	600	-	100	600
Total Debt Issued/(Repurchas	3,249	2,623	2,660	2,135

Source: Wolfe Research Utilities & Power Research

WOLFE RESEARCH

Utilities & Power

November 5, 2021

American Water Works (AWK)

1. You recently narrowed your EPS CAGR to 7-9% from 7-10% - what was the driving force behind that decision? Where do you expect to be within the range beyond 2022? When do you plan to rebase the CAGR and what year would you likely use?
2. What prompted you to decide to sell your Homeowner Services business? How dilutive do you expect the transaction to be in 2022 and onward?
3. Once the earnings stream from the sellers note rolls off in 2027(~$0.20 of EPS), how do you expect to backfill those lost earnings?
4. What is the latest with respect to the grand jury subpoena investigation at Homeowner Services? How is that being handled now that you have decided to sell the business? Any idea when you think the investigation will be resolved?
5. You recently raised your 5-yr capex plan by $3B and your 10-yr plan by $6B – what type of projects led to the increased investment? When should the incremental capex start getting reflected in EPS? How do you plan to manage customer bills given the added capex?
6. You disclosed the need for $1.1B of equity over the course of your 5-year plan, any sense on the exact timing or the type of equity issuance?
7. Are you seeing any inflationary impacts throughout the business? Has this pressured your ability to lower your O&M efficiency ratio?
8. Where are you at in the sale process of your NY subsidiary? How concerned are you about the local municipalities' attempting to take over parts of the water system? When do you expect the sale to close?
9. What is the unavoidable regulatory lag in the business? What states are you earning the lowest returns and what are you doing to improve them?
10. Where do you see the best opportunities for municipal tuck-in acquisitions? Are you starting to see more competition for these deals now that companies like NEE are starting to build at water business?
11. Is there any pending legislation which could aid in further consolidation of distressed municipal water systems? What other legislative items have passed or are currently being discussed in your major states?
12. How is Military Services performing? How many contracts do you expect the Dept. of Defense to award over the next 6-12 months?
13. What are your thoughts on M&A? Would you be interested in pursuing another water IOU? Are there any other states within your current portfolio that might be considered non-core?
14. At a high level, how does President Biden's infrastructure bill impact the water sector? What major benefits do you see for AWK as a result of that proposals?
15. What states do you have rate cases currently pending? When do you expect to file next in your largest jurisdictions (PA, NJ and MO)?
16. What opportunities and risks do you face from the increasing focus on clean water and potential contaminants? What are you doing to ensure you customers' water is safe?

Exhibit 16: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.24	$4.44	$4.77	$5.23
Diluted Shares Outstanding	181	182	183	186
Dividends Per Share	$2.37	$2.58	$2.81	$3.06
Dividend Yield	1.4%	1.5%	1.7%	1.8%
Dividend Payout Ratio	56%	58%	59%	59%
Equity Ratio	38%	37%	38%	38%
FFO/Debt	14%	13%	12%	12%
Valuation Metrics				
P/E	39.8x	38.0x	35.4x	32.3x
P/B	4.5x	4.3x	3.8x	3.5x
Segment EPS				
Regulated Utilities	$4.24	$4.54	$4.91	$5.40
Military Services	$0.51	$0.14	$0.15	$0.15
Parent/other	($0.51)	($0.24)	($0.28)	($0.32)
Total EPS	4.24	4.44	4.77	5.23

Source: Wolfe Research Utilities & Power Research

Exhibit 17: Modeling Assumptions

	2021E	2022E	2023E	2024E
Investing and Financing ($M)				
Capex	$1,900	$2,500	$2,750	$2,750
Equity Issued/(Repurchased)	10	10	550	550
Debt Issued/(Repurchased)	74	1150	1150	1150
Utility				
Sales growth	-0.9%	-0.9%	-0.9%	-0.9%

Source: Wolfe Research Utilities & Power Research

Avangrid (AGR)

1. What are some of the key drivers in the 6-8% EPS growth outlook? What gives you conviction that this is achievable with conservatism, particularly given the company's prior track record? How much are NECEC transmission and Vineyard Wind expected to contribute to this growth?
2. How do you plan to respond to the Hearing Examiner recommendation against the PNM merger? Are you still confident it will be approved? What drove the strategic thinking on the merger? Where do you see potential synergies and regulated renewables opportunities?
3. Were you surprised by the result of the ballot referendum against NECEC? How strong is your legal case? When will the courts respond? Will you continue with construction? What about the pending items already at the courts, FERC, and the Maine DEP? How much does NECEC contribute to EPS over time?
4. Is Iberdrola interested in expanding even further in the U.S.?
5. Now that you have completed the latest equity offering, how do you think about funding needs from here? When will you need to issue common equity again and what financing structures are being looked at? Are you comfortable with you ~14-15% pro forma FFO/Debt target given your asset mix and how do the rating agencies view this?
6. What is AGR's story to tell from an ESG perspective? How does your business mix of 85% regulated utilities in 2022 change as we go out further in time and more renewables (offshore wind) come online?
7. How are you thinking about the impact of the Biden infrastructure and tax plan? What do certain provisions mean for your company (PTC/ITC for wind, solar, storage, hydrogen, transmission; plus direct pay)? What are the impacts from a higher tax rate, minimum book tax, or higher dividend tax?
8. How has your progress been on reaching authorized ROEs at all of your utilities? Do you have confidence that storm performance will be better going forward given some of the backlash last year in New York and Connecticut?
9. How are you feeling about the Connecticut regulatory climate following your rate freeze settlement agreement? What about in Maine where you have hit the service metrics to end the 100bps ROE penalty? Where do we stand on recovery of COVID impacts in New York?
10. What are your thoughts on FERC transmission ROEs and adders given the latest FERC rhetoric? When will this be settled once and for all? How should be think about impacts/sensitivities?
11. When can we expected Vineyard Wind to begin construction? How comfortable are you with the economics of the project? What will the ultimate financing structure look like?
12. What drove the changes to the JV relationship with Copenhagen? What is the status of some of the offshore wind RFPs in other states? Do you expect to win these processes? Are you still maintaining the same level of targeted returns discipline?
13. How have you been progressing on adding incremental contracted renewables projects? How competitive is the market and how much has the cost curve come down? Are you seeing any inflationary or supply chain pressures?
14. How has the market been to sell renewables development projects? Is this a sustainable earnings generator and funding strategy long-term?

Exhibit 18: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.10	$2.47	$2.60	$2.66
Consensus EPS	$2.15	$2.43	$2.50	$2.68
Dividends Per Share	$1.76	$1.76	$1.83	$1.90
Dividend Yield	3.4%	3.4%	3.6%	3.7%
Dividend Payout Ratio	84%	71%	70%	71%
FFO/Net Debt	23%	24%	22%	22%
Net Debt/Capitalization	29%	33%	36%	36%
Diluted Shares Outstanding	358	388	391	397
Valuation Metrics				
P/E	24.3x	20.7x	19.6x	19.2x
Price/Book	0.9x	1.0x	1.0x	0.9x
Segment EPS				
NYSE&G (Electric/Gas)	0.41	0.43	0.46	0.49
RG&E (Electric/Gas)	0.32	0.30	0.34	0.37
CMP (Electric/Transmission)	0.47	0.44	0.47	0.49
UI (Electric/Transmission)	0.27	0.26	0.26	0.26
SCG (Gas)	0.08	0.08	0.08	0.08
CNG (Gas)	0.06	0.06	0.06	0.06
PNM (Electric/Transmission)		0.39	0.40	0.39
TNMP (Electric)		0.21	0.23	0.23
Renewables	0.61	0.49	0.55	0.56
Parent / Other	(0.14)	(0.20)	(0.24)	(0.28)
Total EPS	**$2.10**	**$2.47**	**$2.60**	**$2.66**

Source: Wolfe Research Utilities & Power Research

Exhibit 19: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
NYSE&G	$636	$696	$696	$696
RG&E	$356	$386	$386	$386
CMP	$551	$614	$314	$202
UI	$206	$204	$204	$204
SCG	$74	$74	$74	$74
CNG	$74	$74	$74	$74
Renewables	$343	$970	$993	$123
Parent & Other	$83	$88	$88	$88
Total Capex	**$2,323**	**$3,106**	**$2,829**	**$1,847**
Financing ($M)				
Total Equity Issued/(Repurchased)	$4,000	$0	$300	$300
Total Debt Issued/(Repurchased)	$1,990	$1,425	$1,365	$1,315

Source: Wolfe Research Utilities & Power Research

November 5, 2021

CenterPoint Energy (CNP)

1. What factors led to the recent 2021 and 2022 guidance increases? What parts of your business performing better than you expected just a couple months ago at Analyst Day?
2. You expect to grow utility EPS 8% annually through 2024 and in the top-half of 6-8% then through 2030. Can you discuss the drivers and is there potential upside to your growth targets?
3. When do you expect the ET/ENBL merger to close? What has been the hang up at the FTC for getting HSR clearance?
4. You recently disclosed that you expected to exit midstream by YE22 – what factors will drive whether you exit sooner or later next year? What is the most likely method within which you would like you exit (marketed offering, dribble shares into market, etc.)?
5. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
6. What do you see as the biggest benefits for CNP from proposed reconciliation bill?
7. How much do you plan to invest in renewables at Indiana Electric over the course of your 10-year plan? What is required for approval of these projects?
8. Given the great price (2.5x rate base) received for your AR/OK gas LDCs, would you consider additional LDC sales in the future? What would be the key determining factors? Do any of your LDCs underearn more than the others?
9. What is the latest on securitization efforts in TX regarding Storm Uri gas costs? When do you expect a resolution in your MN proceeding regarding the incremental gas costs there?
10. Can you talk about your expectation for 2% core sales growth at Houston Electric? What is driving this growth and are there incremental upsides from areas of electrification? How about growth at your gas LDCs?
11. O&M is now expected to decrease 1-2% annually through 2030. Can you talk about where you are finding these cost savings? Is the percentage of savings consistent each year through your planning period?
12. How would you characterize your regulatory relationships? What efforts have you undertaken to repair or further enhance some of these relationships?
13. When is your rate case calendar like over the next 1-2 years? What are your priorities for Houston Electric's next rate case?
14. Can you discuss the bills that were passed during recent the TX legislative session that positively impacted CNP? What else might you look to push forward to allow CNP to take an even more active role in hardening the system?
15. How do you see hydrogen and RNG playing a role in the gas sector long-term? Are you currently conducting any pilot projects in your jurisdictions?

Exhibit 20: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$1.28	$1.38	$1.49	$1.61
Consensus	$1.41	$1.41	$1.52	$1.59
Diluted Shares Outstanding	608	636	636	637
Dividends Per Share	$0.63	$0.68	$0.73	$0.79
Dividend Yield	2.4%	2.6%	2.8%	3.0%
parent)	49%	49%	49%	49%
Equity Ratio	36%	39%	40%	38%
FFO/Net Debt	15%	17%	15%	15%
Valuation Metrics				
P/E	20.7x	19.2x	17.8x	16.4x
Price/Book	1.8x	1.8x	1.7x	1.6x
Segment EPS				
Houston Electric	$0.65	$0.69	$0.75	$0.77
CERC	$0.35	$0.35	$0.36	$0.41
VUHI utiilities	$0.38	$0.39	$0.45	$0.52
Midstream	$0.21			
Corporate & Other	($0.12)	($0.06)	($0.08)	($0.09)
Total EPS	**$1.47**	**$1.38**	**$1.49**	**$1.61**
Adjusted Utility + Parent EPS	*$1.28*			
Adjusted ENBL EPS	*$0.19*			
Segment ROE & Rate Base				
Houston Electric Realized ROE	9.3%	9.3%	9.2%	9.2%
Houston Electric Average Rate Base	$8,020	$9,248	$10,384	$11,372
CERC Realized ROE	9.8%	9.8%	9.5%	9.5%
CERC Average Rate Base	$4,142	$4,258	$4,565	$5,204
VUHI Realized ROE	9.9%	9.9%	9.7%	9.7%
VUHI Average Rate Base	$4,925	$5,407	$6,339	$7,397
Total Average Rate Base	**$17,088**	**$18,913**	**$21,289**	**$23,973**

Source: Wolfe Research Utilities & Power Research

Exhibit 21: Modeling Assumptions

Capex by segment ($M)	2021E	2022E	2023E	2024E
Houston Electric	$1,807	$2,017	$1,694	$1,323
Indiana Electric	$293	$383	$1,106	$977
CERC	986	923	1,325	869
VUHI gas LDCs	414	477	575	531
Total Capex	**$3,500**	**$3,800**	**$4,700**	**$3,700**
Financings ($M)				
Equity Issued/(Repurchased)	$20	$20	$20	$20
Preferred Equity Issued/(Repurchased)	$0	$0	$0	$0
Debt Issued/(Repurchased)	$1,600	($443)	$2,200	$1,900
Sales Forecast				
Houston Electric	1.7%	1.7%	1.7%	1.8%
Natural Gas Distribution	0.5%	0.5%	0.5%	0.5%

Source: Wolfe Research Utilities & Power Research

CMS Energy (CMS)

1. What gives your confidence in the 6-8% earnings growth rate long-term? How long can you sustain hitting the top-end? Are you still pointing to the IRP-related capex as an upside?
2. How are you thinking about the company's ESG position? What has the reception been to your accelerated coal shutdown announcement? Do you think this will unlock new investors?
3. What has been the feedback to your Integrated Resource Plan overall? Where were you seeing the most pushback in intervenor commentary? Are parties comfortable with no coal from a reliability perspective and more existing gas from an emissions perspective? Are you confident you won't need to use securitization? How are you feeling about the ability to own more renewables versus PPAs? Can a settlement be attained and when should we expect approval?
4. How are you thinking about the implications of the Biden infrastructure and tax plans? How are you feeling on chances of approval and what are the most important factors for your business?
5. Have concerns about the gas LDC business calmed down? Has the recent high gas price environment brought this back at all? How do the economics compare to electrification of heating (ie: heat pumps)? What type of role could hydrogen have in the future considering your asset base?
6. A number of storms have hit Michigan in recent months that gained political and regulatory attention. What are you doing to address this? Anything you plan to do differently or any new capex needed?
7. Where do we stand on your electric rate case? When will you file again? When is your next gas rate case?
8. What is your view on the Michigan PSC overall? Are there any changes you would like to see from a regulatory / rate-making perspective? Do think allowed ROEs will remain stable at just below 10%? What is your EPS sensitivity to ROE changes?
9. What are some of the key drivers in 2021 and 2022 guidance? What are you seeing on sales growth trends coming out of COVID peak?
10. When will you make a decision on the 2022 dividend and how should we think about the growth trajectory long-term?
11. How are you thinking about your balance sheet and current credit metric targets? Has the Enerbank proceeds upside changed anything? Are you confident in maintaining your current ratings now that Moody's has taken action? When will equity needs resume?
12. What are some of your long-term focus areas on the cost cutting side of the equation? How long can this runway continue?
13. How do you think about owning unregulated contracted renewables? Will we see more of this? How do the returns on this type of investment compare to regulated utility returns?
14. Anything else do to on the strategic front after Enerbank and the IRP? Do you look at M&A opportunities? Are you a buyer or seller? Do you think you need more scale long-term?

Exhibit 22: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.88	$2.87	$3.16	$3.48
Diluted Shares Outstanding	287	288	288	288
Dividends Per Share	$1.74	$1.77	$1.90	$2.03
Dividend Yield	2.9%	3.0%	3.2%	3.4%
Dividend Payout Ratio	61%	62%	60%	58%
Equity Ratio	27%	31%	30%	29%
FFO/Net Debt	12%	14%	13%	13%
Valuation Metrics				
P/E	20.9x	20.9x	19.0x	17.2x
Price/Book	2.9x	2.8x	2.6x	2.5x
Segment EPS				
Consumers	$3.08	$3.32	$3.63	$3.95
Enterprises	0.13	0.13	0.13	0.13
Enerbank	0.22			
Parent	(0.56)	(0.58)	(0.60)	(0.60)
Total EPS	**$2.88**	**$2.87**	**$3.16**	**$3.48**
Consumers Energy				
Electric				
Realized ROE	10.0%	9.7%	9.5%	9.3%
Average Rate Base	$12,466	$13,391	$14,622	$15,907
Gas				
Realized ROE	9.7%	9.5%	9.3%	9.2%
Average Rate Base	$8,167	$8,985	$9,799	$10,512

Source: Wolfe Research Utilities & Power Research

Exhibit 23: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Total CapEx by Segment ($M)				
Electric Capital	$1,400	$1,800	$2,008	$1,908
Gas Capital	1,100	1,200	1,100	1,000
Total Capex	**$2,500**	**$3,000**	**$3,108**	**$2,908**
Financings ($M)				
Total Equity Issued/(Repurchased)	$100	$0	$0	$0
Total Debt Issued/(Repurchased)	950	1,350	1,450	1,150
Sales Forecast				
Electric	2.4%	1.0%	1.0%	1.0%
Gas	0.8%	0.8%	0.8%	0.8%

Source: Wolfe Research Utilities & Power Research

Consolidated Edison (ED)

1. What are upside/downside risks to your 4-6% EPS growth target? Do you expect the growth to be uniform through your planning period?
2. What datapoints have you seen in recent New York rate cases and any readthroughs for when CECONY will file next year?
3. Do you see any upsides to your ~6% rate base CAGR over the next 3-5 years? When do you expect to get clarity on Phase II of your transmission proposals in NY? How much of the estimated $5.4B in capex for the 8 projects do you expect to go to CECONY?
4. Now that you are able to collect disconnect/late fees from residential and commercial customers, how much up an uplift do you see starting in Q4 and onward? What did you 2021 guidance range assume?
5. Can you discuss the petition you filed with the NY PSC to establish a surcharge recovery mechanism for disconnect/late fees that were foregone in 2020? If they don't act of this request, how might they be handled in CECONY's next rate case?
6. Assuming MVP is completed in 2022, what is your strategy with respect to your stake in the project long-term? What does your long-term EPS and financing guidance assume with respect to MVP?
7. What opportunities are there for CECONY to earn above the allowed level under the current rate plan? Do you expect to be able to earn any EAMs in 2022?
8. NY has very aggressive clean energy coals. How realistic is it to meet those goals without sacrificing reliability and still keeping customer bills affordable?
9. What is your role in the New York's clean energy future? What are the implications for CECONY's gas business? Is there any chance you will be able to own renewables at your utilities in the future?
10. Are you actively involved in any RNG or hydrogen pilot projects at your gas LDCs?
11. What's the latest with the offshore wind in New York? Can you talk about Transco's signed MoU with ES/Ørsted on the Sunrise Wind Project – what exactly is your role? Any interest in investing in offshore wind in the future?
12. You have disclosed a $700M equity need in aggregate over 2022-23 – best to assume 50/50 split? What could impact whether you need more or less next year?
13. Do you foresee the ability to spend more on renewables over time or is the $400M/yr. run rate your target long-term? Any interest in doing more M&A (i.e., the SRE deal) or is there a preference to grow the business organically? What type of returns do you see for projects?
14. Are you seeing any cost inflation for inputs in your solar projects? How much of your backlog is already locked up (i.e., not subject to these impacts)? Have you seen an issues in your supply chain?
15. What do you see as the biggest benefits for ED from the proposed reconciliation bill? Would enhanced/extended clean energy credit make you want to ramp up investment in your clean energy business?
16. What is your targeted earnings mix long-term (i.e., regulated vs unregulated)?

Exhibit 24: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.20	$4.66	$4.78	$4.99
Diluted Shares Outstanding	348	357	362	368
Dividends Per Share	$3.10	$3.20	$3.29	$3.39
Dividend Yield	4.1%	4.2%	4.3%	4.4%
Dividend Payout Ratio	74%	69%	69%	68%
Equity Ratio	49%	48%	48%	48%
FFO/Net Debt	14%	14%	15%	15%
Valuation Metrics				
P/E	18.1x	16.4x	16.0x	15.3x
Price/Book	1.3x	1.3x	1.2x	1.2x

Segment EPS	2021E	2022E	2023E	2024E
Consolidated Edison of NY	$3.65	$4.01	$4.19	$4.37
Orange & Rockland	0.19	0.21	0.22	0.23
Competitive Businesses	0.42	$0.49	$0.43	$0.44
Parent	($0.05)	($0.05)	($0.05)	($0.06)
Total ED EPS	**$4.20**	**$4.66**	**$4.78**	**$4.99**
Consolidated Edison of NY				
Earned ROE	8.0%	8.5%	8.6%	8.6%
Average Rate base ($M)	33,162	35,033	36,938	39,064
Orange & Rockland				
Earned ROE	7.9%	8.1%	8.2%	8.2%
Average Rate base ($M)	1,733	1,892	2,001	2,104
Total Average Rate base ($M)	34,895	36,924	38,939	41,168

Source: Wolfe Research Utilities & Power Research

Exhibit 25: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
Consolidated Edison of NY	$3,540	$3,475	$3,705	$3,605
Orange & Rockland	211	267	267	267
Competitive Businesses	297	465	447	400
Total Capex	**4,048**	**4,207**	**4,419**	**4,272**
Financings ($M)				
Total Equity Issued/(Repurchased)	$880	$450	$450	$600
Total Debt Issued/(Repurchased)	1,343	1,315	1,415	1,115
Utility Sales Forecast				
Consolidated Edison of NY	0%	0%	0%	0%
Orange & Rockland	0%	0%	0%	0%

Source: Wolfe Research Utilities & Power Research

November 5, 2021

Dominion Energy (D)

1. What are the drivers behind your 6.5% annual EPS growth expectation? Is there the potential to do better once your investment in offshore wind starts to ramp up?
2. Can you talk about the recent settlement that was reached concerning VEPCO's triennial review – what are the key provisions? How does the outcome in that proceeding de-risk the next triennial review?
3. What is your perspective on the recent election outcomes in Virginia – do you see any meaningful change as to how things are done in the state, specifically with respect to energy policy?
4. What do you see as the biggest benefits for D from the proposed reconciliation bill? How meaningful would a direct pay option be for potentially lowering future equity needs? How might a minimum book tax rule impact you?
5. Can you talk about the different aspects of the Virginia Clean Economy Act? What is the total opportunity set for future capital investments?
6. What is the size of the investment for the Coastal Virginia Offshore Wind project? How much is directly for the offshore wind vs wet transmission vs onshore transmission/distribution upgrades? How confident are you in delivering the project at total LCOE of $87/MWh?
7. With all of the renewable investments you will be adding in Virginia over the next couple of decades, how do you intend to keep customer bills manageable? What percentage annual bill increases do you foresee to meet the targets set out in the Clean Economy Act?
8. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
9. When do you expect the Q-Pipe transaction to close? Any chance that Southwest Gas could back out given Icahn's involvement?
10. Can you talk about the transformation of VEPCO's rate base from base rate recovery to rider-based recovery over the next few years?
11. How should we think about equity financing needs once investments in renewables really start to ramp up in the middle of the decade?
12. Can you talk about the preferred IRP portfolio in South Carolina? Do you see the ability to accelerate coal retirements and add more renewables under the plan?
13. You have been one of the more vocal companies in the sector with respect to applications for hydrogen and renewable natural gas. Can you discuss any projects you are working on currently and what you believe is the potential for both longer-term?
14. What are your current views on M&A? Do you have any interest in adding or selling gas LDC(s)? What are your long-term plans for Cove Point and Millstone?

Exhibit 26: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.87	$4.13	$4.38	$4.70
Diluted Shares Outstanding	810	825	841	848
Dividends Per Share	$2.52	$2.67	$2.83	$3.00
Dividend Yield	3.3%	3.5%	3.8%	4.0%
Dividend Payout Ratio	65%	65%	65%	64%
Equity Ratio	37%	37%	37%	37%
FFO/Net Debt	15%	15%	15%	15%
P/E	19.5x	18.3x	17.2x	16.0x
Price/Book	2.5x	2.4x	2.3x	2.1x
Segment EPS				
Virginia Electric Power	$2.46	$2.64	$2.87	$3.21
Dominion Energy South Carolina	$0.53	$0.54	$0.55	$0.56
Contracted Generation	0.27	0.29	0.22	0.22
Cove Point	0.24	0.24	0.23	0.22
Gas Distribution	0.75	0.82	0.88	0.90
Corporate & Other	(0.39)	(0.40)	(0.38)	(0.41)
Total EPS	**$3.87**	**$4.13**	**$4.38**	**$4.70**
Utility Rate Base (YE)				
Virginia Electric Power	$27,280	$29,936	$33,629	$39,367
Dominion Energy South Carolina	$7,137	$7,542	$8,017	$8,360
Gas LDCs	$9,806	$10,664	$11,479	$12,050
Total Utility Rate Base ($M)	**$44,223**	**$48,142**	**$53,126**	**$59,776**
Realized Operating ROE				
Virginia Electric Power	14.9%	14.8%	14.8%	14.5%
Dominion Energy South Carolina	9.6%	9.6%	9.6%	9.6%

Source: Wolfe Research Utilities & Power Research

Exhibit 27: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capital Spending by Segment ($M)				
Virginia Electric Power	$4,160	$4,410	$5,527	$7,677
Dominion Energy South Carolina	1,000	900	1,000	900
Gas Distribution	1,500	1,300	1,300	1,100
Cove Point	45	45	45	45
Merchant Generation / Other	155	155	155	155
Total Capex	**$6,860**	**$6,810**	**$8,027**	**$9,877**
Financings ($M)				
Total Equity Issued/(Repurchased)	$300	$500	$500	$700
Total Converts Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	$3,267	$2,400	$2,550	$4,800
Sales Forecast				
Volume Growth	1.0%	1.0%	1.0%	1.0%

Source: Wolfe Research Utilities & Power Research

November 5, 2021

DTE Energy (DTE)

1. You just refreshed your five-year plan. What are some of the key takeaways? Are there upsides in the utility capital plan? Where are the opportunities on the non-utility side?
2. What is your conviction in achieving the 5-7% EPS growth target? Historically you've grown above this level – can that continue? What is helping you offset the near-term pressure from the REF cliff and equity converts? Should we read into the initial 2022 guide only reflecting growth at the midpoint given you've historically guided at closer to 7%?
3. How would you describe the company's ESG position? Do you believe your latest coal retirement plan is enough to draw in these types of investors? What prevented you from accelerating the Belle River coal retirement even further? What is holding you back on an earlier retirement of Monroe? Do you have reliability concerns? How much coal in rate base is left and how do you plan to manage this?
4. Your voluntary renewables program has been very successful. What opportunities are you seeing in terms of wind and solar additions? When will you file your next IRP and what should we expect to hear on the renewables front?
5. How are you thinking about the Biden clean energy plan – tax credits and direct pay? How would this impact your plan and what is the likelihood it gets done?
6. How are you feeling about your gas LDC business from an ESG perspective and given the spike in natural gas prices? How are you protected from this volatility and is there any risk investment upsides are crowded out?
7. What is the latest on the summer storms in Michigan? This got a lot of attention in the political/regulatory arena – should we expect an adverse impact? Will there be more capex needed? What is the impact on customer rates and O&M?
8. The RNG business has gotten a lot of focus at the Vantage segment. Are you seeing the potential for an acceleration in growth? In what parts of the country are there opportunities? Where do you see competition coming from?
9. What is the latest on your pending gas rate case? Was there anything concerning in the ALJ recommendation? How much further can you push out for next electric rate case filing?
10. How are you thinking about balance sheet metrics and credit post-spin? How much cushion in the plan do you have and for how long can you minimize equity needs?
11. What is your target for regulated earnings percentage going forward? Could this vary at all?
12. Any change in strategic vision post-spin? Would you consider M&A? Is the Vantage business a core segment long-term?

Exhibit 28: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E	2025E
EPS	$7.44	$5.88	$6.23	$6.61	$6.96
Consensus EPS	$5.87	$5.94	$6.27	$6.73	
Dividends Per Share	$4.42	$3.60	$3.85	$4.12	$4.41
Dividend Yield	3.9%	3.2%	3.4%	3.6%	3.9%
Dividend Payout Ratio	59%	61%	62%	62%	63%
FFO/Net Debt	15%	13%	13%	13%	13%
Diluted Shares Outstanding	194	197	205	205	206
Valuation Metrics					
P/E	15.2x	19.3x	18.2x	17.2x	16.3x
Price/Book	1.7x	1.6x	1.6x	1.6x	1.5x
Segment EPS					
DTE Electric	4.47	4.71	4.86	5.16	5.42
DTE Gas	1.09	1.23	1.24	1.31	1.40
Gas Storage & Pipelines					
Power & Industrial	0.84	0.46	0.69	0.71	0.75
Energy Trading	0.23	0.10	0.10	0.10	0.10
Parent & Other	(0.76)	(0.62)	(0.65)	(0.67)	(0.70)
Total EPS	**$5.87**	**$5.88**	**$6.23**	**$6.61**	**$6.96**
DTE Electric					
Realized ROE	10.0%	9.6%	9.3%	9.1%	8.8%
Average Rate Base	$22,277	$24,116	$26,008	$27,854	$29,655
DTE Gas					
Realized ROE	9.5%	9.8%	9.2%	8.9%	8.8%
Average Rate Base	$5,521	$6,009	$6,496	$6,972	$7,438

Source: Wolfe Research Utilities & Power Research

Exhibit 29: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E	2025E
Capex by Segment ($M)					
DTE Electric	$2,800	$3,000	$3,000	$3,000	$3,000
DTE Gas	$600	$620	$620	$620	$620
Gas Storage & Pipelines	$290				
Power & Industrial	$240	$250	$250	$250	$250
Total Capex	**$3,930**	**$3,870**	**$3,870**	**$3,870**	**$3,870**
Financing ($M)					
Total Equity Issued/(Repurchased)	$50	$0	$50	$140	$150
Total Debt Issued/(Repurchased)	$1,955	($775)	$1,275	$1,800	$1,675
Sales Forecast					
DTE Electric	1.1%	0.0%	0.0%	0.0%	0.0%
DTE Gas	1.0%	1.1%	1.0%	1.0%	1.0%

Source: Wolfe Research Utilities & Power Research

Duke Energy (DUK)

General

1. What are the upside/downside risks to your 5-7% LT EPS growth target? What is your conviction on hitting the midpoint or better?
2. Do you still see the upper half of $65-75B capex in 2025-29? What are the drivers?
3. How much is M&A, including asset sales, part of the strategy from here? What is the rationale for the regional mix?
4. Where do things stand now with Elliott? Are you interacting with them? Do you expect a settlement?
5. What do you think Congress passes from the Biden clean energy plan and tax credits? How would that impact your current capital plan?
6. What is the impact to your earnings/cash outlook if natural gas and purchased power prices rise?
7. How about inflationary pressure? Do you see it as manageable?
8. What is your projected LT dividend growth?
9. What is your projected FFO/Debt? When will you next need equity?
10. What are your succession plans?

NC and fleet transition

11. What are the next steps at the NCUC to implement the new NC clean energy law? How and when will it impact your financial outlook?
12. Describe the fleet transition options you are recommending in your Carolinas IRPs. What are the high level choices that have to be made on costs vs carbon reductions?
13. How much renewables ($ and MW) do you project through your forecast period under your IRP? What is the split between the utility and CR segment?
14. How do the new gas plants in some of your IRP scenarios fit in from a decarbonization perspective? Would you use RNG or hydrogen?

Other

15. What is the latest on fleet transition opportunities in IN? What about the appeal to your IN rate case?
16. Describe the recent FL rate plan for 2022-24. Where do you expect to earn within your 8.85-10.85% ROE band? Do you see the ROE mechanism being triggered allowing another 25bp on top of the range?

Exhibit 30: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$5.20	$5.40	$5.74	$6.13
Diluted Shares Outstanding	769	769	769	769
Indicated Dividend Per Share	$3.93	$4.01	$4.09	$4.17
Dividend Yield	3.9%	4.0%	4.1%	4.1%
Payout Ratio	76%	74%	71%	68%
Equity ratio (excl ST debt)	42%	40%	40%	39%
FFO/Net Debt	13%	12%	13%	13%
Valuation Metrics				
P/E	19.4x	18.7x	17.6x	16.5x
EV/EBITDA	12.8x	12.8x	12.4x	12.1x
P/B	1.6x	1.6x	1.6x	1.5x
FCF/Yield	(2.3)%	(4.8)%	(2.9)%	(1.9)%
Segment EPS				
Electric	$5.13	$5.30	$5.62	$6.00
Gas	0.54	0.60	0.66	0.70
Commercial	0.28	0.29	0.29	0.29
Parent/Other	(0.75)	(0.79)	(0.83)	(0.87)
Total EPS	**$5.20**	**$5.40**	**$5.74**	**$6.13**
ROE on Regulated Rate Base (ex CWIP)				
Carolinas	10.2%	9.6%	9.6%	9.7%
Progress	9.9%	9.6%	9.6%	9.6%
Florida	10.6%	10.1%	10.1%	10.1%
Indiana	9.7%	9.7%	9.7%	9.7%
Ohio-KY	9.6%	9.6%	9.6%	9.6%
Gas	9.5%	9.6%	9.6%	9.6%
Earnings Base				
Carolinas	$27,893	$30,690	$33,322	$35,021
Progress	18,096	19,125	20,493	21,929
Florida	16,671	18,078	19,499	21,081
Indiana	9,392	9,704	9,884	10,481
Ohio-KY	4,691	5,000	5,101	5,395
Gas LDCs	8,702	9,624	10,447	10,999
Gas Pipelines	0	0	0	0
Total	$85,446	$92,222	$98,746	$104,906

Source: Wolfe Research Utilities & Power Research

Exhibit 31: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending ($M)				
Electric	$8,450	$10,400	$10,100	$10,025
Gas	1,150	1,275	1,150	1,000
Commercial	425	800	475	400
Parent/Other	350	275	275	275
Total Capital Spending	$10,375	$12,750	$12,000	$11,700
Financings ($M)				
Total Equity Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	3,085	6,825	4,550	4,675
Sales Forecast				
Carolinas	4.0%	0.5%	0.5%	0.5%
Progress	4.0%	0.5%	0.5%	0.5%
Florida	2.8%	0.0%	0.5%	0.5%
Indiana	4.0%	0.5%	0.5%	0.5%
Ohio-KY	3.0%	0.5%	0.5%	0.5%
Gas	1.5%	1.5%	1.5%	1.5%

Source: Wolfe Research Utilities & Power Research

November 5, 2021

Edison International (EIX)

1. The stock has run the last month but remains at a deep discount. What is the investment case for EIX stock?
2. What are the drivers of your 5-7% EPS growth and 6-8% rate base growth target through 2025? What could push you to top end?
3. Do you expect to add even more storage than the 535 MW for next summer? Do you see other opportunities to address reliability issues in the state?
4. Why did you lower 2021 guidance? Any risk to 2022 relative to when you gave the preliminary drivers earlier this fall?
5. What's your overall view of CA regulation? Who do you expect Gov Newsom will appoint to replace outgoing-CPUC President Batjer?
6. What did you think of the recent GRC decision? When will you file for the fourth year (2024)? What is the plan for covered conductor spend in the outer years?
7. What do you expect from the off-cycle Cost of Capital filing? What are the next steps? What is the impact of a ROE cut from the CoC mechanism being triggered for 2022?
8. How have you performed operationally this fire season? How have you improved your PSPS program?
9. What is the latest on your Wildfire Mitigation Plan? When do you expect to get a decision on your next wildfire safety certificate?
10. What are your thoughts on the AB 1054 Wildfire Fund and liability cap? Is there anything you can do to provide better conviction to investors that this model will work?
11. What is the latest on the 2017/18 fires/mudslides? Why did you raise your best estimate to $7.5B? And how confident are you that the unresolved claims will cost $2.2B?
12. What is the significance of settling on enforcement actions with the SED?
13. What are the next steps for cost recovery of the 2017/18 damages? How will you show whether the costs are prudent? Do you expect any recoveries?
14. How much incremental debt/equity do you anticipate to fund settlements/payments?
15. Will the $250M/yr, on average, of equity put you at the midpoint of your 15-17% FFO/debt target? If the CoC mechanism is triggered and ROE is cut, do you need more equity?
16. What are the L-T investment opportunities in CA generally, such as EVs, electrification, batteries, grid hardening?
17. Where is the customer bill heading both in the short-term from rising commodity prices and in the long-term from the clean energy transition?
18. What do you expect from NEM 3.0? Do you view residential solar as a threat or an opportunity? Would you partner with solar/storage developers? Do you agree with Sunrun's CEO that the time is now for "radical collaboration" with utilities on issues facing the power industry?
19. What is the latest in your FERC transmission business? What is the risk to earnings if FERC cuts incentives? What portion of your overall rate base is transmission?
20. What dividend growth do you expect over the next few years? Will you keep it low given uncertainty and credit pressure? Or stick with current payout target of 45-55% of SCE earnings?

Exhibit 32: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.47	$4.63	$4.95	$5.32
Consensus	$4.51	$4.66	$4.95	$5.23
Diluted Shares Outstanding	379	387	391	395
Dividends Per Share	$2.65	$2.75	$2.85	$2.95
Dividend Yield	4.2%	4.4%	4.5%	4.7%
Dividend Payout Ratio (EIX)	59%	59%	58%	55%
Dividend Payout Ratio (SCE)	53%	53%	51%	50%
Cons. Equity Ratio	37%	37%	36%	37%
SCE Equity Ratio (adjusted)	51%	52%	51%	51%
FFO/Net Debt	15%	18%	18%	16%
Valuation Metrics				
P/E	14.1x	13.6x	12.7x	11.9x
EV/EBITDA	8.4x	8.4x	8.2x	8.0x
Price/Book	1.6x	1.5x	1.4x	1.4x
Segment EPS				
Southern California Edison (SCE)	$4.96	$5.20	$5.56	$5.95
Parent/Edison Energy	(0.50)	(0.57)	(0.62)	(0.63)
Total EPS	**$4.47**	**$4.63**	**$4.95**	**$5.32**
SCE Rate Base, ROE				
Average Rate Base ($M)	$35,267	$38,325	$41,570	$44,874
ROE ex O&M/fin savings, EE	10.1%	9.9%	9.9%	9.9%

Source: Wolfe Research Utilities & Power Research

Exhibit 33: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Total Capital Spending ($M)				
SCE	$5,203	$6,107	$5,554	$5,609
Total Capex	**$5,203**	**$6,107**	**$5,554**	**$5,609**
Financings ($M)				
Total Equity Issued/(Repurchased)	$325	$350	$250	$250
Total Debt Issued/(Repurchased)	1,100	2,200	1,600	1,950
SCE over/(under) allowed, $/sh				
Costs excluded from authorized	($0.22)	($0.21)	($0.21)	($0.21)
Financing, operating variances	$0.39	$0.37	$0.37	$0.36
AB 1054 safety spend (no ROE)	600	-	-	-

Source: Wolfe Research Utilities & Power Research

Emera (EMA)

1. Can you talk about the key drivers of your 7.5-8.5% rate base CAGR through 2023? How should we think about EPS growth in relation to your rate base growth and dividend growth target of 4-5%/yr.?
2. How confident are you in earning above the 9.95% ROE midpoint going forward under TECO's new rate plan - could you earn at the top end?
3. Can you talk about the balance sheet and steps you have taken/are taking to improve your credit metrics relative to peers? What level of equity/hybrid financing does your capital plan require over the next few years?
4. When do you expect to get your payout ratio within your targeted 70-75% range?
5. What is the latest on the Atlantic Loop project and when might that project get the green light to move forward? What is the size of the potential capital investment for EMA?
6. Can you comment on the recent trend in the sector to simplify business mixes with a bias towards becoming a pure-play utility? How do you view your non-utility businesses in that context?
7. How are managing through the FX headwinds this year? Have you found offsets elsewhere in the business? Do you still view the 1.33 FX rate as the correct rate for the long term?
8. How are the Caribbean utilities performing? Has Grand Bahama fully recovered from Hurricane Dorian? Are COVID restrictions on tourism still having a big impact on these utilities?
9. What is your view on M&A? Do you have any desire to pursue a large-scale acquisition, similar to the size of the TECO deal?
10. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
11. How has your gas marketing business performed amidst the recent rise in natural gas prices? Should we view the higher prices as a tailwind for that business?
12. What do you see as the biggest benefit for your U.S. utilities from the House's reconciliation bill proposal? How might a direct pay option for PTCs/ITCs impact your future equity needs?

Exhibit 34: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.82	$3.20	$3.37	$3.57
Consensus EPS	$2.83	$3.07	$3.25	$3.49
Dividends Per Share	$2.57	$2.68	$2.78	$2.89
Dividend Yield	4.4%	4.6%	4.8%	5.0%
Dividend Payout Ratio	91%	84%	83%	81%
FFO/Net Debt	11%	12%	12%	12%
Equity Ratio	34%	34%	34%	34%
Avg Diluted Shares Outstanding	255	262	269	275
Valuation Metrics				
P/E	20.7x	18.3x	17.3x	16.3x
Price/Book	1.7x	1.7x	1.6x	1.6x
Segment EPS				
Florida Electric Utility	$1.95	$2.22	$2.33	$2.46
Canadian Electric Utility	$0.95	$1.03	$1.03	$1.04
Other Electric Utilities	$0.13	$0.15	$0.15	$0.15
Gas Utilities & Infrastructure	$0.81	$0.89	$0.93	$0.97
Parent & Other	(1.02)	(1.09)	(1.08)	(1.05)
Total EPS	**2.82**	**3.20**	**3.37**	**3.57**
	5%	*13%*	*5%*	*6%*
Florida Electric Utility				
Realized ROE	9.3%	10.4%	10.3%	10.3%
Average Rate Base	$9,311	$10,602	$11,438	$12,341
Canadian Electric Utility				
Realized ROE	8.7%	9.1%	9.2%	9.2%
Average Rate Base	$4,438	$4,594	$4,774	$5,027
Other Electric Utilities				
Realized Return on Rate Base	7.0%	7.5%	7.7%	7.6%
Average Rate Base	$984	$1,035	$1,037	$1,081
Gas Utilities & Infrastructure				
Realized ROE	10.1%	10.1%	10.1%	10.1%
Average Rate Base	$2,783	$3,249	$3,559	$3,902
Total Utility Average Rate Base	$17,515	$19,479	$20,808	$22,352

Source: Wolfe Research Utilities & Power Research

Exhibit 35: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment (C$M)				
Florida Electric Utility	$1,360	$1,370	$1,360	$1,360
Canadian Electric Utility	$395	$365	$380	$380
Other Electric Utilities	$70	$100	$100	$100
Gas Utilities & Infrastructure	$520	$610	$530	$530
Parent & Other	$15	$260	$10	$10
Total Capex	**$2,360**	**$2,705**	**$2,380**	**$2,380**
Financing (C$M)				
Total Equity Issued/(Repurchased)	$425	$375	$375	$375
Total Hybrids Issued	$425	$0	$0	$0
Total Debt Issued/(Repurchased)	$700	$1,025	$650	$575
Sales Forecast				
Florida Electric Utility	1.0%	1.0%	1.0%	1.0%
Canadian Electric Utility	0.2%	0.2%	0.2%	0.2%
Gas Utilities & Infrastructure	1.0%	1.0%	1.0%	1.0%

Source: Wolfe Research Utilities & Power Research

November 5, 2021

Entergy Corp. (ETR)

1. What are the drivers of your 5-7% EPS growth through 2024? What gets you to the top half of your LT EPS outlooks, which you had targeted before Hurricane Ida?
2. What are the upside/downside risks to your EPS growth outlook of 5-7% through 2024?
3. You suggested higher capex in your 2022-24 plan than in the 2021-23 plan. What are the drivers?
4. How much new renewables do you anticipate? Will it be higher than the $1.4B in your plan from the Sep 2020 analyst day?
5. What is the latest with the NOLA City Council? Is there still risk your business?
6. How do you feel about your regulatory relations with the LaPSC and your other states?
7. Will you be able to get federal relief for storm costs? How are the securitization proceedings going for the 2020 storms? And when will you file for 2021 storm costs?
8. When and how do you anticipate issuing the $1.23B of equity needs through 2024? Are you considering preferred equity?
9. Will incremental capex (e.g., new resiliency spend, more renewables) imply more equity needs? If so, will the capex be funded 50/50 debt and equity?
10. What FFO/debt do you project? What is it if you exclude the roughly $4.5B of storm restoration costs?
11. What would be the impact on your business from Biden's clean energy and tax credits, including credits for renewables, hydrogen, nuclear and transmission?
12. With your multiyear FRP extensions in AR and LA approved, when are the next major rate cases or FRP extensions?
13. What is the upside/downside to your sales growth outlook? What is the potential impact from rising natural gas and purchased power prices to sales and rates?
14. How much inflationary pressures are you seeing? Are they manageable?
15. How much pension risk do you have at current rates? What's your assumed discount rate and rate of return on assets?
16. What is the latest in the SERI proceedings at FERC? What is the risk to earnings or equity needs? Can you settle the Grand Gulf prudency case?
17. Describe the latest on your Mitsubishi collaborative and Invenergy partnerships. What is your hydrogen and renewables strategies?
18. What is your dividend growth target?
19. Do you anticipate M&A in your region? Are you a buyer or a seller? Consider asset sales to replace equity needs?
20. Are you on track to completely exit the merchant business next spring? What are the remaining approvals needed for Palisades? Aside from de-risking decommissioning, what are the financial implications of the nuke sales?

Exhibit 36: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
Utility net parent EPS	$5.99	$6.32	$6.74	$7.11
Consensus	$5.97	$6.33	$6.72	$7.08
Diluted Shares Outstanding	201	205	209	213
Dividends Per Share	$4.03	$4.27	$4.53	$4.80
Dividend Yield	3.9%	4.1%	4.4%	4.7%
Payout Ratio on Utility net Parent	67%	68%	67%	67%
Equity Ratio	34%	34%	35%	35%
FFO/Net Debt	13%	14%	13%	13%
Parent Debt/Total Debt	21%	21%	20%	20%
Valuation Metrics				
P/E	17.2x	16.3x	15.3x	14.5x
EV/EBITDA	11.7x	9.6x	10.1x	10.0x
Segment EPS				
Utility	$7.35	$7.65	$8.07	$8.46
Parent & Other	($1.36)	($1.33)	($1.33)	($1.34)
Utility net parent/other	**$5.99**	**$6.32**	**$6.74**	**$7.11**
Utility segment				
Earned utility book ROE	8.9%	9.1%	9.3%	9.3%
Average Rate Base ($M)	$31,749	$33,377	$35,460	$38,021

Source: Wolfe Research Utilities & Power Research

Exhibit 37: Modeling Assumptions

	2021E	2022E	2023E	2024E
Total Capital Spending				
Utilities	3,415	3,510	4,560	4,635
Entergy Nuclear	10	5	0	0
Parent & Other	60	45	40	41
Total Capex	**$3,485**	**$3,560**	**$4,600**	**$4,676**
Financings ($M)				
Total Equity Issued/(Repurchased)	$360	$350	$400	$400
Total Debt Issued/(Repurchased)	575	950	925	1,375

Source: Wolfe Research Utilities & Power Research

Evergy (EVRG)

1. What were some of the key messages from your Analyst Day? What do you think investors are missing and what will it take for EVRG to become a premium utility?
2. David and Kirk, now that you've been at EVRG for almost a year, what do you see as areas where you can add value and spur improvement? What are some of EVRG's existing strengths?
3. What is your conviction in your long-term EPS target of 6-8% growth? What brings you to the top-end of low-end of the range? What levers can you pull to offset unexpected headwinds in any given year?
4. Please summarize your latest Integrated Resource Plan. How are you thinking about the fleet transition overall and why not retire coal sooner? How do securitization laws change/help with this transition? How concerned are you about reliability? What is your pitch to ESG investors?
5. What caused you to pull forward some of your wind plans while pushing out your solar plans? Is there any concern that supply chain and inflation issues could last longer? How confident are you that you will be able to own these assets in rate base?
6. Please discuss the wind PPA buyout opportunity. How should we think about the economics and rate impact of this? How accepting do you think the PPA counter-parties and regulators will be to this?
7. How could the Democratic tax incentive proposals change your plans? How does the direct pay option impact your business?
8. Can you please preview your upcoming rate cases in both states? What will be the key items you are looking to recover? How big could the rate ask be? How will you address the Sibley issue in Missouri? Do you expect it to be contentious or will settlements be achievable?
9. What do you expect to be the long-term cadence of rate case filings? Do you have the necessary regulatory mechanisms to file less frequently? What are the prospects for renewing PISA legislation? Are you concerned about regulatory lag in Missouri if this isn't renewed?
10. How are you tracking on regional rate competitiveness? Particularly in Kansas, has the noise around this calmed down?
11. How are you tracking on your cost cutting targets? What will it take to get to first quartile? How much rate headroom could you create?
12. Where do you see transmission opportunities long-term within SPP? When will these become more evident?
13. How are you tracking on credit metrics? When do you become a cash taxpayer? How long can you avoid equity issuances?
14. You saw an outsized positive contributed from your power marketing and ventures businesses in 2021? Was this truly a one-off or are there ways to manage these each year to be upside earnings contributors?
15. Where do we stand in terms of Elliott and Bluescape's involvement in the stock? Is there anything more they are looking for that hasn't been addressed? Is M&A officially off the table?

Exhibit 38: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.55	$3.54	$3.84	$4.04
Consensus EPS	$3.54	$3.54	$3.77	$4.02
Dividends Per Share	$2.18	$2.33	$2.49	$2.67
Dividend Yield	3.4%	3.7%	3.9%	4.2%
Dividend Payout Ratio	61%	66%	65%	66%
FFO/Net Debt	17%	16%	16%	16%
Diluted Shares Outstanding	228	229	229	229
Valuation Metrics				
P/E	18.0x	18.0x	16.6x	15.8x
Price/Book	1.6x	1.5x	1.5x	1.4x
Segment EPS				
MO/KS Metro (KCP&L)	1.36	1.34	1.42	1.44
Missouri West (GMO)	0.47	0.49	0.54	0.60
Kansas Central (Westar)	1.88	1.87	2.04	2.16
Parent & Other	(0.16)	(0.16)	(0.16)	(0.16)
Total EPS	**$3.55**	**$3.54**	**$3.84**	**$4.04**
KCP&L				
Realized ROE	10.2%	9.9%	10.2%	10.1%
Average Rate Base	$6,131	$6,296	$6,459	$6,617
GMO				
Realized ROE	11.0%	10.2%	10.1%	10.2%
Average Rate Base	$1,871	$2,118	$2,360	$2,595
Westar				
Realized ROE	10.7%	9.9%	10.0%	9.9%
Average Rate Base	$8,194	$8,850	$9,503	$10,150

Source: Wolfe Research Utilities & Power Research

Exhibit 39: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
KCP&L	$586	$605	$598	$617
GMO	$391	$403	$399	$411
Westar	$977	$1,008	$997	$1,028
Parent & Other	$0	$0	$0	$0
Total Capex	**$1,953**	**$2,016**	**$1,993**	**$2,055**
Financing ($M)				
Total Equity Issued/(Repurchased)	$115	$0	$0	$0
Total Debt Issued/(Repurchased)	$450	$550	$550	$525
Sales Forecast				
KCP&L	4.9%	-0.4%	0.5%	0.5%
GMO	5.5%	-0.9%	1.0%	1.0%
Westar	0.0%	0.0%	0.0%	0.0%

Source: Wolfe Research Utilities & Power Research

November 5, 2021

Eversource Energy (ES)

General

1. What's the upside/downside risks to your LT EPS growth target of the upper half of 5-7%?
2. How would Biden's clean energy plan and tax credits impact your business?
3. When do you anticipate adding offshore wind into your growth target? How much EPS could the three projects add in the first full year of operations?
4. How much new equity do you project through 2026? Do you need any more to fund offshore wind?
5. Will you grow the dividend in line with EPS, even after incorporating offshore wind? What's your target payout ratio?
6. What are your thoughts on M&A? Do you see consolidation in electric, gas or water?

Offshore wind

7. What is the status of your projects with JV partner Ørsted? Can you meet the timelines? What are the key risks to meeting them?
8. How has Biden's offshore wind goals impacted your pending projects and longer-term strategy? What do you think of the changes at BOEM and in the key administrative offices (Commerce, Energy, Interior, Labor)?
9. What is your potential offshore wind market opportunity? Which states are driving that?
10. What do you expect from MA lawmakers on changing the price criterion for future auctions?
11. What ROE do you expect from your pending projects? Is it still mid-teens? What is your hurdle rate for future offshore wind projects?
12. How will offshore wind impact customer bills and reliability?
13. What are risks from cost inflation for your offshore wind projects? How much of your costs are locked up right now?

Utilities

14. How do you feel now on CT regulation?
15. When do you plan to file rate cases for both CL&P and Yankee Gas?
16. What is the latest on your MA electric utility? How about your MA gas utility business? How is performance-based ratemaking working? When will you file a next round of rate cases in MA?
17. Do you expect to earn your allowed returns at each of your utilities through your planning period?
18. What are the investment opportunities outside of your 2021-25 capital plan? What is the upside from AMI, grid mod, EV, storage, water investments if approved?
19. What is the risk from the proposed elimination of the RTO/ISO ROE adder (50bp) and general tone on ROEs from FERC? What FERC ROE do you assume in your outlook?

Exhibit 40: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.87	$4.13	$4.40	$4.65
Diluted Shares Outstanding	342	345	349	353
Dividends Per Share	$2.41	$2.56	$2.72	$2.89
Dividend Yield	2.9%	3.1%	3.2%	3.4%
Dividend Payout Ratio	62%	62%	62%	62%
Equity ratio	44%	43%	43%	43%
FFO/Net Debt	14%	14%	14%	14%
Valuation Metrics				
P/E	21.7x	20.3x	19.0x	18.0x
P/B	2.0x	1.9x	1.8x	1.7x
Segment EPS				
Electric Distribution	$1.69	$1.79	$1.88	$1.96
Electric Transmission	1.52	1.63	1.70	1.74
Gas Distribution	0.51	0.58	0.67	0.77
Water	0.12	0.13	0.14	0.15
Parent/Unregulated/Other	0.02	0.00	0.02	0.03
Total EPS	**$3.87**	**$4.13**	**$4.40**	**$4.65**
Subsidiary EPS				
NSTAR Electric	$1.37	$1.44	$1.53	$1.61
Connecticut Light & Power	1.37	1.48	1.52	1.54
Public Service Co. of New Hampshire	0.47	0.49	0.52	0.55
Water	0.12	0.13	0.14	0.15
Yankee Gas	0.23	0.24	0.27	0.30
NSTAR Gas	0.19	0.21	0.23	0.26
Columbia Gas	0.09	0.12	0.17	0.21
Parent/Unregulated/Water	0.02	0.00	0.02	0.03
Total EPS	**$3.87**	**$4.13**	**$4.40**	**$4.65**

Source: Wolfe Research Utilities & Power Research

Exhibit 41: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending by Segment ($M)				
Electric Distribution	$1,457	$1,580	$1,628	$1,564
Transmission	1,065	915	853	761
Gas Distribution	636	654	699	662
Water	149	143	154	162
Gas Pipelines	0	0	0	0
Other	217	249	211	194
Total Capital Spending	**$3,524**	**$3,541**	**$3,545**	**$3,343**
Financings ($M)				
Total Equity Issued/(Repurchased)	$0	$233	$233	$233
Total Debt Issued/(Repurchased)	1,775	1,500	1,350	1,075
Sales Growth Forecast				
NSTAR Electric	0.0%	0.0%	0.0%	0.0%
Connecticut Light & Power	0.0%	0.0%	0.0%	0.0%
Public Service Co. of New Hampshire	0.0%	0.0%	0.0%	0.0%
Western Massachusetts Electric Co.	0.0%	0.0%	0.0%	0.0%
Yankee Gas	2.0%	2.0%	2.0%	2.0%
NSTAR Gas	2.0%	2.0%	2.0%	2.0%

Source: Wolfe Research Utilities & Power Research

Exelon Corp. (EXC)

General

1. How does the recent IL legislation impact your businesses?
2. What is the latest on your merchant SpinCo? When will you complete the spin?
3. When will you give a long-term outlook for RemainCo and SpinCo?
4. How would proposed nuclear PTCs impact SpinCo? How would the Biden's clean energy plan impact both businesses generally?
5. How have rising natural gas and power prices impacted your businesses?
6. Have you seen inflationary pressures? Are they manageable?

ExGen/SpinCo

7. How will you layout the growth outlook for SpinCo? Will you provide EBITDA or EPS guidance? What is a good base year?
8. What modeling disclosures will you provide? Will you forecast 3-years out, as you previously did before PJM auctions were put on hold?
9. What is the breakdown of EBITDA by wholesale generation and retail supply? Do you still see $2-4/MWh margin in the retail business?
10. How about nuclear vs nonnuclear EBITDA? How much of your EBITDA comes from ZECs or state support in 2022 or 2023?
11. What are the prospects for nuclear PTCs? How much upside do you project if the latest language (6 years) was enacted?
12. Have you seen any progress on support for your nuclear plants in other states, like PA?
13. When will the next PJM auction occur? Do you see prices going up or down from last June's auction? How does the recent IL law impact your view of the auction?
14. What level of O&M reductions do you project next year and beyond? Do you see potential for consolidation in the merchant space, particularly nuclear operators?
15. How much leverage will SpinCo carry? Do you have a targeted D/EBITDA coverage or cap structure?
16. What are SpinCo's capital allocation priorities? Will SpinCo pay a dividend? What's the payout target?

Utilities/RemainCo

17. What is the investment story for RemainCo? What are its ESG credentials?
18. What is your conviction on 6-8% LT EPS growth for RemainCo? What are your payout and dividend growth targets?
19. How much equity does RemainCo need to fund growth? Where do you anticipate FFO/debt?
20. What are your plans in IL/Comed? How much of your utility business are in multiyear rate plans? Are there any key rate cases upcoming?

WOLFE RESEARCH

Utilities & Power

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Exhibit 42: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS (utility/parent only post '21)	$2.74	$2.26	$2.38	$2.52
Consensus EPS	$2.80	$3.38	$3.47	$3.48
Dividends Per Share	$1.53	$1.35	$1.43	$1.51
Payout on Utility net Parent	73%	60%	60%	60%
Equity ratio	46%	34%	34%	35%
FFO/Net Debt	18%	14%	14%	14%
Diluted Shares Outstanding	982	987	993	999
Valuation Metrics				
P/E	19.8x	24.0x	22.7x	21.5x
Dividend Yield	2.8%	2.5%	2.6%	2.8%
Segment EPS - Utility post '21				
Generation	$0.64			
ComEd	0.81	0.87	0.91	0.95
PECO	0.54	0.60	0.64	0.70
BGE	0.41	0.45	0.47	0.50
Pepco	0.60	0.64	0.67	0.72
Parent	(0.26)	(0.29)	(0.32)	(0.34)
Total EPS	**$2.74**	**$2.26**	**$2.38**	**$2.52**
Utility, net Parent EPS	**$2.09**	**$2.26**	**$2.38**	**$2.52**
ExGen Key Stats				
Adjusted EBITDA		$2,880	$2,654	
Mark to Market Adj EBITDA				
Free Cash Flow	1,480	1,866	1,717	
FFO/Net Debt	56%	104%	201%	
Realized ROE by Utility				
ComEd	8.9%	9.0%	9.0%	9.1%
PECO	11.0%	11.0%	11.0%	11.0%
BGE	10.0%	10.0%	10.0%	10.0%
Pepco	9.8%	9.9%	9.9%	9.9%
Average Rate Base ($M)	$45,914	$49,767	$53,153	$56,670

Source: Wolfe Research Utilities & Power Research

Exhibit 43: Modeling Assumptions

Assumptions - Utility post '21	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
ComEd	$2,400	$2,450	$2,500	$2,325
PECO	1,250	1,275	1,275	1,400
BGE	1,200	1,250	1,225	1,200
Pepco	1,675	1,725	1,700	1,825
Generation (EXC interest)	600			
Nuclear Fuel (EXC interest)	650			
Parent/other	0	0	0	0
Total Capex	**$7,775**	**$6,700**	**$6,700**	**$6,750**
Financings - Utility post '21				
Equity Issued/(Repurchased)	$200	$267	$267	$267
Debt Issued/(Repurchased)	2,475	2,400	2,275	1,850
Midwest % Hedged	**95.5%**	**90.0%**	**60.0%**	
Hedge/Retail Price ($/MWh)	27.00	27.00	27.00	
Wholesale Mkt Price ($/MWh)	23.68	41.13	31.69	
Mid-Atlantic % Hedged	**99.5%**	**90.0%**	**60.0%**	
Hedge/Retail Price ($/MWh)	34.50	34.50	34.50	
Wholesale Mkt Price ($/MWh)	26.75	48.31	37.67	
Power Generated / Purchased (TWh)				
Midwest	97.3	97.3	97.3	
Mid-Atlantic	52.9	57.2	57.2	
ERCOT	20.3	20.3	20.3	
New York	20.3	25.7	25.7	
New England	3.8	4.2	4.2	
Other	6.8	6.8	6.9	
Total	**201.3**	**211.6**	**211.6**	
Capacity Revenue ($M)				
PJM	921	689	520	
Other	119	122	98	
Total	**1,040**	**811**	**618**	
Nuke subsidies ($M)				
IL - Clinton and QC ZECs	235	235	235	
IL - Braidwood, Byron, Dresden	-	(384)	(163)	
NJ	86	86	86	
NY	425	550	593	
Total	**745**	**487**	**750**	

Source: Wolfe Research Utilities & Power Research

November 5, 2021

FirstEnergy Corp. (FE)

1. Can you review your recently filed Ohio rate settlement? How were you able to get all the parties to come together? Is there any risk to PUCO approving it? How should we think about the ongoing earnings impact of these bill credits and can they be offset in other ways? What are you expecting in terms of earned ROEs on rate base going forward? Do you feel you have de-risked the SEET construct and 2024 rate case?
2. What is the latest on all the pending audits in Ohio and are there further risks? What did you think of the DCR and corporate separation audit results? What litigation still needs to be worked out elsewhere – shareholders, SEC, FERC, other states?
3. How are you thinking about the Ohio regulatory environment going forward? Does it feel like you're turning the page in terms of regulatory relations? Where has new PUCO Chair French been focused? Where do you see legislation going that is seeking to end ESPs? Is there anything else to monitor at the regulatory or legislative level?
4. How is the asset sale process going and how soon can we expect an announcement? What led you to decide on a transmission stake versus your other assets? Was there no path to exit your coal exposure in West Virginia? Do you still think 30x P/Es are achievable?
5. How are you thinking about your balance sheet and equity needs going forward? What is your current FFO/Debt and where would you like to be relative to your thresholds? How soon could the rating agencies move you back to investment grade? You alluded to exploring options to raise equity capital beyond the transmission sale – what did you mean by this? Will there be ongoing equity needs once you refresh your plan?
6. When do you expect to file your next rate cases in any other jurisdictions? What is your risk from lower FERC transmission ROEs or removal of the RTO adder? Do you see the opportunity for any large-scale transmission projects long-term? How big could the offshore wind transmission opportunity be in New Jersey?
7. Can you describe the FE Forward initiative? What are the benefits from a cash flow and cost savings perspective? Could this create capex opportunities long-term?
8. What are you most focused on in the Biden clean energy bill? Could his be a catalyst to adding more renewables in West Virginia? Do you see any risks from a minimum book tax?
9. Are you seeing any pressures from inflationary costs or rising power/nat gas prices?
10. What do you believe Icahn's intentions are? How has their Board presence helped?
11. Once Ohio is resolved and the asset sale concludes, where are you focused? Would you consider M&A at all? Any other strategic ideas?
12. Given the potential pressures on 2022 from the Ohio rate credits, how should we think about a base year when you resume your long-term earnings guidance? Do you think linear growth at levels similar to utility peers is doable? When could dividend growth resume?
13. What are you seeing in terms of load growth across your service territories? How are things looking coming out of the peak of COVID?

Exhibit 44: Financial Summary

Financial Summary	2021E	2022E	2023E
EPS	$2.60	$2.42	$2.62
Consensus EPS	$2.59	$2.54	$2.66
Dividends Per Share	$1.56	$1.56	$1.56
Dividend Yield	4.0%	4.0%	4.0%
Dividend Payout Ratio	60%	64%	59%
FFO/Net Debt	11%	13%	14%
Diluted Shares Outstanding	545	548	551
Valuation Metrics			
P/E	15.0x	16.1x	14.8x
Price/Book	2.7x	2.5x	2.3x
Segment EPS			
Distribution	2.22	2.16	2.25
Transmission	0.88	0.80	0.90
Parent & Other	(0.51)	(0.54)	(0.52)
Utilities (ex-DMR) Net-Parent	**$2.60**	**$2.42**	**$2.62**
Total EPS	*$2.60*	*$2.42*	*$2.62*

Source: Wolfe Research Utilities & Power Research

Exhibit 45: Modeling Assumptions

Assumptions	2021E	2022E	2023E
Capex by Segment ($M)			
Ohio Edison	$305	$279	$259
Cleveland Illuminating	$213	$195	$180
Toledo Edison	$72	$66	$61
Met-Ed	$183	$181	$170
Penelec	$168	$167	$156
WestPenn Power	$214	$212	$199
Jersey Central Power & Light	$180	$175	$170
MonPower	$224	$237	$227
Potomac Edison	$126	$133	$128
FE Transmission	$750	$845	$853
Transmission Other	$350	$463	$423
Parent & Other	$90	$65	$55
Total Capex	**$2,875**	**$3,018**	**$2,880**
Financing ($M)			
Total Equity Issued/(Repurchased)	$105	$120	$120
Total Debt Issued/(Repurchased)	($321)	$484	$234
Sales Forecast			
Ohio Distribution	0.0%	0.0%	0.0%
Pennsylvania Distribution	0.4%	0.4%	0.4%
New Jersey Distribution	1.0%	1.0%	1.0%
West Virginia / Maryland Distributior	0.0%	0.0%	0.0%

Source: Wolfe Research Utilities & Power Research

Fortis (FTS)

1. You just laid out an extensive five-year capital plan refresh. What were some of the key components? Where do you see potential upsides? Is there any regulatory or construction risk? At what subsidiary are you seeing the most opportunity for investment?
2. You target 6% rate base growth and 6% dividend growth. What drove the decision not to extend the dividend growth guidance another year? How should we think about EPS growth and why not give an official target (same goes for annual EPS guidance)? Why has earnings lagged rate base growth so materially in recent years and is there anything that can be done to establish a smoother trajectory?
3. How do you view the company's positioning from an ESG perspective? What are some of the key components in your transition from coal to renewables in Arizona? How are you thinking about this with respect to your gas business in British Columbia?
4. Please review the current funding plan. How do you weigh increasing capex versus tapping equity markets? What are your targeted credit metrics? Are you actively looking to improve your ratings?
5. What is the latest on FERC transmission ROEs and incentives? How did you view the latest NOPR and are your expecting this to be enacted? What is your sensitivity to transmission ROEs? What direction would you like to see FERC go in terms of reforms on planning, cost allocation, etc?
6. How are you thinking about opportunities and risks from the Biden plan? What impact would a transmission ITC have? What about renewables tax credits? Would direct pay help your balance sheet? Is there any risk from the minimum book tax? Any federal changes in Canada that we should be focused on that could impact your outlook?
7. How should we think about the long-term transmission opportunity at ITC given the renewables backlog in MISO/SPP? When will we get an update on the MISO long-range transmission plan? What about the Lake Erie Connector? Where do you see other future large-scale opportunities?
8. What states do you have a right-of-first-refusal framework for transmission projects and is it possible this expands? How does the dynamic change if transmission is competitively bid?
9. Your rate case outcome a year ago and the most recent rate outcome for one of your peers in Arizona was obviously very different. How else do you give investors comfort though? Are you concerned about your next rate case filing and when will it be? Do you still think getting a renewables rider is doable? What else do you need to achieve from a regulatory perspective in Arizona as it relates to your Integrated Resource Plan?
10. Is there any hope of improving allowed ROEs and equity ratios in Canada? What does the upcoming regulatory set-up look like?
11. Can you review the components of your New York rate settlement? How was COVID treated there and what is still outstanding on that front?
12. What is the opportunity in Canada around LNG? Over what timeline could this be realized?
13. How are you thinking about risks this year (and longer-term) from a weaker FX rate? How confident are you that you can offset this with higher capex?
14. You have a history of acquisitions in the U.S. Why have you pursued this strategy and why are you now focusing on organic growth? Are there any businesses you are looking to divest given furthering of investor preferences for pure plays, along with some of the sale multiples seen in the sector? Is there any opportunity to move to full ownership of ITC? How much capacity does your balance sheet have?

Exhibit 46: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.72	$2.92	$3.10	$3.24
Consensus EPS	$2.68	$2.88	$3.03	$3.20
Dividends Per Share	$2.05	$2.17	$2.30	$2.44
Dividend Yield	3.7%	3.9%	4.1%	4.4%
Dividend Payout Ratio	75%	74%	74%	75%
FFO/Net Debt	13%	13%	13%	13%
Diluted Shares Outstanding	469	473	477	482
Valuation Metrics				
P/E	20.6x	19.2x	18.0x	17.3x
Price/Book	1.3x	1.2x	1.2x	1.2x
Segment EPS				
ITC	0.99	1.05	1.10	1.15
UNS	0.78	0.80	0.81	0.85
Central Hudson	0.18	0.20	0.23	0.24
BC Gas	0.35	0.37	0.41	0.44
Alberta	0.28	0.28	0.29	0.29
BC Electric	0.11	0.11	0.12	0.13
Other Electric	0.28	0.31	0.34	0.35
Energy Infrastructure	0.11	0.12	0.13	0.13
Parent & Other	(0.36)	(0.33)	(0.31)	(0.35)
Total EPS	**$2.72**	**$2.92**	**$3.10**	**$3.24**

Source: Wolfe Research Utilities & Power Research

Exhibit 47: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
ITC	$1,000	$998	$999	$1,010
UNS	$749	$704	$810	$924
Central Hudson	$71	$77	$36	$27
BC Gas	$306	$344	$335	$311
Alberta	$467	$622	$585	$798
BC Electric	$346	$445	$477	$494
Other Electric	$153	$156	$127	$120
Energy Infrastructure	$721	$621	$470	$357
Parent & Other	$0	$0	$0	$0
Total Capex	**$3,813**	**$3,967**	**$3,839**	**$4,041**
Financing ($M)				
Total Equity Issued/(Repurchased)	$233	$233	$233	$233
Total Debt Issued/(Repurchased)	$1,460	$1,525	$1,165	$1,305
Sales Forecast				
Electric (UNS + CH + Alberta + BC +	2.3%	1.4%	1.3%	1.3%
Gas (CH + BC)	0.4%	1.6%	1.6%	1.6%

Source: Wolfe Research Utilities & Power Research

November 5, 2021

NextEra Energy (NEE) / NextEra Energy Partners (NEP)

1. NEE still trades at the highest multiple in the sector by far – is there still upside from here?
2. What is your high level view of the Biden clean energy plan? What are the chances it passes in current form and what provisions are at most risk of change? What do certain provisions mean for your company (PTC/ITC for wind, solar, storage, nuclear, hydrogen, transmission; plus direct pay)? What are the impacts from the minimum book tax and is there a way for you to manage it?
3. Do you still have high conviction in hitting the top-end of your 6-8% EPS growth rate through 2023? What are some of the key drivers to the growth trajectory and how does the business mix of utilities and renewables evolve over time? When will you extend this outlook?
4. How are you tracking on renewables origination targets? Are you seeing any pressure on returns from increased competition, inflation, or supply chain? Has any of this seen a greater impact within wind versus solar (ie: tariffs and domestic content)? How do solar and wind economics compare right now? How are you seeing PPA demand evolve in the C&I and utility RFP market?
5. Where else are you seeing growth avenues within clean energy – hydrogen, resi solar, community solar, clean tech investing, bitcoin mining? What is the latest on the hydrogen front in particular as you have been talking to that for some time now? How much capital do you expect to deploy in these verticals in the coming years? Still skeptical on offshore wind?
6. What are your thoughts on the impact of EV adoption for the sector? What about electrification in general and how much demand can this add to the sector?
7. Can you walk us through some of the key components of your FP&L rate case settlement? Does this change your outlook at the utility business at all? Where do you see rate base growth tracking long-term?
8. How interested are you in pursuing additional regulated M&A? It seems you are continuing to do some things on the margin within your smaller transmission and water businesses. Where do you see these going over time?
9. What is the current funding strategy and how much capacity do you have on the balance sheet for M&A? What are the preferred ways to use this capacity, and how pressing of a need is it? How much can we expect in terms of equity needs going forward? How much can the business mix change and still maintain the same credit thresholds? What are other ways to recycle capital beyond NEP and will this become more prevalent?
10. Please review why a successful NEP is important for the outlook of NEE. How long can you continue distribution growth at 15% based on NEE's current backlog?
11. How are you thinking about the growth opportunities for NEP? How do you balance convertible portfolio financings like the KKR/Blackrock deals to fund NEE drop-downs and third-party acquisitions?
12. How have you seen NEP's cost of capital come down over time? Do you expect more entrants into the YieldCo space?

Exhibit 48: Financial Summary (NEE)

Financial Summary	2021	2022	2023	2024
EPS	$2.53	$2.70	$2.92	$3.13
Consensus	$2.53	$2.74	$2.95	$3.16
Diluted Shares Outstanding	2,001	2,001	2,001	2,001
Dividends Per Share	$1.54	$1.69	$1.86	$2.05
Dividend Yield	1.8%	2.0%	2.2%	2.4%
Dividend Payout Ratio	61%	63%	64%	65%
Equity Ratio	37%	37%	38%	40%
FFO/Net Debt	21%	21%	20%	20%
Valuation Metrics				
P/E	33.4	31.4	29.0	27.1
EV/EBITDA	18.7	17.6	16.5	15.5
Price/Book	4.9	4.7	4.4	3.8
FCF Yield	0%	-1%	1%	1%
Segment EPS	$1.12	$1.20	$1.31	$1.31
Florida Power & Light	$1.27	$1.36	$1.46	$1.55
NextEra Resources	$1.14	$1.22	$1.33	$1.44
Gulf Power	$0.12	$0.13	$0.14	$0.16
Corporate & Other	($0.00)	($0.01)	($0.01)	($0.02)
Total	**$2.53**	**$2.70**	**$2.92**	**$3.13**

Source: Wolfe Research Utilities & Power Research

Exhibit 49: Modeling Assumptions (NEE)

	2021	2022	2023	2024
Total Capital Spending by Segment ($M)				
FP&L	5,725	5,725	5,725	5,725
Resources	5,950	6,900	6,900	6,900
Parent	45	45	45	45
Total Capex	**11,720**	**12,670**	**12,670**	**12,670**
Financings ($M)				
Total Equity Issued/(Repurchased)	0	0	0	0
Total Debt Issued/(Repurchased)	1,626	3,538	2,375	2,375
Sales Forecast				
FP&L	1%	1%	1%	1%

Source: Wolfe Research Utilities & Power Research

Exhibit 50: Financial Summary (NEP)

Financial Summary	2021E	2022E	2023E	2024E
Adjusted EBITDA	$1,446	$1,677	$1,778	$1,926
Consensus EBITDA	$1,685	$1,830	$1,950	
Cash Available for Distribution	$657	$748	$768	$813
Cash Distributed to Common Units	$471	$556	$657	$788
Cash Distributed to GP/IDRs	$128	$154	$185	$225
Coverage Ratio	1.4x	1.3x	1.2x	1.0x
Dividends Per Share	$2.60	$2.99	$3.43	$3.95
Dividend Yield	3.0%	3.4%	3.9%	4.5%
Cash Flow from Operation	$833	$936	$949	$993
Diluted Shares Outstanding	186	187	196	203
Market Capitalization	16,145	16,242	17,077	17,633
Net Debt	$2,721	$1,450	$1,940	$2,646
Enterprise Value	$18,866	$17,692	$19,017	$20,279
Valuation Metrics				
EV/EBITDA	13.0x	10.5x	10.7x	10.5x
CAFD Yield	4.1%	4.6%	4.5%	4.6%

Source: Wolfe Research Utilities & Power Research

Exhibit 51: Modeling Assumptions (NEP)

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
Maintenance	$10	$10	$10	$10
Growth	$1,426	$160	$320	$640
Total Capex	**$1,436**	**$170**	**$330**	**$650**
Financing ($M)				
Total Equity Issued/(Repurchased)	$50	$100	$100	$100
CEPF Issued less Cash Buyouts	$1,727	$960	($551)	($362)
CEPF Equity Buyouts	$664	$100	$960	$703
Total Debt Issued/(Repurchased)	($13)	($14)	($221)	($566)

Source: Wolfe Research Utilities & Power Research

NiSource (NI)

1. You recently raised your L-T outlook – still expecting to grow at 7-9% CAGR through 2024 but now off a higher 2021 base. What were the underlying factors driving that decision?
2. Can you discuss your preferred portfolio in NIPSCO's IRP? Is it likely that the company will own most of the replacement generation (up to $750M of incremental capex)? What factors does the IURC look at most when considering utility-owned vs PPA?
3. How does the timing of the Michigan City coal retirement (2026 or 2028) impact the timeframe for when you expect to make the investments in the replacement generation?
4. How sustainable is the 10%+ rate base growth that you are currently experiencing at each of your gas LDCs? What type of projects are you investing in?
5. Gas LDCs are back trading at a meaningful discount to electric utilities. Within that context, how do you think about your current business mix now and longer-term?
6. What is your current view on strategic M&A? Do the recent robust valuation markers impact your thinking at all with respect to potentially selling any of your gas LDCs? What type of criteria do you look at for evaluating asset sales?
7. Are you seeing any cost inflation for inputs in your renewable projects? What is the communication like with your developers on these projects – are they all currently on track/budget? What protections do you have in your contracts should something go awry?
8. What will be the timing for when your different renewable projects will go into service? How do you anticipate managing the regulatory lag until you have the projects reflected in rate base?
9. When do you expect to file your next electric rate case at NIPSCO? Any concern about getting full recovery of the renewable investments?
10. What is the latest with respect to your gas rate cases in OH, PA and IN? When should we expect to see intervenor testimony in each case? How do you feel about the ability to settle these cases?
11. Last year you announced a multi-year strategic initiative to improve your cost structure across the company. What specifically do you intend to pursue? What level of O&M are you targeting long-term?
12. How would you describe the company's investment proposition from and ESG perspective?
13. How do you see hydrogen playing a role in the sector long-term? Are there opportunities to use your existing LDC infrastructure for hydrogen or renewable natural gas? Are you working on any pilot programs?
14. What do you see as the biggest benefits for NI from the proposed reconciliation bill? How meaningful would a direct pay option be for potentially lowering future equity needs?

Exhibit 52: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$1.36	$1.45	$1.53	$1.74
Diluted Shares Outstanding	415	443	451	477
Dividends Per Share	$0.89	$0.94	$1.00	$1.06
Dividend Yield	3.5%	3.8%	4.0%	4.2%
Dividend Payout Ratio	65%	65%	65%	61%
Equity Ratio	38%	38%	36%	37%
FFO/Net Debt	15%	15%	14%	16%
Valuation Metrics				
P/E	18.5x	17.3x	16.4x	14.4x
Price/Book	1.9x	1.9x	1.8x	1.8x
EV/rate base	1.4x	1.3x	1.2x	1.2x
Segment EPS				
Gas Distribution	$1.09	$1.14	$1.23	$1.28
NIPSCO Electric	0.55	0.58	0.59	0.74
Parent & Other	(0.29)	(0.27)	(0.29)	(0.28)
Total EPS	**$1.36**	**$1.45**	**$1.53**	**$1.74**

Source: Wolfe Research Utilities & Power Research

Exhibit 53: Modeling Assumptions

Model Assumptions	2021E	2022E	2023E	2024E
Capital Spending by Segment ($M)				
Gas Distribution	$1,385	$1,435	$1,585	$1,535
Electric	590	1,090	1,940	490
Parent	25	25	25	25
Total Capex	**$2,000**	**$2,550**	**$3,550**	**$2,050**
Financings ($M)				
Total Equity Issued/(Repurchased)	$290	$290	$115	$40
Total Hybrids Issued/(Repurchased)	$863	$0	$863	$0
Total Debt Issued/(Repurchased)	$0	$650	$1,400	$500

Source: Wolfe Research Utilities & Power Research

OGE Energy (OGE)

1. What upsides/downsides do you see to your 5% EPS growth target for OG&E?
2. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
3. Rate base growth is a more modest than the sector average, but you have recently hinted at incremental capex being added in the future – when do you plan to refresh your capital plan next?
4. You recently filed a final IRP in OK and AR. Can you discuss the planned retirements and expected replacement capacity? When exactly will the replacement capacity be added? How much of the replacement capacity do you expect to own in rate base?
5. Since the ET/ENBL transaction was announced, ET's unit price is up ~30% – does that impact the timing of your exit from midstream? How should we think about use of proceeds?
6. How much tax leakage do you anticipate when you eventually sell your ET/ENBL units? Are there any strategies that you are working on to minimize the tax bill?
7. What do you see as the biggest benefits for OGE from the proposed reconciliation bill? How might it impact your pending IRPs in OK/AR?
8. When do you anticipate filing your next rate case in OK? What level of rate increase might you seek to push through? What will be the cadence for filing rate cases moving forward?
9. What still needs to be accomplished within the OK securitization proceeding regarding Winter Storm Uri costs? When you expect to receive the proceeds from the bonds?
10. How would you characterize the current regulatory environment in Oklahoma? Do you have the ability to earn your authorized 9.50% ROE?
11. What is your expectation for long-term load growth in your service territories? What does this translate to on a revenue or EPS basis?
12. What is your L-T dividend growth guidance? Do you have a targeted payout ratio? How might your thinking evolve here once you exit midstream?
13. Do you have any equity needs in the foreseeable future? Once you exit midstream, what credit metrics will you target?
14. What is your current view on M&A? Would you consider expanding OGE's utility footprint into any other states?

Exhibit 54: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.45	$2.14	$2.25	$2.34
Consensus	$2.26	$2.16	$2.23	$2.34
Diluted Shares Outstanding	200	200	200	200
Dividends Per Share	$1.60	$1.63	$1.66	$1.69
Dividend Yield	4.7%	4.8%	4.9%	5.0%
Dividend Payout Ratio	65%	76%	74%	72%
Equity Ratio	44%	48%	47%	46%
FFO/Net Debt	16%	20%	19%	19%
Valuation Metrics				
P/E	13.9x	16.0x	15.2x	14.6x
P/E (utility only)	18.9x	17.8x	16.8x	16.1x
Price/Book	1.8x	1.8x	1.7x	1.7x
Segment EPS				
OG&E	$1.81	$1.92	$2.04	$2.14
Midstream	0.64	0.22	0.22	0.22
Parent & Other	0.00	(0.01)	(0.01)	(0.02)
Total EPS	**$2.45**	**$2.14**	**$2.25**	**$2.34**
OG&E				
Realized W/A ROE	9.3%	9.4%	9.5%	9.5%
Average rate base	$7,296	$7,724	$8,090	$8,496

Source: Wolfe Research Utilities & Power Research

Exhibit 55: Modeling Assumptions

Model Assumptions	2021E	2022E	2023E	2024E
Spending by Segment ($M)				
Transmission	$150	$110	$115	$105
Distribution	300	310	285	320
Generation	105	85	125	125
Reliability and resiliency	295	280	285	285
Total Capex	**$850**	**$785**	**$810**	**$835**
Financings ($M)				
Total Equity Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	$1,300	($650)	$260	$280
OG&E Sales Forecast				
Residential	(0.9%)	1.0%	1.0%	1.0%
Commercial	5.1%	1.0%	1.0%	1.0%
Industrial	3.7%	1.0%	1.0%	1.0%
Oilfield	0.2%	1.0%	1.0%	1.0%
Public Authorities and other	9.0%	1.0%	1.0%	1.0%

Source: Wolfe Research Utilities & Power Research

PG&E Corp (PCG)

1. The stock has had a solid run the last month but remains at the deepest discount in the group. What is the investment case for PCG stock?
2. What are the risks to your 10% EPS CAGR through 2024? What are you projected equity needs?
3. How has new management acclimated to their roles this year? How have regulators and policymakers responded? Have you improved your use of PSPS and fast-trips shutoffs?
4. What is the latest on the Dixie Fire? What was your role and what evidence suggests you were prudent? What is the risk to your $1.15B preliminary estimate?
5. Safety certificate – What is the latest on your Wildfire Mitigation Plan? When do you expect to file and receive a decision on your next wildfire safety certificate?
6. Undergrounding – What has been the feedback to your 10k miles of undergrounding proposal? When will you provide more detail and provide a dollar amount? Is $2M/mile a reasonable estimate? How will you fund it?
7. What are your thoughts on the AB 1054? Is there anything you can do to provide better conviction to investors this model will work?
8. What is the latest on the 2019 Kincade and 2020 Zogg fires? What is the risk from criminal charges in both fires? Why are you confident no law was violated?
9. What is the latest on the six-step enhanced oversight and enforcement process under PCG's plan of reorganization? What is the risk you are moved to step 2 from step 1?
10. What do you expect from the off-cycle Cost of Capital filing? What are the next steps? What is the impact of a ROE cut from the CoC mechanism being triggered for 2022?
11. What's your overall view of CA regulation? Who do you expect Gov Newsom will appoint to replace outgoing-CPUC President Batjer?
12. What do you expect the FV Trust will do with its 24% of shares outstanding? Do you have strategies to deal with this stock overhang?
13. Do you see any investment opportunities to address the reliability issues in the state, such as storage (EIX just announced 535 MW in 2022)?
14. What are the L-T opportunities in CA generally, such as EVs, electrification, batteries, grid hardening?
15. Where is the customer bill heading both in the short-term from rising commodity prices and in the long-term from the clean energy transition?
16. What do you expect from NEM 3.0? Do you view residential solar as a threat or an opportunity? Would you partner with solar/storage developers? Do you agree with Sunrun's CEO that the time is now for "radical collaboration" with utilities on issues facing the power industry?
17. What is the latest in your FERC transmission business? What is the risk to earnings if FERC cuts incentives? What portion of your overall rate base is transmission?
18. Given your Gas LDC and GT&S businesses are over 25% of total rate base, do you have an opinion on the ESG debate over gas? How does gas fit into your LT strategy?
19. When can you resume paying the dividend? Do you need any regulatory or legal approval before resumption?
20. When do you expect the stock to join the S&P 500 Index? Will the 3Q21 charge related to the grantor trust impact the timing of joining the index?

Exhibit 56: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
Operating EPS	$1.01	$1.09	$1.19	$1.31
Consensus	$1.01	$1.10	$1.25	$1.33
Diluted Shares Outstanding	2,126	2,122	2,122	2,122
Dividends Per Share	$0.00	$0.00	$0.00	$0.39
Dividend Yield	0.0%	0.0%	0.0%	3.4%
Dividend Payout Ratio	0%	0%	0%	30%
Equity Ratio	38%	39%	40%	42%
FFO/Total Debt	4%	16%	18%	18%
Cash on hand ($millions)	$1,167	$1,187	$1,863	$1,080
Valuation Metrics				
P/E	11.5x	10.7x	9.8x	8.9x
Price/Book	1.1x	1.0x	0.9x	0.9x
Segment EPS				
Utility	$1.05	$1.11	$1.21	$1.33
Parent	(0.03)	(0.03)	(0.02)	(0.02)
Total	**$1.01**	**$1.09**	**$1.19**	**$1.31**
Utility				
Realized ROE ex safety spend	9.0%	9.1%	8.5%	8.7%
Avg Rate Base ex safety spend	$47,182	$49,421	$57,798	$62,004

Source: Wolfe Research Utilities & Power Research

Exhibit 57: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending ($M)				
Electric Distrn (incl wildfire)	$3,800	$3,700	$4,200	$3,900
Gas Distribution	1,100	1,100	1,200	1,200
Generation	300	300	300	200
Common Plant	700	800	800	800
Electric Transmission	1,400	1,600	1,600	1,600
Cornerstone	0	0	0	0
Other	0	0	0	0
Total Capex	**$8,000**	**$8,300**	**$9,000**	**$8,600**
Financings ($M)				
Equity Issued/(Repurchased)	$0	$0	$0	$0
Debt Issued/(Repurchased)	(1,485)	1,370	1,671	419
Wildfire legislation				
Annual mandated safety spend	$1,300	$900	$0	$0
Fund contributions	(193)	(193)	(193)	(193)
Sales Forecast				
Electric Customer Growth	0.0%	0.0%	0.0%	0.0%
Gas Customer Growth	1.8%	1.8%	1.8%	1.8%

Source: Wolfe Research Utilities & Power Research

Pinnacle West Capital Corp (PNW)

1. How should we think about your 5-7% EPS CAGR over the near-term off the new 2022 base? Is growth in 2023 likely to be outside of the range until you get rate relief in your next rate case?
2. What is your strategy moving forward to better align yourself with your regulators?
3. What Commissioners are up for re-election next year? Any thoughts as to whether the Democratic momentum continues from the last election?
4. Can you discuss the timeline for resolution of the upcoming legal challenge of your 2019 rate case? Is there any precedent in the state of Arizona for similar challenge?
5. When do you anticipate filing your next rate case? What equity layer will you have at APS in your test year? Do you see any risk of the Commission imputing holding company debt into your allowed regulatory capital structure?
6. Can you remind us where you stand on your renewable energy procurement efforts – what do you have currently in your capex forecast and what could still be upside through 2024? What would it take to get a renewable energy rider in Arizona?
7. FERC transmission ROEs have been coming down across the country for several utilities – do you see any risk of this happening to you, particularly with a fully Democratic FERC?
8. Is retail competition viable in Arizona? What are the specific legal hurdles? Which commissioners have expressed support for retail competition?
9. What needs to happen for securitization to become a viable option in Arizona? Where might this be a beneficial tool for the company?
10. How should we think about future dividend growth given the EPS re-set coming out of the rate case? How long do you anticipate that it will take to get within the targeted 65-75% payout ratio?
11. How confident are you in your long-term 1.5-2.5% weather adjusted sales growth target? What does this translate into on an EPS basis?
12. How should we think about equity needs over the next few years, particularly once investments in renewables start to ramp up?
13. Can you talk about the pilot program for hydrogen at Palo Verde? What is PNW’s role within the group that is collaborating on the project?
14. What do you see as the biggest benefits for PNW from the proposed reconciliation bill? How meaningful would a direct pay option be for potentially lowering future equity needs?
15. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices?
16. What are your thoughts on M&A – does that ever become an option, buyer or seller?

Exhibit 58: Financial Summary

Financial Summary	2021E	2022E	2023E
EPS	$5.01	$4.23	$4.37
Diluted Shares Outstanding	113	118	123
Dividends Per Share	$3.23	$3.27	$3.32
Dividend Yield	5.1%	5.1%	5.2%
Dividend Payout Ratio	64%	77%	76%
Equity Ratio	46%	48%	46%
FFO/Net Debt	17%	16%	16%
Valuation Metrics			
P/E	12.7x	15.0x	14.6x
Price/Book	1.2x	1.1x	1.2x
Segment EPS			
Arizona Public Service	$5.29	$4.52	$4.64
Parent & Other	(0.28)	(0.30)	(0.28)
Total EPS	**$5.01**	**$4.23**	**$4.37**
Consolidated			
Earned ROE	9.8%	8.1%	8.2%
Avg Equity (ex noncontrolling int)	$5,734	$6,133	$6,496

Source: Wolfe Research Utilities & Power Research

Exhibit 59: Modeling Assumptions

Assumptions	2021E	2022E	2023E
Total Capital Spending ($M)			
Distribution	$557	$556	$549
Generation	203	190	187
Transmission	185	181	179
Environmental/Renewables	314	392	406
Other	221	181	179
Total Capex	**$1,480**	**$1,500**	**$1,500**
Nuclear Fuel Purchases ($M)	72	72	72
Financings ($M)			
Total Equity Issued/(Repurchased)	$0	$700	$0
Total Debt Issued/(Repurchased)	600	100	650
Sales Forecast			
Residential	1.0%	1.5%	1.5%
Commercial and Industrial	1.0%	1.5%	1.5%
Wholesale & Other	0.0%	0.0%	0.0%

Source: Wolfe Research Utilities & Power Research

November 5, 2021

Portland General Electric (POR)

1. You have pointed to a 4-6% L-T EPS growth target off a 2019 base – what are upsides or downsides to that target?
2. Can you discuss your IRP action plan? Where do you expect the company to be most competitive in the RFP? How should we think about equity needs as it relates to future generation investments?
3. Can you talk about your Green Future Impact program? Recently the OPUC issued an order to expand the program by 200 MW – what is the possibility of POR being able to build and own a portion of those renewable resources?
4. What do you see as the biggest benefits for POR from the proposed reconciliation bill? How meaningful would a direct pay option be for potentially lowering future equity needs?
5. What is your latest with respect to your pending rate case in Oregon? Initial Staff testimony looked a bit punitive – why do you think there is such a big gap vs you and Staff? How do you feel about being able to reach a full settlement?
6. You have several deferrals outstanding that total around $150M (COVID, wildfires, ice storms, NVPC) – can you talk about creative ways to mitigate future bill impacts for customers? Do you see any risk that some portion of these could be disallowed?
7. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
8. There has been a good amount of damage done to your system recently from extreme weather events. Can you talk about what investments are you making to harden your system?
9. Can you talk about the recently enacted HB 2021? What needs to be done to meet the interim clean energy target by 2030? Is 100% clean by 2040 feasible?
10. The Commodity Futures Trading Commission (CFTC) and Division of Enforcement at the SEC opened an investigation into the company for the 2020 energy trading losses. Can you talk about a likely timeline for the investigation and any potential outcomes? Any other outstanding legal items related to the trading losses?
11. What steps can you take, or have you taken to reduce the earnings volatility of the company? Has there been discussions to replace the Power Cost Adjustment Mechanism (PCAM) with the OPUC?
12. You have historically guided to 70-80bps of structural regulatory lag – is there anything that can be done to close that gap?
13. What is your guidance for O&M going forward? Do you have the opportunity to meaningfully cut costs in order to offset some of the company's structural lag?

Exhibit 60: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.78	$2.82	$2.93	$3.00
Diluted Shares Outstanding	90	90	90	90
Dividends Per Share	$1.70	$1.79	$1.89	$1.99
Dividend Yield	3.5%	3.6%	3.8%	4.1%
Dividend Payout Ratio	63%	64%	65%	66%
Equity Ratio	46%	46%	46%	47%
FFO/Net Debt	18%	21%	20%	20%
Valuation Metrics				
P/E	17.7x	17.5x	16.8x	16.4x
Price/Book	1.6x	1.6x	1.5x	1.5x
Realized ROE	8.8%	8.8%	8.8%	8.9%
Average Rate Base ($M)	$5,490	$5,759	$5,946	$6,077

Source: Wolfe Research Utilities & Power Research

Exhibit 61: Modeling Assumptions

	2021E	2022E	2023E	2024E
Total Capital Spending ($M)				
Hydro Relicensing	$0	$0	$0	$0
Ongoing capital expenditures	630	630	550	550
Other IRP Renewable Investments	0	0	0	0
Operations Center	70	25	0	0
Total Capex	**$700**	**$655**	**$550**	**$550**
Financings ($M)				
Total Equity Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	$150	$0	$50	$0
Sales Forecast				
POR	1.3%	1.0%	1.0%	1.0%

Source: Wolfe Research Utilities & Power Research

PPL Corp (PPL)

1. What EPS growth do you project for pro forma PPL? Off what base EPS? What are the drivers?
2. When will you lay out a complete plan and LT financial outlook?
3. What level of earnings do you project for your legacy KY/PA utilities and NEC? How should we view the growth/decline of your parent drag?
4. What attracted you to NEC? When do you expect a decision from RI regulators? What have intervenors said?
5. How are you tracking on your $1B share buyback program by YE21?
6. Describe your plans for $1-2B of buybacks and/or $1-2B of "additional utility capex" by 2025? Are you toggling between the two? Is the utility capex number the equity or the total?
7. Why are you targeting a 16-18% FFO-to-debt?
8. When do you expect to cut the dividend? What is your pro forma dividend policy? What payout target do you envision?
9. What portion of pro forma rate base is coal? What is your fleet transition strategy? How do you expect to achieve that? Is there an active or upcoming proceeding that will inform your plans?
10. What is your fleet transition strategy in KY, based on the recent IRP filing? How would Biden's clean energy plan and tax credits impact fleet transition?
11. What is the impact to your earnings/cash outlook if natural gas and purchased power prices rise?
12. How about inflationary pressure? Do you see it as manageable?
13. What is your rate case schedule in PA? What are your earned returns?
14. With your ROE challenge at FERC complete, what level of earnings do you project at PA transmission?
15. What are your thoughts on future M&A? Did you have any interest in utility assets recently put up for sale?

Exhibit 62: Financial Summary

Financial Summary	2021E	2022E	2023E
EPS	$1.08	$1.66	$1.77
Consensus EPS	1.20	1.62	1.82
Dividends Per Share	1.66	1.04	1.11
Dividend Yield	5.7%	3.6%	3.8%
Dividend Payout Ratio	153%	63%	63%
Diluted Shares Outstanding	767	723	711
FFO/Net Debt	11%	17%	17%
Valuation Metrics			
P/E	26.7x	17.4x	16.3x

Segment EPS	2021E	2022E	2023E
Kentucky		$0.73	$0.76
Narragansett (RI)		0.21	0.24
Pennsylvania		0.74	0.81
Parent & Other		(0.03)	(0.03)
Total EPS		**$1.66**	**$1.77**

Source: Wolfe Research Utilities & Power Research

Exhibit 63: Modeling Assumptions

Capex Assumptions	2021E	2022E	2023E
Kentucky	$1,200	$925	$925
Narragansett (RI)	252	275	299
Pennsylvania	900	1,175	975
Parent & Other	0	0	0
Total Capex	**$2,352**	**$2,375**	**$2,199**
Regulated Utility Assumptions			
Kentucky Regulated:			
Total Average Rate Base	$11,094	$11,464	$11,636
Equity Ratio	53.0%	53.0%	53.0%
Earned ROE	8.3%	9.2%	9.2%
Pennsylvania Regulated:			
Total Average Rate Base	$9,318	$9,998	$10,536
Transmission ROE	10.70%	10.73%	10.77%
Distribution ROE	9.3%	9.1%	9.1%
Narragansett Regulated:			
Total Average Rate Base	$3,052	$3,327	$3,626
Equity Ratio	51%	51%	51%
Earned ROE	10.1%	9.6%	9.6%
Hedges on UK			
Hedged GBP-USD price	$1.32	NA	NA
% hedged	8%	0%	0%
Assumed market price	$1.40	$1.40	$1.40

Source: Wolfe Research Utilities & Power Research

PSEG (PEG)

1. What are some of the key message from your Analyst Day? What do you think investors are missing about the PEG story?
2. How do you think about the ESG and renewables positioning of the new PSEG? Have you started to see new interest from investors that had not owned PEG in the past given your pivot toward being primarily regulated and out of fossil merchant generation?
3. How much visibility do you have on your long-term utility capex programs? Which ones will need to come up for renewal/extension? Are there any more clean energy spend programs still to come? How long can your current rate base growth trajectory continue? Any reason utility earnings won't track that?
4. When will the fossil sale close? Any expected issues with approvals?
5. What is your vision for the future of your nuclear fleet? Do you think the PTCs in the Biden bill will hold up and how would these financially impact your plants given the NJ ZEC structure? What solutions can you pursue at the state level beyond the current 3-year ZEC program? Do you see yourself as the long-term owner of these assets?
6. What are your target credit metrics and how much cushion do you have versus thresholds? How could this change as you scale up more in offshore wind? Now that you paid down debt at Power, do you anticipate re-levering there or at the parent at some point? How do you plan to fund offshore wind growth? How long can you go without issuing equity?
7. What is your view on the overall regulatory climate in New Jersey and the BPU? When do you expect to file your next PSE&G rate case in New Jersey?
8. What are your thoughts on the FERC NOPR regarding transmission ROE adders and the supplemental NOPR on removing RTO adders? What is your exposure to this and where do you think this ultimately settles out? Do you see any opportunities for large-scale projects in PJM?
9. How big is the investment opportunity for offshore wind-related transmission? How competitive do you envision the New Jersey solicitation process being? What type of returns do you expect? When will we know more?
10. What does the BOEM approval process look like for Ocean Wind? How are you thinking about returns targets and earnings contribution from the project? What does the opportunity set look like for future offshore wind bids? Are you concerned at all about the long-term impact this will have on customer rates and the PJM capacity market?
11. Where do you see the future of the PJM auction given all the delays and rule changes?
12. Where do we stand with respect to PSEG-LI in the aftermath of Hurricane Isaias? How do plan to regain some trust following the backlash faced on Long Island?
13. Are you seeing any pressures from rising inflation and power / natural gas costs?
14. What are your thoughts on M&A now that you've shifted your business mix and opened up some balance sheet capacity?

Exhibit 64: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.63	$3.47	$3.65	$3.87
Mark to Market EPS	$3.63	$3.47	$3.68	$3.96
Consensus EPS	$3.61	$3.50	$3.66	$3.91
Dividends Per Share	$2.04	$2.16	$2.29	$2.43
Dividend Payout Ratio	56%	62%	63%	63%
FFO/Debt	21%	20%	21%	20%
Diluted Shares Outstanding	508	501	500	500
Valuation Metrics				
P/E	17.6x	18.3x	17.4x	16.4x
EV/EBITDA	12.2x	12.7x	12.5x	12.0x
Dividend Yield	3.2%	3.4%	3.6%	3.8%
FCF Yield	0.9%	(0.4%)	(1.0%)	1.1%
Segment EPS				
PSE&G	$2.89	$3.07	$3.28	$3.50
Zero-Carbon / Infrastructure	$0.76	$0.48	$0.46	$0.46
PSEG Holdings/Parent	($0.02)	($0.07)	($0.09)	($0.08)
Total EPS	**$3.63**	**$3.47**	**$3.65**	**$3.87**

Source: Wolfe Research Utilities & Power Research

Exhibit 65: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Segment Capex($M)				
PSE&G	$2,725	$3,025	$3,335	$2,800
PSEG Power	320	320	322	318
Parent & Holdings	25	30	25	25
Total Capex	**$3,070**	**$3,375**	**$3,682**	**$3,143**
Financings ($M)				
Equity Issued/(Repurchased)	$0	($504)	$0	$0
Debt Issued/(Repurchased)	$800	($745)	$1,350	$950
Sales Forecast				
PSE&G Electric	0.0%	0.0%	0.0%	0.0%

Source: Wolfe Research Utilities & Power Research

Sempra Energy (SRE)

1. What is the latest on the cost of capital proceeding at the CPUC? Assuming the regulators do not allow the proposal to avoid the ROE cut, can you remind us what the potential impact could be on EPS in 2022, and are there ways that this can be mitigated further?
2. On electric reliability in California, it seems that some of the other utilities have proposed storage solutions as a remedy. Is there any interest in pursuing storage at SDG&E? Are there any other things that the utility can do to bolster system reliability?
3. At SoCalGas, one message has been its efforts on looking for ways to decarbonize. How have efforts gone on that process, and what appears to be most promising right now - hydrogen, RNG, blends, carbon capture? Would any of the proposals in the reconciliation bill affect the thoughts on the potential pathways?
4. Oncor continues to be a highlight on the regulated utility front. Can you outline the expected rate base growth embedded in the plan as well as the opportunities that could develop going forward? How do you view the changes at the PUCT and ERCOT, and could reforms require additional investment on Oncor's part to support reliability over time?
5. At Sempra Infrastructure Partners, how are you seeing the most potential in investment opportunities between LNG, Mexico and other infrastructure? Could any of the proposed elements of the reconciliation bill on clean energy incentives prompt a shift on where to invest going forward?
6. How can Sempra find a way to capitalize on the current high global LNG price environment? Do MOUs with Cameron 1-3 partners mostly cover the planned 1-train expansion of Cameron, or is there additional opportunity to add new customers there? Does it alter thoughts on the optionality of ECA and Port Arthur?
7. How are you thinking about the LNG business and contracting model - is there still a lot of support for pure tolling contract structures or will that need to change to reflect buyer's preferences?
8. What is the latest on Mexico's proposed constitutional amendment to roll back some of the privatization in the power sector, especially on renewables dispatch? How big of an exposure could that be? How is this affecting how SIP would prefer to allocate capital?
9. On the balance sheet, the Aliso Canyon settlement appears to shift some of the proceeds from the SIP selldown away from debt paydown/utility reinvestment. How do you expect leverage metrics to change after taking the settlement into account? Are you comfortable with these levels?
10. Sempra's stock has lagged both the utilities as well as midstream even after the successful SIP selldown. What other avenues could the company pursue to close the gap?

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Utilities & Power

November 5, 2021

Exhibit 66: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$8.29	$8.30	$8.66	$9.12
Diluted Shares Outstanding	315	323	323	323
Dividends Per Share	$4.51	$4.87	$5.26	$5.68
Dividend Yield	3.5%	3.8%	4.1%	4.5%
Dividend Payout Ratio	54%	59%	61%	62%
Equity Ratio	60%	59%	58%	58%
FFO/Net Debt	23%	22%	21%	21%
Valuation Metrics				
P/E	15.4x	15.3x	14.7x	14.0x
EV/EBITDA	11.2x	11.3x	11.1x	11.0x
Price/Book	1.4x	1.4x	1.3x	1.3x
Segment EPS				
SDG&E	$2.59	$2.59	$2.70	$2.82
SoCalGas	$2.23	$2.29	$2.40	$2.54
Texas	$2.11	$2.13	$2.28	$2.40
Sempra LNG	$1.30	$1.06	$1.06	$1.06
Sempra Mexico	$1.14	$1.11	$1.13	$1.21
Sempra Parent	($1.06)	($0.88)	($0.90)	($0.90)
Total EPS	**$8.30**	**$8.30**	**$8.66**	**$9.12**

Source: Wolfe Research Utilities & Power Research

Exhibit 67: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Total Capital Spending by Segment ($M)				
San Diego Gas & Electric	$2,400	$2,100	$1,800	$1,800
Southern California Gas	2,025	2,000	1,850	1,850
Oncor	1,760	1,840	1,840	1,840
Generation	0	0	0	0
International	600	200	200	100
Total Capex	**$6,785**	**$6,140**	**$5,690**	**$5,590**
Financings ($M)				
Total Equity Issued/(Repurc	$2,300	$0	$0	$0
Total Debt Issued/(Repurch	(400)	1,850	1,350	-

Source: Wolfe Research Utilities & Power Research

Southern Company (SO)

General

1. What are the drivers of your 5-7% LT EPS growth target? What is the shape of that growth both during Vogtle construction and post completion?
2. What is the breakdown of EPS growth by segment (electric utility, gas LDC, midstream, Southern Power)?
3. What can get you to beat the growth target or 2024 guidance of $4.00-4.30?
4. What level of electric rate base growth through 2025 do you project across your states? What are the drivers?
5. Do you expect to earn your allowed ROEs in your electric utilities? Can you earn above the allowed in any states?
6. What do you expect from the Georgia Power IRP and rate case next year?
7. What is your fleet transition strategy? When will we get detail on the projected investments on replacement generation and renewables?
8. How are sales tracking given the in-migration growth in the Southeast?
9. You've talked about improving your 16% FFO/Debt? What is your target and when can you reach it? How much equity do you need through 2025?
10. How would Biden's clean energy plan and tax credits impact your businesses?
11. What is the impact to your earnings/cash outlook if natural gas and power prices rise? How about with faster inflation? Do you view the impacts as manageable?
12. What level of growth do you project for your Southern Company Gas unit? Can you earn your allowed ROEs at the LDCs? What returns do you earn in the midstream business?
13. Do you see more corporate level M&A in the regulated space? What is SO's strategy? What is the latest plan for Southern Power?

Vogtle

14. What is the latest on Vogtle? When do you expect to start and finish fuel load?
15. When do you anticipate Unit 3 to be online? How about Unit 4?
16. What do you expect from the VCM hearing next week and GA PSC Staff testimony on 12/1?
17. What happens if there are further delays or cost overruns? What delays/overruns are embedded in your EPS outlook?
18. When is prudency determined? What is the risk of disallowances? Vogtle 3 and 4 would represent how much of GA Power rate base when complete?
19. How do you view the GA PSC? Do expect continued support from all commissioners? What's the risk from next year's PSC elections? Will the current five commissioners hear the Vogtle 3 prudency review?
20. As Vogtle comes online, will dividend growth rise faster than $0.08/yr? What would be your payout target? How much incremental free cash flow do you project once Unit 3 is online? And then Unit 4?

Exhibit 68: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.40	$3.48	$3.76	$4.09
Diluted Shares Outstanding	1,060	1,078	1,096	1,096
Dividends Per Share	$2.64	$2.72	$2.80	$2.88
Dividend Yield	4.2%	4.4%	4.5%	4.6%
Dividend Payout Ratio	78%	78%	75%	70%
Equity Ratio	34%	34%	34%	35%
FFO/Net Debt (unadjusted)	17%	17%	17%	15%
Valuation Metrics				
P/E	18.4x	18.0x	16.6x	15.3x
Price/Book	2.3x	2.3x	2.2x	2.1x
Segment EPS				
Alabama Power	$1.17	$1.21	$1.24	$1.31
Georgia Power	1.80	1.80	1.98	2.17
Mississippi Power	0.15	0.15	0.16	0.16
Southern Power	0.21	0.22	0.24	0.25
Southern Company Gas	0.55	0.59	0.63	0.70
Parent/Other	(0.48)	(0.50)	(0.50)	(0.50)
Total EPS	**$3.40**	**$3.48**	**$3.76**	**$4.09**
Average Rate Base ($M)	$63,133	$67,270	$71,549	$75,841
Earned Return	11.4%	11.1%	10.7%	10.9%
Realized ROE by Utility				
Alabama Power	11.6%	11.4%	11.3%	11.3%
Georgia Power	11.1%	10.6%	11.2%	11.6%
Mississippi Power	8.7%	8.7%	8.7%	8.7%
Southern Company Gas	10.1%	9.9%	9.8%	9.8%

Source: Wolfe Research Utilities & Power Research

Exhibit 69: Modeling Assumptions

Model Assumptions	2021E	2022E	2023E	2024E
Total Capital Spending ($M)				
Alabama Power	$2,100	$2,100	$2,100	$2,000
Georgia Power	4,000	3,400	3,600	3,600
Mississippi Power	300	300	300	300
Southern Company Gas	0	0	0	0
Other	100	0	0	0
Southern Power	700	200	200	100
Total Capex	**$7,200**	**$6,000**	**$6,200**	**$6,000**
Financings ($M)				
Total Equity Issued/(Repurchased)	$200	$0	$0	$0
Total Debt Issued/(Repurchased)	3,196	1,684	1,332	2,100
Sales Forecast				
Alabama Power	2.8%	0.0%	0.5%	0.5%
Georgia Power	2.8%	0.0%	0.5%	0.5%
Gulf Power	2.8%	0.0%	0.5%	0.5%
Mississippi Power	2.8%	0.0%	0.5%	0.5%
Southern Company Gas	1.0%	1.0%	1.0%	1.0%

Source: Wolfe Research Utilities & Power Research

November 5, 2021

WEC Energy Group (WEC)

1. You've had another strong year in 2021 – what has driven the many guidance raises?
2. You also moved your earnings growth rate up to 6-7% after indicating strong bias to the upper-half of 5-7% – what drove this? Your track record has been more like 7% growth – will this continue or are you seeing even more upside?
3. What are some of the key components of your recently refreshed capital plan? How much is dedicated to incremental regulated renewables? Why the slowing in pace at the energy infrastructure segment? Where do you see upside?
4. How do you expect to handle the fleet transition from a regulatory perspective – what sort of approvals are needed? Do you envision securitization coming into play for the coal retirements? What sort of impact does this plan have on rates? What is the opportunity for fuel and O&M savings as an offset?
5. What is the process to convert the Power the Future coal plants to gas? What should we expect in terms of cost and regulatory approval? Did the recent spike in gas prices give you any pause? What is the plan for your Weston coal plant?
6. How are you thinking about the implications of the Biden clean energy tax credits and direct pay? What could the extra balance sheet cushion do for your plan?
7. What are seeing in terms of impacts from higher rates and/or inflation?
8. How do you view the gas LDC business long-term? Do you see any risks and/or political pressures?
9. WEC has a long track record of reducing O&M costs. How much more room is there to run on this trajectory? What are the key drivers behind the cost cutting? What are you seeing in terms of customer rate impact from high power and nat gas prices? How will this impact your fuel band?
10. Do you see any lingering impacts from COVID19 on sales growth? What is your long-term sales outlook? How does Foxconn and other economic development in the state factor into this?
11. What enabled you to reach a rate case stay-out agreement in Wisconsin? What will be some of the key components of the case when you file next year?
12. What is your view of the WI PSC? Are you concerned at all about having enough rate headroom in the future?
13. What is the latest on the System Modernization Program in Illinois? Is there a risk to formulaic rates and riders in future legislation? What would the regulatory process look like otherwise?
14. Can you talk a little bit more about the non-utility energy infrastructure portion of your capital plan? What sort of returns are you targeting? When do you become a cash taxpayer based on the current plan? What percentage of earnings is this segment currently and in 5 years?
15. Where do you see the future of ATC? What are your thoughts on the various transmission proceedings pending at FERC? What opportunities are you seeing from the MISO process?
16. What are you latest thoughts on M&A? Your stock still trades at one of the highest multiples in the sector – aren't you tempted to use this currency? What would be the key drivers for seeking additional growth through M&A?

Exhibit 70: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.07	$4.31	$4.59	$4.88
Consensus EPS	$4.06	$4.31	$4.58	$4.88
Dividends Per Share	$2.71	$2.90	$3.10	$3.32
Dividend Yield	3.0%	3.2%	3.5%	3.7%
Dividend Payout Ratio	67%	67%	68%	68%
FFO/Net Debt	15%	14%	14%	14%
Diluted Shares Outstanding	317	317	317	317
Valuation Metrics				
P/E	22.0x	20.8x	19.5x	18.4x
Price/Book	2.6x	2.5x	2.4x	2.3x
Segment EPS				
WEPCO	1.35	1.40	1.50	1.62
WI Gas	0.24	0.27	0.30	0.32
ATC	0.45	0.49	0.52	0.56
Non-Utility	1.03	1.09	1.17	1.21
WPS (Gas/Electric)	0.73	0.78	0.81	0.85
PGL (Gas)	0.52	0.57	0.61	0.65
NSG (Gas)	0.05	0.06	0.07	0.07
Parent & Other	(0.32)	(0.36)	(0.38)	(0.40)
Total EPS	**$4.07**	**$4.31**	**$4.59**	**$4.88**

Source: Wolfe Research Utilities & Power Research

Exhibit 71: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
WEPCO	$934	$1,032	$1,375	$1,375
WI Gas	$234	$256	$234	$234
ATC	$258	$289	$253	$253
Non-Utility	$640	$505	$434	$305
WPS (Gas/Electric)	$579	$538	$444	$444
PGL (Gas)	$510	$517	$599	$599
NSG (Gas)	$65	$65	$62	$62
Other Regulateds	$115	$126	$109	$109
Parent & Other	$17	$10	$4	$4
Total Capex	**$3,351**	**$3,337**	**$3,514**	**$3,385**
Financing ($M)				
Total Equity Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	$1,737	$1,475	$1,620	$1,445
Sales Forecast				
Electric (WEPCO + WPS)	1.3%	1.0%	1.3%	1.3%
Gas (WI Gas + WPS + PGL +NSG)	0.6%	1.2%	1.2%	1.2%

Source: Wolfe Research Utilities & Power Research

November 5, 2021

Xcel Energy (XEL)

1. Can you talk about the underlying assumptions for your 2022 guidance? Do you see the ability to do better than the midpoint of the range, consistent with recent history?
2. What are upside/downside risks to your annual 5-7% EPS growth target? Do you see a bias toward the top-half of the range?
3. You recently refreshed your 5-year capital plan, adding $2.5B vs the prior plan – what areas are you focusing your investments on over the next few years?
4. How likely is that the $1.5-2.5B of incremental capex eventually finds its way into the base plan – what approvals do you need?
5. Can you discuss your IRP filing in Minnesota? Of the 5.75 GW of proposed utility-scale renewables, how much do you anticipate owning in rate base? When do you expect a decision from the MPUC?
6. Can you discuss your recent IRP filing in Colorado? Of the 3.9 GW of proposed utility-scale renewables, how much do you anticipate owning in rate base? When do you expect a decision from the CPUC?
7. Can you talk about future transmission opportunities to connect renewables more broadly? What is the investment opportunity set in MISO/SPP? When do you expect MISO to provide details on its Transmission Expansion Plan?
8. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
9. What do you see as the biggest benefits for XEL from the proposed reconciliation bill?
10. You have several stakes in the fire on the regulatory front – what is the latest in your rate cases in TX, CO and MN? Do you see the ability to reach settlements in any of these cases?
11. What credit metrics do you target internally? What are your downgrade thresholds at the rating agencies?
12. How should we think about the timeline for announcing additional wind re-powerings/PPA buyouts? What are your state regulators' views on this strategy? How do these projects ultimately save customers money?
13. What are your latest thoughts on M&A? XEL has been on the sidelines historically – do you see that changing?

Exhibit 72: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.98	$3.17	$3.40	$3.61
Diluted Shares Outstanding	539	542	546	549
Dividends Per Share	$1.83	$1.94	$2.06	$2.18
Dividend Yield	2.9%	3.1%	3.3%	3.5%
Dividend Payout Ratio	61%	61%	60%	60%
Equity Ratio	41%	40%	40%	40%
FFO/Net Debt	17%	16%	16%	16%
Valuation Metrics				
P/E	21.2x	19.9x	18.5x	17.5x
Price/Book	2.2x	2.1x	2.0x	1.9x
Segment EPS				
NSP-Minnesota	$1.18	$1.29	$1.38	$1.46
NSP-Wisconsin	$0.18	$0.20	$0.22	$0.25
PS-Colorado	$1.32	$1.41	$1.51	$1.60
SPS	$0.52	$0.53	$0.55	$0.58
Parent & Other	($0.23)	($0.26)	($0.27)	($0.28)
Total EPS	**$2.98**	**$3.17**	**$3.40**	**$3.61**
Average Rate Base ($M)	$34,600	$37,659	$40,477	$43,067
Realized ROE by Utility				
NSP-MN/Dakotas	8.9%	8.9%	8.9%	8.9%
NSP-WI/MI	9.8%	9.5%	9.6%	9.6%
PSCo	9.1%	8.7%	8.8%	8.8%
SPS-TX/NM	9.3%	9.1%	9.1%	9.2%

Source: Wolfe Research Utilities & Power Research

Exhibit 73: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending ($M)				
NSP-Minnesota	1,823	2,167	1,931	1,735
NSP-Wisconsin	360	480	420	540
PSCo	1,696	1,928	1,850	2,072
SPS	498	626	660	694
Total Capex	**$4,376**	**$5,201**	**$4,861**	**$5,041**
Nuclear Fuel Purchases	99	79	99	99
Financings ($M)				
Equity Issued/(Repurchased)	$202	$250	$250	$250
Debt Issued/(Repurchased)	1,500	2,000	1,600	1,375

Source: Wolfe Research Utilities & Power Research

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Peer Perform:	39%	4% Investment Banking Clients
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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Overweight
IPPs – Market Weight

November 10, 2021

UTILITIES & POWER

EEI rated BBB; Conference takeaways

- **The Build Back Better (BBB) plan dominates EEI focus – but will it pass?**
  Clean energy tax credits for wind, solar, storage, hydrogen, nuclear are gamechangers for several companies (NEE/AES as developers, EXC/PEG on nuclear) and Direct Pay provisions could accelerate fleet transition and improve cash flow for many regulated utilities like XEL, LNT, D, etc. On the other hand, the corporate minimum tax is a potential negative offset for some larger utilities that are not taxpayers (AEP said the net of this could be slight cash negative for example). But the big question is whether BBB will pass! We sensed a notable split between strong optimism among blue state CEOs and mixed views from red state CEOs. The consensus was the Dems will find a way to pass a slimmed down bill and that most if not all the climate provisions will survive. Tax extenders remains a Plan B if it doesn't, but that's a little higher bar for new tax credits. We still like the GREEN trade into this event led by NEE, AES, EXC, and PEG but investors need to be prepared for a political roller coaster ride.
- **Utilities stories still much better than stocks acting**
  Utility stocks remained weak during the conference as the market hits new highs, but the fundamental growth and risk profile of utilities is about as good as it's ever been. Yes, some companies still have some funding needs (ETR/AEP), some have project issues (AGR/SO), and of course there's AZ regulatory risk (PNW), but most are seeing highly visible 5-8% growth with supportive regulation and continued de-risking of business mix and ESG. Inflation pressures have been manageable and regulatory outcomes have been good (NEE, D, ES, FE recent settlements). Key themes include more renewables and transmission, accelerating coal shuts, electrification and EVs, and a big focus on system resiliency to address climate change.
- **What a difference a year makes…FE and Cali utilities**
  EEI a year ago, FE was in an OH political and financial downspiral and PCG was still looking for a new management team. What a difference a year makes! FE had the most news at EEI with a strong transmission stake sale, equity pre-funding from Blackstone, recent OH rate agreement, and new 6-8% growth albeit off a lower 2022 base. PCG new management led by CEO Patti Poppe and COO Adam Wright came off highly convicted on their ability to turn PCG around and create value. And quietly EIX has made it through most of fire season with no notable ignitions at all. We think the CA utilities are starting to prove that fires are a manageable risk.
- **More themes and stocks**
  NEE – lot of "awesomes" and upsides; 2022 clearly a breakout year if BBB passes.
  CNP – all signs this will move to a premium utility value; convicted on ENBL closing.
  AEE – best MISO transmission play plus likely MO settlement, IL law, renewables
  EXC – split coming early Q1, strong stories for both utility and Constellation.
  XEL, LNT, POR – most excited on Direct Pay.
  SRE – plan to give LT EPS CAGR, focused on execution but open to options.
  SO – confident on GA regulatory treatment even with Vogtle delays.
  DUK – bullish tone on NC clean energy law and potential upward growth bias.
  AEP – more renewables but less transmission capex and BBB comments mixed.
  ETR – highlighted strong LT growth drivers, market waiting for equity funding.

Please see full report for individual company takeaways

Exhibit 1: Top Ideas

Name	Ticker	PT
High Quality / GREEN		
AES Corp.	AES	30
Ameren	AEE	90
Clearway Energy	CWEN	40
NextEra Energy	NEE	91
NextEra Energy Partners	NEP	95
Dominion Energy	D	86
Eversource	ES	92
Alliant Energy	LNT	62
Value Plays		
CenterPoint Energy	CNP	29
FirstEnergy	FE	44
Exelon	EXC	58
PSEG	PEG	69
Evergy	EVRG	69
Entergy Corp.	ETR	121
Vistra Corp.	VST	28
Edison International	EIX	69
PG&E Corp.	PCG	15
Sempra Energy	SRE	150
NiSource	NI	29

Source: Wolfe Utilities & Power Research

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EEI – What's Hot and What's Not

What's Hot

EEI in person – great to see everyone. The EEI bar chat is back!
The BBB bill and all things renewables
Direct pay = more cash flow for regulated renewables
Nuclear is the new GREEN
EVs and electrification
Transmission…but 2nd half of decade
Resiliency to address climate change
Hydrogen becoming more real and Decarbonizing everything
Gas LDCs are not going away

What's Not

Coal and carbon
M&A
Diversification other than renewables
Keeping customer rates below inflation – getting harder
Equity needs – they keep shrinking

EEI takeaways – one line per company

Positive

AEE – Sustainable EPS growth of 6-8%, with renewables/transmission upside; feels good on MO rate case
AES – New equity unit interpretation small blip on an otherwise rock-solid story; big BBB beneficiary
CNP – All signs point to a premium utility story; very confident in outlook
ED – O&R rate settlement a positive read through for CECONY; recovery of late payments a boost
EXC – Confident both Utilities and Constellation well positioned; optimistic on nuke PTCs (w/ at least 6yrs)
FE – Upbeat meeting; lots of near-term resolution on Ohio and equity; confident in clean story with 6-8% growth going forward
LNT – Excited about solar buildout and potential Biden bill benefits from PTC and direct pay
NEE/NEP – Very bullish tone, already running with a lot of cushion; 80% odds reconciliation passes with tons of tailwinds/upsides
PCG – Clear EEI winner with wildfire mitigation progress, confidence on executing, NorCal fire season over
SRE – Could give a LT growth rate; executing on the plan but willing to consider strategic options; seeing a lot of utility growth and upbeat on LNG prospects at Cameron and Vista Pacifico
XEL – Lot of momentum on CO regulatory front; BBB would be big for cash flow and potential IRP upside

Negative

AEP – More renewables capex but less transmission; $100M cash impact from Biden plan in a worst case
AGR – Working through recent hurdles; addressing PNM merger concerns and pursuing legal case on NECEC vote outcome
AWK – Refocusing to core utilities after dilutive HOS sale
ETR – Renewables, resiliency capex upside but flattish capex; 2022 equity plans majority of $1.23B needs
PNW – Pitching rate case as exception, not the rule…we are hesitant to be believers just yet

Neutral

CMS – Confident in support for IRP, but downplaying settlement chances
D – Execution focused and confident to do so but stock still unresponsive
DTE – Formally pointing to upper-end of range in 2022; previewing next year's IRP filing and future Vantage opportunities
DUK – NC law significant but work still to be done; upper half of 5-7% EPS growth post 2023 if all goes well

EIX – Executing on wildfire mitigation, no major fires since 2018; robust capex going into back half of decade
EMA – Not a lot new ahead of Analyst Day; Atlantic Loop details delayed into 2022
ES – With CT issues resolved, focus turns to offshore wind and EPS growth messaging
EVRG – Focus on plan execution, consistency; upcoming rate cases seem manageable
FTS – Lots of upsides to new capex plan w/ Lake Erie and MISO near-term; hoping to address riders in AZ next year
NI – Back to NI of old; sees a lot of opportunity in decarbonizing gas LDCs
OGE – Capex plan going higher, waiting for EPS growth rate to follow
PEG – Reiterating upbeat Analyst Day message, still hopeful on nuclear PTCs; offshore wind upside, regulated utility de-risked
POR – Renewable RFP presents potential big capex upside, believe BBB would level playing field
PPL – A little more clarity on EPS growth drivers, additional utility capex but detail to come in March
SO – Focused on GA rate case, IRP and Vogtle prudency; sees paths to constructive resolutions in 2022
WEC – Capital plan up, sales mix better; excited about Biden plan tailwinds for renewables and cash flow

Estimate Updates

Exhibit 2: Earnings Estimate Updates

		2021E		2022E		2023E		2024E	
Company Name	**Ticker**	**New**	**Prior**	**New**	**Prior**	**New**	**Prior**	**New**	**Prior**
FirstEnergy	FE	N/A	N/A	N/A	N/A	N/A	N/A	$2.77	N/A

Source: Wolfe Utilities & Power Research

Q3 Results Takeaways

Q3 reporting rolled right into EEI so we combine our Q3 results and EEI takeaways in here. Earnings for the quarter YoY ended up 2.2% better than our estimate of 0.3%. See Exhibit 3-4 for quarters vs. expectation and guidance changes by companies.

Exhibit 3: Wolfe Research Earnings Estimates vs. Consensus

		3Q21		3Q20		2021 Midpt	2021E		Guidance Updates
Company Name	**Ticker**	**Actual**	**Variance**	**Actual**	**Growth**	**Guidance**	**WR**	**Cons**	
AES Corp.	AES	$0.50	15%	$0.42	19%	$1.54	$1.50	$1.53	Pointing to the low-end of 2021 guidance range of $1.50-1.58 on new equity unit treatment, 2022-23 also impacted
Alliant Energy	LNT	1.02	8%	0.94	9%	2.64	2.63	2.61	Narrowed and raised 2021 guidance to $2.61-2.67; Initial 2022 guidance of $2.65-2.79 a little light
Ameren	AEE	1.65	1%	1.47	12%	3.85	3.84	3.81	Raised 2021 guidance to $3.75-3.95 from $3.65-3.85
American Electric	AEP	1.43	-5%	1.47	-3%	4.70	4.70	4.69	Raised 2021 guidance to $4.65-4.75 from $4.55-4.75; New in-line 2022 guidance of $4.85-5.05
American Water	AWK	1.53	0%	1.46	5%	4.23	4.24	4.25	Initial 2022 guidance of $4.39-4.49 missed consensus on HOS sale; Lowered growth target to 7-9% from 7-10%
Avangrid	AGR	0.34	18%	0.32	6%	2.13	2.10	2.15	
CenterPoint	CNP	0.25	-13%	0.29	-14%	1.27	1.28	1.44	Raised 2021 guidance to $1.26-1.28 from $1.25-1.27 and 2022 guidance to $1.36-1.38 from $1.35-1.37
CMS Energy	CMS	0.54	-10%	0.77	-30%	2.64	2.65	2.66	Raised the low-end of 2021 guidance by $0.02 to $2.63-2.65 from $2.61-2.65 and still pointing to the high-end
Con Edison	ED	1.41	-6%	1.48	-5%	4.25	4.20	4.25	
Dominion	D	1.11	5%	1.08	3%	3.85	3.87	3.87	Narrowed 2021 guidance at the same midpoint to $3.80-3.90 from $3.70-4.00
DTE Energy	DTE	1.72	-1%	2.14	-20%	5.84	5.87	5.87	Raised 2021 guidance to $5.70-5.98; Initiated slightly lower than consensus 2022 guidance of $5.70-5.97 and pointed to the high-end
Duke Energy	DUK	1.88	4%	1.87	1%	5.23	5.20	5.23	Raised 2021 guidance to $5.15-5.30 from $5.00-5.30
Edison Int'l	EIX	1.69	-1%	1.67	1%	4.47	4.47	4.51	Lowered top-end of 2021 guidance by $0.10 to $4.42-4.52 from $4.42-4.62
Emera*	EMA	0.68	3%	0.67	1%	N/A	2.85	2.83	
Entergy	ETR	2.45	-5%	2.44	0%	6.00	5.99	5.98	Raised 2021 guidance to top-half of $5.80-6.10; New in-line 2024 guidance of $6.95-7.25
Evergy	EVRG	1.98	15%	1.73	14%	3.55	3.55	3.54	Raised 2021 guidance to $3.50-3.60 from the top-half of $3.20-3.40
Eversource Energy	ES	1.02	-5%	1.01	1%	3.87	3.87	3.83	Raised 2021 guidance to top-half of $5.80-6.10; New inline 2024 guidance of $6.95-7.25
Exelon	EXC	1.09	6%	1.04	5%	2.80	2.74	2.80	Narrowed 2021 guidance to $2.70-2.90 from $2.60-3.00
FirstEnergy	FE	0.82	3%	0.84	-2%	2.60	2.60	2.60	Narrowed and raised 2021 guidance to $2.55-2.65; Introduced 2022 guidance of $2.30-2.50 and 6-8% LT growth target
Fortis*	FTS	0.64	-3%	0.65	-2%	N/A	2.72	2.68	
NextEra Energy	NEE	0.75	3%	0.67	13%	2.47	2.53	2.53	
NiSource	NI	0.11	28%	0.09	22%	1.34	1.36	1.36	Pointing to the top-end of 2021 guidance of $1.32-1.36; Introduced well above consensus 2022 guidance of $1.42-1.48
OGE Energy	OGE	1.26	8%	1.04	21%	1.81	2.45	2.28	Narrowed 2021 utility guidance to a higher midpoint to $1.79-1.83 from the lower half of $1.76-1.86
PG&E	PCG	0.24	-6%	0.22	9%	1.00	1.01	1.01	
Pinnacle West	PNW	3.00	4%	3.07	-2%	5.30	5.26	5.05	Introduced lower than consensus 2022 guidance of $3.80-4.00; Issued new 5-7% LT growth target
Portland General	POR	0.56	-17%	(0.19)	N/A	2.78	2.78	2.74	
PPL Corp	PPL	0.36	-10%	0.59	-39%	N/A	1.08	1.19	
PSEG Corp	PEG	0.98	9%	0.96	2%	3.63	3.63	3.62	Raised 2021 guidance to $3.55-3.70 from $3.50-3.65
Sempra Energy	SRE	1.70	6%	1.31	30%	8.05	8.29	8.22	
Southern Co.	SO	1.23	1%	1.22	1%	3.40	3.40	3.37	Raised 2021 guidance to ~$3.40, above top-end of initial range of $3.25-3.35
WEC Energy Group	WEC	0.92	18%	0.84	10%	4.06	4.07	4.06	Raised 2021 guidance to $4.05-4.07 and pointing to the top-end; Raised growth target to 6-7%
Xcel Energy	XEL	1.13	-4%	1.14	-1%	2.96	2.98	2.98	Narrowed 2021 guidance at a higher midpoint to $2.94-2.98; Initial 2022 guidance of $3.10-3.20 a little light but likely conservative

Source: Wolfe Utilities & Power Research, FactSet
*Q3 WR and cons estimates are what was published in our Q3 earnings preview on 10/18/21

Exhibit 4: Wolfe Research EBITDA Estimates vs. Consensus

		3Q21		3Q20		2021 Midpt	2021E		Guidance Updates
Company Name	**Ticker**	**Actual**	**Variance**	**Actual**	**Growth**	**Guidance**	**WR**	**Cons**	
Clearway Energy	CWEN	$337	-2%	$312	8%	$1,185	$1,185	$1,263	Introduced slightly above consensus 2022 CAFD guidance of $395M, inclusive of the thermal assets
NextEra Energy Partners	NEP	334	-11%	312	7%	1,530	1,446	1,449	Introduced EBITDA range of $1,775-1,975M and CAFD range of $675-765M for YE22 (calendar '23)
NRG Energy	NRG	767	-21%	752	2%	2,450	1,800	1,923	Narrowed and lowered 2021 guidance to $2.4-2.5B; Introduced well below consensus 2022 guidance of $1,950-2,250M
Vistra Energy Corp.	VST	1,177	5%	1,185	-1%	1,990	1,957	1,847	Narrowed and raised 2021 guidance to $1,890-2,090M; Introduced lower than consensus 2022 guidance of $2,810-3,310M

Source: Wolfe Utilities & Power Research, FactSet
*Q3 WR and cons estimates are what was published in our Q3 earnings preview on 10/18/21

Company Summaries

AEE: Solid EPS growth with renewables/transmission upside; feels good on MO rate case

- **2022 guidance, 2022-26 capital plan, rate base, EPS growth on Feb call.** AEE's current capital plan implies 8% rate base growth and drives 6-8% EPS growth. However, AEE has pointed to over $40B of investment opportunities through the decade. On the YE21 call in Feb, AEE will provide 2022-26 capex, which could include 1.2 GW of solar/wind not previously in the plan and perhaps the start of spend on large transmission projects. Overall, AEE's investment opportunities suggest at least 6-8% EPS growth into the second half of the decade.
- **Upside from MO renewables.** AEE currently is discussing project details with renewables developers who bid in a RFP for MO solar/wind needs. By YE21, AEE expects to file for CCNs for a portion of those 1.2 GW of projects; and file for the rest next year. The new renewables are not in AEE's capital plan or EPS outlook.
- **Upside from transmission.** AEE anticipates MISO's MTEP report could come out in 1Q22 or early 2Q22 with large transmission projects in AEE's region. AEE believes it will develop some of those, but how many and by when is unclear. AEE thinks it's possible to have some transmission capex in the back half of its plan but envisions more later in the decade. But for now, new large transmission is not in AEE's capital plan or EPS outlook.
- **Optimistic on a settlement in MO rate case.** AEE and the key intervenor MoPSC Staff are not far from each other in AEE's MO rate case on ROE (9.9% request vs 9.25-9.75% Staff). Although a recent order for another MO utility had a 9.35% ROE, AEE pointed to some differences in the rate cases, such as Staff's rec was lower in that case than in AEE's. Also, AEE has settled its last two rate cases, as well as other key regulatory proceedings, including CCNs for wind projects. A final reconciliation is due 11/24 and evidentiary hearings start 11/29. Typically, settlements in MO have been reached before hearings.
- **AEE long power in MO; Rush Island is neutral at worse, possibly upside.** AEE is long power in MO, which has benefited customers during the recent power/gas price spike, as AEE's dispatches mostly coal or nukes (little gas) and passes wholesale margin through a fuel clause. If AEE loses its appeal on Rush Island coal plant, the utility may need to install scrubbers or accelerate the plant retirement. The former would be recoverable in rates. The latter likely means the $400M of rate base would be securitized, given MO's recent securitization law. And AEE could redeploy the cash to renewables, so AEE will be neutral at worse.
- **IL framework constructive, some work to be done ahead of opt-in decision.** The current electric distribution formula rate plan ends YE23. Under the new IL energy legislation, AEE can opt-in to multiyear rate plans, effective 1/1/24; AEE views the new framework as constructive, but a few workshops on items like incentives are expected next year. A rate filing is due 2023 if AEE opts in. We think AEE will benefit from the MYRP certainty and likely higher ROEs than the mid-7s implied today under formula rates. In AEE's current plan, IL rate base growth is lower than its other jurisdictions, and that could improve with more certainty and better returns.

AEP: In line 2022 guidance; flattish capex with more renewables but less transmission

- **2022 guidance in line, 5-7% LT EPS growth target reaffirmed:** AEP disclosed 2022 guidance $4.85-5.05, with a midpoint shy a few pennies of then-consensus, but AEP tends to meet the upper half of its guidance. AEP's 5-7% growth implies 2024E of $5.56 vs $5.57 then-consensus, $5.61 WRe, but again AEP would be disappointed if not in top half of the range.
- **5-year capex flattish with prior plan:** The $38B 2022-26 plan was just above the 2021-25 plan of $37B. About 85% of 2022-26 regulated capex recoverable through reduced lag mechanisms.

- **More regulated renewables:** AEP's $8.2B regulated renewables in 2022-26 is higher than the $2.8B of regulated renewables in 2021-25 plan. It reflects 5,800 MW of the 14,659 MW of renewables expected to be added into AEP system through 2030. It's mostly wind ($6.3B) and solar to a lesser extent ($1.9B). Excluding about 1 GW or $1.3B of the pending NCW project, that is 4,800 MW or $6.9B of new projects previously not AEP's plan.
- **But less transmission capex and rate base growth than before:** AEP's plan has $12.9B of transmission vs $16.1B in the prior 5yr plan; AEP Transco's 2025 rate base is projected to be $13.3B vs $15.3B in the prior plan. AEP says the plan allows for optionality. We think the market was a little surprised by the transmission reduction.
- **KY Power sale approvals expected in spring, points to flexibility on coal:** AEP does not envision any major impediments to getting the necessary approvals for the KY Power sale. A decision from the KyPSC is anticipated by April. The Mitchell coal plant would be put back to KY Power by 2028 at fair market value; however, AEP sees that as an option and not locked in one path on coal assets.
- **$2B of new equity in 2024-26, 13.5-15% FFO/debt target; BBB impact $100M cash:** AEP's 2022-26 cash plan assumes the KY Power sale closes and covers equity needs through 2023 (but for $100M of DRIP in 2023). The 2024-26 equity needs are $600M/$700M/$700M to fund growth, which was not surprising. AEP now sees FFO-to-debt of 13.5-15.0% through 2026, in line with its previous target of "low to mid-teens". AEP intends to keep its credit rating at BBB/Baa2 stable
- **Potential Biden plan impact is negative $100M of cash in worst case:** AEP said that if both direct pay of tax credits and the proposed corporate minimum tax were passed, as currently proposed, then that would cost AEP about $100M/yr of cash in a worst case. The direct pay adds about $200M/yr, but the minimum tax rate would swing that by -$300M/yr. AEP said that net $100M/yr cash cost would hit FFO/Debt by 20-30bp; however, that's included in AEP's 13.5-15% range**.**

AES: New accounting interpretation detracting from a rock-solid story

- **A lot of momentum in renewables business.** AES feels very comfortable with its ability to deliver 5 GW of new renewable PPAs this year (original expectation was 3-4 GW). The company has continued to handle the dynamic supply chain environment well with all projects on track. AES sees another big year in 2022 as well, with 10 GW in its pipeline ready to be contracted (note, AES won't win all of that). AES continues to see a real competitive advantage with C&I customers given its ability to offer highly differentiated products like 24x7 renewable power. Interestingly, about half the renewables market in the US is C&I of which half is through data centers – AES has already demonstrated a strong track record in that segment from the recent contracts with Microsoft and Google.
- **Recent guidance update unfortunate, but no impact on L-T outlook.** The one blemish on the AES story was the recent guide down in 2021-23 due to an updated accounting interpretation on the equity units that were issued earlier this year in March. Originally these shares weren't expected to be in the share count until settled in 2024. As such, AES said there would be a $0.07 impact in 2021 and $0.09 impact in 2022-23. Absent this, AES was on track to be at the top end or even raise of its FY21 guidance given better performance at legacy Southlands. This also coincided with horrible drought conditions in Chile/Brazil and a turbine issue at one of AES' Chilean facilities. Suffice to say, AES is demonstrating the resiliency of its portfolio of businesses.
- **Some offsets already identified.** AES has already identified some offsets for 2022 and 2023, most notably being the extension of Redondo Beach in California (worth $30M of PTC) which wasn't originally in the plan. AES also feels good about potential upsides at Legacy Southlands through its hedging strategies and by taking advantage of elevated pricing in the

SP-15 market. AES' goal is to keep every year within its 7-9% EPS CAGR through 2025 off the current 2020 base.

- **AES Next creating meaningful value.** AES sees about $2.5-3.0B of value in AES Next (ex-Fluence) today vs the $150M that the company has invested. Most notable within AES Next is Uplight and 5B. As far as maturity goes, AES sees Uplight about 2-3 years behind Fluence and 5B another couple behind Uplight. AES sees a lot of synergies with these businesses and its core renewables development platform. We think AES ability to successful incubate various clean tech businesses is a differentiator and allows for a lot of shots on goal in the clean energy transition.
- **Big beneficiary of a Reconciliation Bill.** Even without the enhanced renewable credits, AES has demonstrated the ability to grow quickly in renewables. Passage of the Build Back Better plan would only strengthen the pipeline or allow for an even further acceleration. Through its interest in Fluence, AES would be one of the bigger beneficiaries of a standalone ITC for storage. AES sees the package as a net benefit on day one and thinks any impact on the tax side is absorbable.

AGR: Working through some recent hurdles

- **Responding to Hearing Examiner recommendation against PNM merger in New Mexico.** AGR seemed a bit surprised by the negative Hearing Examiner recommendation, though it believes there is a roadmap to address the concerns. AGR has been able to work out some sticking points individually with different parties and plans to file a response this Friday. Ultimately, the merger is still expected to close.
- **Disappointed w/ NECEC referendum outcome, but pursuing lawsuits.** AGR was disappointed with the outcome of Maine's ballot initiative against NECEC transmission. It still pointed to widespread support from politicians like Governor Mills. AGR has filed an injunction at the Maine Superior Court and hopes to hear by year-end. Meanwhile, construction will continue until the referendum law goes into effect on January 3. Thus far, AGR has spent $450M on the project relative to an expected total cost of $950M. We think this ultimately goes to the Maine Supreme Court.
- **Felt good on offshore wind prospects and inflation protection.** AGR will know the results of its most recent bid (Commonwealth Wind) into the Massachusetts RFP on December 17. Given there were only 2 bidders (Mayflower the other), it seems like AGR gets at least a portion of the winning selection. Vineyard Wind is fully contracted, inflation protected, and still expected COD in 2024. Park City Wind and Commonwealth Wind should have some site synergies. AGR is still seeing solid double digit levered returns over the life of these projects. AGR plans to bid into the New York Bight lease area auction and expects it to be competitive with results coming next year.
- **Onshore renewables growth has been tepid lately.** AGR has added very little to its onshore renewables backlog in recent months and pointed to higher costs starting to flow-through to PPA prices as a driver. Long-term, AGR still feels good about its renewables growth targets. The company also continues to look at ways to reduce its amount of uncontracted/unhedged capacity.
- **Biden bill would help with tax equity and lack of tax appetite.** AGR is excited about the renewables provisions in the Biden clean energy bill. Specifically on direct pay, it could limit the need for tax equity and allow AGR to better monetize its tax credits given the lack of a tax appetite.

AWK: Refocusing toward a purely regulated utility

- **Trading a higher growth rate with some volatility for more predictable growth.** That was the genesis of the decision to sell Homeowner Services and focus more on the core regulated utilities. Additionally, AWK viewed the timing of the sale as optimal given that there was a high level of interest from potential suitors. AWK reiterated that it will take some time for the additional utility capex to fully offset the ~$0.10 dilution from the HOS sale.

- **Some optionality on the HOS sellers note.** As part of the HOS sale, AWK received a $720M sellers that pays 7% interest annually to lessen the dilutive impact of the sale. AWK has the option to redeem the note after year three if cash were needed for whatever reason. The seller can also call the note in year four though that would require a large premium. Most likely the note will go until maturity (YE26) where AWK will then look to reinvest the proceeds quickly given that ~$0.20 of EPS will drop off.
- **Views customer rate impact from additional capex as manageable.** Under AWK's prior capex plan, it anticipated that the annual customer bill impact would be an increase of 3.5-4%. Adding the incremental $6B of capex to the 10-year forecast is now expected to result in 5% annual bill increases. AWK did mention that customers bills on average were $25-65/mo., such that the nominal impact would be manageable for customers.
- **Water sector ripe for consolidation.** Tuck-in acquisitions are expected to account for 1.5-2.5% of AWK's 7-9% EPS CAGR moving forward. AWK noted that its pipeline for acquisitions is strong as ever as more as many municipalities are ill-equipped to meet the needs of their aging water systems. AWK isn't particularly worried about competition in this space even though companies like NEE are looking to ramp up investment in the water space. AWK is the biggest water utility in every state within which it operates (ex-CA) and views that as a big competitive advantage.

CMS: Confident in support for IRP, but downplaying settlement chances

- **Lots of focus on the Integrated Resource Plan.** This remains a primary focus for the company after the June filing and October intervenor comments. Overall, CMS viewed the recently filed comments as supportive, particularly from Michigan PSC Staff. Staff is on board with the regulatory asset treatment of retiring coal plants and rate-basing the Covert gas plant. There was some pushback around the Campbell 3 retirement and replacing with the DIG gas plant. A lot of this seems to have to do with the affiliate transaction nature of it and buying it for $520M versus its ~$100M book value. However, CMS is confident that it is the least cost option and most optimal way to fill the capacity need of Campbell 3 going away. If the DIG plan ultimately doesn't go through, this just creates a greater rate base opportunity, though CMS believes it is not optimal for customers. A draft order on the IRP is expected next March. Last time, CMS reached a settlement on the IRP after the draft order, though mgmt. was downplaying potential for settlement this time around.
- **Excited about regulated story post-Enerbank with growth at high-end of 6-8%.** CMS closed the Enerbank sale and is now effectively a pure play regulated utility. The plan is to grow earnings at the high-end of 6-8% off 2022, with the IRP-related gas plant rate-basing an upside ($1.3B). Through 2024 there is no need for additional equity. CMS will refresh the financing plan with year-end results, but pointed to $250M as a placeholder equity need in 2025.
- **Seeing potential for more owned solar in rate base.** Most intervenors in the IRP filing seemed on board with CMS' proposal to maintain its 50/50 split of rate-based and PPA'd solar, though the company is looking for some more flexibility and upside to that split. The PPA length will also be moving down to 15-years, which ultimately creates more buyout potential. CMS sees its owned solar as more cost competitive than ever and the potential for a PTC in the Biden clean energy bill would only enhance this.

CNP: From what we can tell, this is a premium utility story

- **Confident on hitting annual 8% EPS growth.** Management reiterated its confidence in being able to deliver on annual 8% EPS growth through 2024 off the recently revised higher outlooks for 2021 and 2022. The reason the 8% target wasn't extended through 2025 was due to timing of CEHE's next rate case. This is because the company will likely be dealing with a little more lag than usual as the DCRF rider can't be filed in a year where a rate case is pending. That said, CNP still expects to grow in the top-half of the 6-8% in 2025 and through 2030. We will first get a view of the new PUCT in Oncor's rate case, which is due to be filed in the middle of 2022.

- **Stakeholder relationships rebuilt, particularly within Texas.** CNP's new management team made a concerted effort to improve its relationship with stakeholders following the bad outcome in the last CEHE rate case. One intervenor in particular that management wanted to reach alignment with was the City of Houston. And management has done just that, with both sides in agreement that what is good for CNP will also be good for the city of Houston. Management has also visited with all the new members of the PUCT and there seems to be a consensus amongst all parties to keep the growth engine in TX running.
- **Indirect beneficiary from Reconciliation Bill.** Some of the biggest benefits from the Reconciliation Bill for CNP include incentivizing EV adoption given the positive impact that would have on future load growth. Only 30K cars in Houston are EVs today and the total car fleet in the city is 2.0-2.5M; CNP sees $80/yr. of margin per EV that is added to the road. To the extent that the enhancement/extension of renewable credits incentivizes a further buildout of renewables in TX, CNP stands ready to benefit from transmission investments needed to bring the power into the Houston area.
- **ENBL expected to close in Q4.** No changes from management's comments on the Q3 call last week – still expect the transaction to close in Q4. Our sense is that CNP will look for a full exit swiftly after the close.

D: All about execution and confident in the ability to do so

- **Very confident on offshore wind.** D remains very confident in delivering the $9.7B CVOW project on time/budget and getting recovery of the investment as is prescribed in the VCEA. It is important to remember how unique D's project is relative to peers in the US – a rate base investment that is presumed prudent if three criteria are met 1) competitively bid out all parts of the project; 2) start construction before 2024 of finish by YE27; 3) deliver the project with an LCOE under $125/MWh. #1 and #2 have already been met and D expects to deliver the project well-below the cost cap ($87/MWh or even less with extension of tax credits to offshore).
- **T2 review risk materially reduced.** D feels good about getting SCC approval for VEPCO's T1 review settlement before yearend or early next year. Management reiterated just how much the stipulations in the settlement help de-risk the T2 review in 2024 – specifically, moving $500M of fossil plant expenses into the T2 period. D mentioned it will effectively lower the company's earned ROE by 350bps. Also, the T1 settlement proved out that there is no debate on the use of CCROs.
- **Sees no impact from VA election outcome.** VA has always been a competitive state electorally, so D has always made a point to work with both sides of the aisle no matter who is in or out of power. For example, the last time there was a Republican majority in the state in 2018 the constructive GTSA law was passed. D believes Governor-elect Youngkin's pro-business agenda will align with the company's goals well. It is also important to remember that the Senate is still a Democrat majority so there could be some gridlock in VA's 2022 legislative session.
- **Net winner from potential Reconciliation Bill.** D sees the package as a win-win for customers and shareholders. Management believes the direct pay option would more than offset any cash drag from an AMT, particularly given the amount of renewable tax credits D will be generating as it works to meet the goals set out in the VCEA.
- **Cove Point refinancing credit positive.** By doing this, D effectively moved what was recourse parent level debt to being non-recourse project level debt at Cove Point. This is

positive for D's credit profile on the margin given the rating agencies' views on holding company leverage. The debt exchange will be EPS neutral.

DTE: Tracking toward the high-end of growth with plenty of contingency

- **Formally moving the 2022 guidance target to the high-end of 5-7% EPS growth.** DTE's EEI slides formally confirmed the company was targeting the high-end of 2022 guidance – indicating 6-7% EPS growth off the original 2021 guidance midpoint ($5.51). The company has a long track record of overachieving given its contingency planning, and even with the near-term headwinds of REF earnings rolling-off and equity converts, the growth should continue at the high-end. Overall, DTE continues to feel good about the Michigan regulatory environment even in the wake of the summer storms.
- **Long-term capital plan focused on addressing extreme weather patterns and EV demand.** DTE just refreshed its five-year capex plan and looking out over the next decade it sees $35B in investment opportunities. A lot of this is designed to accommodate more extreme weather patterns (as seen by some of the storms over the recent summer) and EV-related load growth. Near-term, DTE is actively increasing its spend on tree trimming as another way to address an unprecedented summer of storms/tornadoes and outages for its customers.
- **Starting to preview the next IRP filing**. DTE will file its next Integrated Resource Plan a year from now, but is already starting to layout its plan and engage with stakeholders. The retirement of Belle River coal has been pulled forward 2 years to 2028 and it seems likely Monroe coal will cease in the mid-2030s (from 2040 currently). These plants cover $3.5B of rate base, however there may be opportunities to run them on natural gas and accelerated depreciation treatment seems more likely than securitization. To replace this lost capacity, DTE sees 5-7 GWs of new renewables, more storage, and 1-2 GWs of gas generation (potentially with carbon capture).
- **Continuing to see growth opportunities at Vantage business**. The business segment formerly known as Power & Industrials is seeing continued opportunities for growth within RNG and cogeneration. This should add $15M/year in net income at a relatively ratable clip, which keeps the segment at 10% of total earnings. Longer-term DTE could look at strategic options for Vantage similar to how the midstream spin ultimately played out, but nothing seems imminent. Much of the value in this business right now is from the LCFS market in California, though DTE is also looking at markets developing in other states. In terms of variability at the business, RNG is 100% contracted on volumes and on price – one-third is fixed, one-third is financially hedged, and one-third is open.

DUK: Sees top half of EPS growth target if all goes well

- **NC legislation significant.** DUK thinks the recent NC legislation was significant, as it allows, among other things, multiyear rate plans and 55% ownership of new renewables. It also has the NCUC set a carbon reduction plan, which will play out next year and determine amount, timing and type of new generation that DUK will pursue; these will be reviewed biennially. DUK is evaluating when to file for a rate case to set a baseline under the new law. DUK anticipates less regulatory lag under the new law.
- **Top half of EPS growth target post 2023 if all goes well; top half of capex plan.** DUK believes it can grow in the top half of its 5-7% EPS growth target if all goes well on its capital plan and after the new NC framework is fully implemented and in rates, which is possibly post 2023. DUK sees 2021-25 capex in top half of $55-65B target and 2026-30 capex in top half of $65-75B. Those forecasts reflect the upcoming Indiana IRP, which is expected to have more renewables.
- **Assuming BBB plan passes, inconsequential impact on cash.** DUK assumes the current Biden plan passes; the credits (renewables, storage, nuke, etc) and direct pay are all supportive. And DUK believes the corporate min tax would just be a timing a thing in rates,

given tax agreements in its regulatory orders. DUK thinks BBB has an immaterial impact on cash.

- **Still holding constructive negotiations with Elliott.** DUK continues to hold what it terms as constructive negotiations with Elliott Management; there is no timeline for an announcement.

ED: Surprise boost in 2021; O&R settlement sets up well for CECONY

- **Ability to now collect late fees providing a boost to 2021.** When ED reported Q3 results we were surprised to see 2021 guidance reaffirmed. We thought there was a good chance ED would need to point to the lower half/end of its range given YTD performance. What we didn't know was that ED will be able to start collecting late fees from commercial and residential customers in Q4, which had been a $0.05-0.06 EPS per quarter previously. Still pending at the PSC is ED's request for a surcharge mechanism to recover similar foregone fees from 2020 and a true-up for 2021. ED is cautiously optimistic the PSC will take action the request before yearend or early next. If the PSC allows recovery, the structure and timing will have implications for how 2021 or 2022 guidance will ultimately be impacted.
- **O&R rate settlement positive read through for CECONY.** In the settlement parties agreed to a 9.2% ROE (incl 30bps stay-out premium), which is 40bps above CECONY's current allowed ROE. Recall, that NY awards ROEs based on a formulaic approach so in theory CECONY should get similar treatment assuming the macro environment/utility stock performance doesn't change materially. O&R is also being allowed recovery of its foregone late payment charges and covid-related bad debt charges over a three-year period.
- **What could lead to a higher growth rate?** CEO Tim Cawley has mentioned that a priority of his is making the company's 4-6% EPS growth rate more competitive with peers. In our meeting, he pointed to a proper ROE and proper O&M coverage as two important factors. He also mentioned getting approval of additional investment programs that the company will proposal in CECONY's upcoming rate filing. These programs could include additional investments to accommodate EVs, more in energy efficiency battery storage, and grid resiliency. While ED doesn't expect pushback on its ideas, the debate will be around size and pace of the investments to still keep customers bills affordable.

EIX: Mitigation paying off both on the ground and on the stock chart

- **Message is focused on wildfire mitigation; no major fires.** At EEI last year, EIX sounded bullish on CA, given policy-driven investments in the grid and limited wildfire risk (AB 1054). Although it took nearly a year, the stock is finally reacting (it doesn't hurt that its fellow CA utility PCG has been the best performing utility stock over the past few weeks). EIX's messaging at this EEI is continued focus on wildfire mitigation while minimizing the impacts on customers, including fewer PSPS (outage) events and investments in covered conductors, both which the data show are working. And there have been no sizeable utility-caused fire in EIX's territory. EIX expects to receive its 2022 Wildfire Safety Certificate in mid-December.
- **EPS growth of 5-7%; rate base growth of 6-8%; more storage, electrification.** EIX projects 5-7% EPS growth through 2025, driven by 6-8% rate base growth. Covered conductors, storage, electrification and infrastructure replacement are factors that could support continued capex beyond that authorized in EIX's recently approved GRC.
- **Nothing new on CoC case.** EIX and the other CA utilities are awaiting a scoping memo on the off-cycle cost of capital case. It is still unclear whether the ALJ will proceed with a full case or reject the utilities' application, which could mean the ROE in 2022 is cut by nearly 60bp and utilities file the CoC applications in April 2022 (for 2023-25).
- **Progress on best estimate of 2017/18 damages will be updated quarterly.** EIX last week updated its best estimate of 17/18 fire damages ($7.5B, w/ $2.2B unresolved). EIX anticipates continuing to provide quarterly updates on the progress it makes resolving lawsuits and any changes to its damages estimate. With its preferred equity issuances in 2021 complete, EIX

sees no new equity needs for the wildfire damages. EIX projects on avg $250M/yr of equity through 2025 to fund growth. Its FFO/Debt target of 15-17% reflects fire damages. As a reminder, EIX still plans to file for recovery of some portion of fire damages, as there has been no indication that the company violated any law or acted negligently or imprudently.

EMA: Not a lot new ahead of the December Analyst Day

- **Rate cases in the rearview, time to execute.** The last year or two have been focused on rate cases at either TECO, People's Gas or NMGC. Now all three are behind the company, with TECO (over 50% of earnings) having rate certainty for at least the next three years. Management reiterated the expectation to be able to earn an ROE in the range of 10.25-10.75% within TECO's band in any given year. Load and weather will largely determine whether TECO is at the low or high end of the range.
- **Timeline for Atlantic Loop pushed out some.** Management had been hoping to share more concrete details on the Atlantic Loop project at its December 1st Analyst Day. Realistically it sounds like the earliest that would now happen is on the Q4 call next year. EMA noted that conversations amongst the various stakeholders were grounded for a few months due to the federal election in Canada. That said, EMA feels very bullish on the project generally given that it makes the most sense to help decarbonize Nova Scotia – Quebec currently has more hydro resources than it can consume.
- **Happy with the current business mix.** Management effectively views the company as a pure-play today and doesn't have an impetus to change the business mix from what it is today (already divested competitive generation, Emera Maine). On the topic of potentially selling stakes in existing transmission (e.g., LIL or Maritime Link) to potentially fund future growth, management indicated that wouldn't be the most politically popular idea.
- **Latest thoughts on FX.** EMA effectively views the current USD/CAD exchange rate (1.25) as a floor and thinks a lot of the move is tied to the rise in commodity prices. EMA doesn't view the FX rate as having a material impact on its decision making for the timing of capex deployment. It's likely EMA will update its L-T view for FX at the Analyst Day alongside the updated capital plan.

ES: With CT issues resolved, focus turns to offshore wind and EPS growth messaging

- **Messaging EPS growth with offshore wind.** ES feels good about earning on the top half of its 5-7% EPS growth target through 2025 on its core businesses. ES' growth target excludes any earnings from its offshore wind JV with Ørsted; the 50/50 JV is developing over 1700 MW of offshore wind projects in New England and NY. By 2026, offshore wind earnings could push growth up above 7%. ES has not said whether the LT growth target as part of its Feb 2022 update will reflect offshore wind or only core businesses. We see roughly $0.50 of offshore wind earnings in 2026, imply EPS growth of around 8%. But we prefer ES keeps offshore wind upside separate from utility growth targets.
- **CT rates resolution good; grid mod up next.** There was considerable regulatory pushback in CT this year, stemming from ES' response to Tropical Storm Isaias in 2020. ES was ultimately able to find a constructive agreement with key parties, and it may be able to stay out of rate cases through 2024, allowing for stability. But ES will still be trying to get investments in grid mod, AMI, EVs approved by CT regulators.
- **Feels good on pending offshore wind projects; MA changing criteria.** ES/Ørsted feel good about the 1.7 GW of projects, with the first but smallest (South Fork) on schedule for a COP decision by Jan 2022 and COD in 2023; and the larger two (Revolution and Sunrise) on track for COD in mid- to late-2025. ES still sees ROEs in the "mid-teens." The Biden Administration generally, and the Bureau of Ocean Energy Management specifically, have been supportive of offshore wind. ES/Ørsted did not bid in this year's MA RFP, as the state law said at the time that prices must be lower than the prior offshore wind auction. The state

received only two bids (both of which won in the first or second MA RFPs). MA is now changing the criteria for future RFPs.

- **Upside to growth**. Aside from offshore wind, there is upside to ES' current plan from grid mod, AMI and EVs in CT; that adds $500-600M. Then there is upside from AMI in MA, which is another $500-600M. Not all the required regulatory approvals are expected by ES' Feb 2022 refresh of 5yr capex and growth rate. But some clarity is possible in CT. Other opportunities, including some beyond the 2022-26 plan, are electrification, asset replacement, and transmission for onshoring of offshore wind in New England. Those haven't been quantified but could be material.

ETR: Renewables, resiliency capex upside but flattish capex; equity overhang in 2022

- **Flattish 3yr capex but renewables and resiliency upside post 2024.** ETR's 2022-24 capital plan of $11.7B was flattish to the 2021-23 plan of $11.6B. And 2024 rate base was about $1B lower than the previous 2024 rate base projection. ETR's plan has 1.13 GW ($700M net of tax equity) of renewables. And ETR now sees 11 GW through 2030 vs 5 GW through the same period at the Sep 2020 analyst day. ETR also projects $5-15B of resiliency spending beyond 2024. The company will be developing acceleration options and engage regulators on a path forward. Other jurisdictions have been successful on increasing resiliency/hardening (the obvious one is FL).
- **Equity expected in 2022**. ETR's equity needs through 2024 are $1.23B, but ETR intends to be active next year. Its 2022 avg share count of 206M implies 8M new shares outstanding in 2022 vs 202M currently. At the current stock price, that's roughly $800M. ETR has a $1B ATM from which it has already issued about $250M of forward equity (most of that will hit in 2022). But the remaining equity issuances to reach ETR's assumed 2022 share count is $500-600M. ETR targets hitting over 14% FFO/Debt by 2023.
- **Securitization expected; federal relief would be helpful.** ETR has a long history of securitizing storm costs, as it illustrated in an EEI slide presentation. ETR also pointed to federal relief requested by the LA Gov that could directly go to reduce the burden on customers. We could see a disaster relief bill by yearend.
- **BBB should not make a difference to long-term benefits.** ETR sees higher tax rate under the corporate min tax offset by lower def tax and higher rate base. The direct pay and PTCs for nukes, solar, and the rest are positive aspects for ETR customers and create rate headroom.

EVRG: Plan laid out, focused on execution and consistency

- **Analyst Day laid out the plan, now time to execute and build track record.** Not much new to say from the late-September Analyst Day. EVRG believes it has an attractive plan of 6-8% earnings growth driven by 5-6% rate base growth and O&M savings. Now it's simply a matter of building a track record of execution similar to some higher-premium Midwest peers. So far so good on that front, as 2021 is tracking ahead of plan and 2022 guidance reflects 7% growth.
- **Focused on upcoming rate cases, not expecting much controversy.** EVRG has planned rate case filings in Missouri and Kansas in 2022 and 2023 respectively. These are expected to be relatively straightforward with no new generation and mostly T&D capex recovery that has already been well-previewed in the STP filings. In Missouri, there are a number of pending cases for peer utilities, which could provide a reasonable read-through. The Sibley issue could create some noise, but EVRG doesn't expect this to impact ongoing earnings. If anything, there could be some customer give-backs over time related to non-fuel O&M regulatory balances and the return of/on rate base. Importantly, EVRG's utilities aren't over-earning, which we believe minimizes the risk. Historically, there has been a track record of settlement in EVRG's rate cases.

- **Biden bill could create more renewables opportunities.** Both direct pay and the solar PTC would help EVRG's planned renewables projects become more competitive. Additionally, extensions on the wind PTC could drive increased economic value and help in conversations on repowering/rate-basing existing PPAs. All that said, any impacts are expected to be more towards the back-half of the plan. The nuclear PTC could also be helpful for EVRG's customers given its Wolf Creek ownership.
- **Rate competitiveness expected to improve.** The plan remains targeting 2% or less annual rate increases, which looks even better as inflation moves above this level. Similarly, Midwestern peers, particularly those with more gas-heavy fleets in the current commodities environment are seeing some upward cost pressures. Thus, on a relative basis, EVRG is looking more cost competitive, which over the long-term could provide a window to grow rate base at a level more commensurate with peers.
- **Weather-normalization having some impact on sales metrics.** One interesting nuance EVRG noted is that while weather has been a big benefit in its service territory this year, there are some differences between how it normalizes sales growth relative to peers (30-year average vs. 10-year average). Thus while, weather-normal sales growth has lagged nearby peers, its absolute level of sales have actually been higher.

EXC: Confident both Utilities and Constellation well positioned; optimistic on nuke PTCs

- **Utilities and Constellation both have good stories to tell.** EXC thinks its utilities have a solid profile, with fully T&D, multiyear rate plans, and likely continued above average EPS growth with little to no equity needs. Constellation will be the largest nuclear operator and carbon-free generator in the country with government support for most of this decade (maybe longer) and likely investment grade credit.
- **Spin targeted for 1Q22; watching NYPSC.** EXC continues to target spinning out Constellation in 1Q22. The remaining approvals are NRC and NYPSC. The former is expected to issue a decision within the next month or so; one thing to watch is whether the IL AG intervenes at the NRC. EXC is working with the AG office. Constellation is also in settlement talks with intervenors at the NYPSC. If one can be reached soon, a order on the settlement could be issued at the 12/16 NYPSC meeting. The stock spin could occur about six weeks after approval.
- **Nuclear PTCs have bipartisan support.** The last public version of the BBB had nuclear production tax credits for six years (down from eight in the previous version). Given the broad bipartisan support for nuclear, there's a possibility it could go back to eight years. The legislative language currently is vague on calculating gross receipts. For example, would a nuclear unit use the hedges for that year or the spot price. In a high price environment, like the current one, the PTCs are less more using the spot than the hedge, given the $15/MWh PTC declines as the revenue price exceeds the $25/MWh baseline.

FE: Another big splash around EEI, story now much cleaner going forward

- **Upbeat meeting, stock response more muted.** FE kicked off EEI with the big news on Sunday – announcing a $2.4B sale of a 20% stake in FE Transmission to Brookfield and a $1B equity investment from Blackstone at no discount. FE also initiated 2022 guidance at $2.30-2.50, which matched our expectations. The capital plan was raised by $2.2B (15%) with more being directed towards formula rate recovery and this is expected to support 6-8% EPS growth going forward. The dividend is expected to remain flat at $1.56/sh (~4% yield and high-end of 55-65% payout range). Most importantly, FE sees no additional equity needs beyond the $100M/year DRIP for the foreseeable future, and there is a path to 13%+ FFO/Debt by 2024 and an investment grade rating some time in the back half of next year.

- **EPS growth expected to be relatively steady.** FE didn't set a specific time horizon for its long-term 6-8% EPS growth target, but expressed confidence in hitting if not exceeding this. More detailed segment guidance on 2022 will be given with year-end earnings.
- **Transmission sale was done at mid-30x multiple on forward earnings.** FE initially noted a 40x multiple on the transmission stake sale when looking at LTM earnings. When factoring in the existing non-controlling interest at Penelec/MetEd and FET Debt, this equates to just under $300M in net income as a base and depending on how those earnings grow going forward, the 2023 sale multiple should be in 33-38x range – more than double FE's current multiple and a much more accretive way to address its funding need. FE also noted that the implied rate base multiple is 3.1x.
- **Credit agencies taking a positive stance.** FE was really focused on shoring up its balance sheet and now sees a path to move from ~12% FFO/Debt next year toward 13% in 2024 and mid-teens thereafter. The ratings agencies reacted favorably to the sale and equity announcement – Moody's put FE on positive outlook and is one notch from IG, while S&P upgraded FE's senior unsecured debt to within one notch of IG and a stable outlook. FE believes an investment grade rating in the back-half of 2022 is achievable.
- **Ohio regulatory environment has been de-risked with recent settlement.** FE reached an all-party agreement last week and believes PUCO will likely approve it in early-2022. Earned ROEs will come down to a normalized 9-10% level, which de-risks concerns around the required 2024 rate case filing. We also like that former AEP CFO Brian Tierney was involved with the Blackstone investment, which implies a level of comfort with the Ohio environment going forward as well.
- **Updating model for capex/rate base refresh and extending to 2024.** We did an abbreviated model update for the transmission sale and equity issuance on Sunday, which resulted in 2022/2023 estimates of $2.42/2.58. FE then published a refreshed Factbook Monday morning, and we have updated for this, while extending our model to 2024. Our initial 2024E is $2.77 and implies a 7.4% EPS CAGR off the 2022 guide midpoint.

FTS: New capital plan with a lot of upsides; more on Arizona riders next year

- **Refreshed capital plan keeps rate base growth steady at 6%.** FTS refreshed its five-year capex plan – taking it up to $20B after factoring in FX-related headwinds. This should continue to support 6% rate base and dividend growth going forward. The projects in the capex plan are predominantly low-risk, with only 11 over $200M and none larger than $500M. FTS also pointed to a number of upsides to the capital, such as Lake Erie Connector and the MISO long-range transmission plan, which should have more visibility around the turn of the year.
- **Lake Erie and MISO transmission upsides could be realized soon.** We expect an update on the $1.7B Lake Erie Connector project by year-end, where FTS remains in negotiations with the Ontario ISO. The MISO long-range transmission plan will come out early next year and once released FTS should have a better sense of which projects it will ultimately be able to capture. Given this, the company is maintaining funding flexibility, though for now the only equity needs are via the DRIP. Additionally, equity will ultimately depend on the lumpiness of some of this spend.
- **Planning to address Arizona riders next year.** FTS watched the APS/PNW rate case outcome closely, while pointing to the much more constructive outcome in its own case a year ago. FTS was able to add $700M to rate base and two additional riders. Going forward, TEP/FTS will likely need a renewables rider to effectuate its clean energy transition plan to retire coal and add renewables, which should be relatively unimpactful from a bill perspective given the fuel savings. FTS hopes to address riders more holistically as part of workshops at the Arizona Corporation Commission next year – looking to consolidate/simplify riders and add a renewables investment recovery mechanism.

- **FERC transmission moving slow, but net-net in the right direction.** FTS believes the general direction of transmission rhetoric remains encouraging. FTS liked the original NOPR's incentives structure, while feeling as though the supplemental NOPR removing incentives is on the back burner for now. Going forward, FERC remains focused on policy decisions to reform cost allocation, planning, and interconnection queues. Within the Biden reconciliation bill, the transmission ITC could be a net benefit for customer affordability and create headroom.

LNT: Excited about solar buildout and potential direct pay benefits

- **New capital plan raises and pushes out renewables spend.** LNT refreshed its 5-year capital plan along with Q3/EEI, which moved $0.5B higher in aggregate, though there was an increase in expected tax equity and the solar timing was pushed out due to supply chain / inflation. There's also some incremental solar/storage and wind repowerings that were added to the back-half of the plan. This should continue to support 6% rate base growth and earnings growth at the midpoint of its 5-7% target with some upside if the reconciliation bill gets done.
- **Solar costs have ticked up, only coal left is joint-owned.** LNT's recent Iowa solar filing includes a $1,575/kW cost cap. Normalizing for AFUDC and transmission, this comes out closer to $1,400/kW. About 6 months ago, the latter's cost was looking more like $1,200/kW as commodity costs have risen. LNT's coal as a percent of rate base will fall to 2% in 2025. The only remaining plants are joint-owned with Mid-American in Iowa. Discussions are ongoing around accelerated retirements, though nothing seems imminent.
- **Passage of Biden clean energy credits would be a nice positive.** LNT sees two key positives. The first is the solar PTC, which more attractive than the current ITC. The second is the direct pay provision. Together there would eliminate the roughly $1B in currently planned tax equity and instead turn most of that into rate base. At the same time, it could also allow for monetization of existing tax credits (~$500M) resulting in a better cash position. Net-net, the higher capex and better cash flow could result in some modest equity needs, but this would be offset by the higher earnings power of these investments without tax equity.
- **Cash flow metrics are already improving.** Currently, LNT is at the lower-end of its credit metric ranges as it returns ~$100M in tax credits and excess deferred taxes. However, this ends after 2021 and there is a path to move back within its Baa2 range of 14-17% FFO/Debt.
- **No near-term rate filings.** LNT is awaiting final approval of its Wisconsin rate settlement and won't file again until 2023. In Iowa, the plan is to file in 2024 for 2025 rates to align with the solar in-service. In Iowa, LNT just made its advanced ratemaking filing for solar, which requests an 11.4% ROE, though recent history has been 11.0%.

NEE/NEP: Everything is awesome

- **Reconciliation bill passage is a gamechanger and the odds seem high.** NEE sees the odds of the reconciliation bill ultimately passing as close to 80%. Direct pay, standalone storage ITC, solar PTC, and hydrogen PTC are all gamechangers that NEE is excited about. Interestingly, NEE actually sees the tax credits running into 2041, which is more than the currently stated 2031 before step-downs begin, as the Senator Wyden language would require 75% reductions in emissions off 2021 before this happens. The one potential negative is the minimum book tax. While renewables credits would be carved out (NEE has ~$4B on the balance sheet), renewables depreciation is not currently (seeing odds of about 40% that this changes). That said, NEE still believes it won't have to pay book taxes for at least 6 years.
- **Utility rate settlement was constructive; building a lot of solar.** NEE was pleased to move beyond the FPL rate case and viewed the terms as generally well-balanced. Going forward, the utility is heavily focused on building out rate-based solar, which will become even more attractive under the provisions of the Biden clean energy credits. NEE is one of the largest land owners in Florida today and will use this to its advantage.

- **Renewables business is going to double, plus storage/hydrogen.** The unregulated renewables business at NEER is poised to double based on the current outlook. With the standalone storage ITC, NEE plans to add batteries to its existing wind sites. The green hydrogen PTC can make it immediately competitive with other forms of hydrogen and even with natural gas at current prices (i.e.: Okeechobee pilot is $12 gas equivalent and would fall by 75% to $3). NEE is working to bring more of its suppliers onshore and believes issues like anti-circumvention and 201 tariffs will ultimately be resolved.
- **NEP more important than ever to NEE.** Given the robust outlook for renewables at NEE, the need for capital recycling will only increase, which enhances the importance of NEP. This should only help NEP extend the duration of its 12-15% dividend growth outlook. The solar PTC and direct pay are also beneficial for NEP, and there is a potential to use the vehicle for some tax arbitrage given the minimum book tax at NEE.
- **M&A not a big focus, more so organic transmission growth.** NEE seems less focused on M&A and if anything is primarily interested in sub-$20B market caps. NEE is interested in continuing to build out its transmission business on the back of the TransBay and GridLiance deals. Most recently, NEE submitted an offshore wind transmission bid in New Jersey.
- **Refreshed financial outlook coming next year.** NEE expects to provide a refreshed earnings outlook with its year-end call. The business continues to run with a lot of cushion and there are a lot of tailwinds, thus at a minimum we expect a re-basing higher and even potentially growth above 6-8%. NEE will also host an Analyst Day in June where it lays out more details on its plan.

NI: Mojo is back

- **One word – "confidence".** That is how management summarized its main message for EEI. The company feels very good about the ability to execute on the plan moving forward, supported by 10-12% rate base CAGR across all its subsidiaries. And while the Merrimack Valley incident certainly led the narrative for the company over the past couple of years, it also obscured the solid execution that continued across NI's core states during the period. NI believes the story today is even enhanced vs 3 or 5-years ago given the O&M initiatives through NiSource Next and the transition of its fleet at NIPSCO to being coal-free around the middle of the decade.
- **Sees a lot of opportunities in decarbonizing gas.** NI likens its gas LDC network to an infrastructure storage asset (i.e., capacity resource) that can be decarbonized over time through RNG or hydrogen blending. Particularly in the areas that NI serves, the throughput on the system needed to serve peak days is about 3x more than what the electric system can deliver today. NI sits in states where there is great opportunity to utilize agricultural waste for RNG, though there is likely an incentive needed to use the RNG locally to really accelerate the adoption. Sitting on top of the Marcellus/Utica, NI sees a strong case for future grey hydrogen hubs with carbon capture in its service territories.
- **Expecting constructive outcomes in pending rate cases.** With settlements recently reached in PA and KY, the focus on the rate case front is in OH and IN. For OH, this is the first base rate case since 2008. But NI feels good given successes with its CEP and IRP rider programs in the state. A Staff report in OH is expect toward yearend or early next year, with any settlement discussion likely to occur in Q2 of next year. For IN, NI was last in for new rates in 2018 and was able to reach a constructive settlement. Vectren South and North recently settled cases with 9.7% and 9.8% ROEs respectively.
- **No change on strategic thoughts regarding asset mix.** NI is currently in the planning cycle with its Board where it would consider any strategic decisions regarding portfolio optimization. Our sense is that there is no change to NI's thinking given that any capital rotation opportunity

would have to be neutral or better to the current plan (i.e., 10%+ RB growth). Also, NI is also in good shape from a balance sheet standpoint so there isn't any rush to make any changes.

- **Meaningful extension of L-T outlook next year.** NI will hold an Analyst Day toward the end of the 1H of the year. The focus will be to extend the earnings and capex outlook meaningfully beyond the current 2024 period. Our sense is this likely means out until the 2028 timeframe to fully capture anything out of the pending IRP at NIPSCO.

OGE: A company that is headed in the right direction

- **Capex plan has a clear upward bias.** OGE will update and roll forward its 5-year capex outlook on the Q4 call next year. Our sense is that there will be revisions upward related to grid mod and customer growth-related initiatives. OGE also plans to add 100-150 MW/yr. of solar starting in late 2022 or 2023 through mid-decade and should have a good sense on exact size and timing by the Q4 call. OG&E's current rate base CAGR is near 5% and management noted it will likely move materially higher.
- **May need to be more patient on any change to EPS growth rate.** While the rate base CAGR is likely to move higher, investors may need to be a little more patient for OGE to modify its EPS target of 5%. That said, management was clear that 5% is a floor and the expectation is for 5%+ off the base of 2021's original midpoint. It could be that OGE wants to get the upcoming OK rate case fully behind the company before addressing the EPS growth rate going forward.
- **Expecting ENBL/ET to close in Q4.** OGE sounded very confident that ENBL/ET would close in Q4. Assuming that is true, we would expect OGE to formally lay out its exit plan on the Q4 call. It sounded like OGE will look to exit sooner than later once CNP has fully exited, particularly if ET stock is doing well. Even if OGE doesn't have utility capex with which to invest the proceeds immediately, it does have some debt at the holdco to paydown so that there isn't excess cash sitting on the balance sheet. We wouldn't be surprised to see OGE rebrand the parent once fully out of midstream to drop the word "gas" since OGE has no gas LDC.
- **A lot of future balance sheet capacity.** Once the proceeds from the Uri securitization are received mid-2022, OGE expects its FFO/D to return to 18-20% levels. After OGE is out of midstream, the rating agencies have indicated that the company will be afforded 200-300bps of additional balance sheet capacity given the improved business mix.
- **Bullish on L-T load growth.** By yearend, OGE is expecting load levels to be above 2019 levels, meaning the service territory as already more than recovered from COVID. OGE's expectation is still for 1%+ load growth long term.

PEG: Analyst Day message reiteration; hopeful on nuclear PTCs

- **Reiterating Analyst Day message.** Nearly fully regulated company going forward, with zero-carbon nuclear business. Growing earnings at 5-7% long-term. Will update wider than normal guidance range for 2022 once year-end pension position is known.
- **Hopeful and optimistic that nuclear PTC prevails.** Confident that nuclear PTC will remain in final Biden clean energy bill – one of the few areas with bipartisan support. Still need to get final bill passage though. Current PTC would be $15/MWh for 6 years less 80% of anything over $25/MWh on base energy/capacity price. Would effectively stabilize revenues at ~$40-45/MWh. Importantly, PTCs are not taxable, like NJ ZECs. If Biden bill doesn't pass, still possible it comes up in tax extenders. The minimum book tax could apply to PEG as well, though the company talked to the impact as similar to raising the corporate tax rate as was initially proposed, and it seems manageable overall. Zero need for equity wouldn't change.
- **Not expecting change in status quo following NJ elections.** Governor Murphy narrowly won reelection. He has been very supportive of offshore wind and that should continue. Long-time Senate President Sweeney lost, though he was more important in getting the ball rolling

on nuclear support in the state. That seems to be less controversial now and if the federal nuclear PTC fails, there is still a path for a longer-term ZEC in New Jersey.

- **Utility business feels relatively de-risked.** NJ BPU has methodically approved spend programs, with mostly clause recovery. The latest is the $850M IAP filing last week that will focus on last-mile service. PEG's next rate case filing will be in late-2023, and the overall ask should be modest. Sandy costs will roll-off and COVID deferrals will roll-in, while there is a small portion of non-clause investment that will need to be recouped.
- **Still in discussions on incremental offshore wind ownership.** PEG remains in discussions with its partner Ørsted following their initial 25% ownership option in Ocean Wind 1. Ørsted won the bid on Ocean Wind 2 and PEG also owns more offshore lease area that can bid into Maryland. Thus, it's possible the ownership structure allows for increasing its exposure to offshore wind. It's possible costs have gone up some given commodities/inflation, but so has turbine size/efficiency. PEG also remains optimistic on their offshore transmission bids, believing they are geographically well-positioned and presenting up to a 10-figure investment opportunity.

PCG: What a difference a year makes!

- **Message is executing on wildfire mitigation.** At EEI last year, PCG did not have a permanent CEO, was a handful of months out of BK, and faced little interest from traditional utility investors. Although it took nearly a year, the stock has some strong momentum; it was the best performing utility over the past few weeks. It has not been easy: the second largest fire in state history (Dixie) hurt the stock this past summer, but management continues to view its actions as prudent. PCG's messaging at this EEI is the new management team this year has continued to execute on its wildfire mitigation plans and find real risk reduction while minimizing the impacts on customers, including fewer PSPS (outage) events. The team has also found ways to improve efficiency and operations. And management is excited by its undergrounding proposal, on which more detail will come in Feb 2022 and expects to get its 2022 Wildfire Safety Certificate.
- **Undergrounding.** PCG continues to expect the cost of UG to come down; in one small scale pilot program in its service area, cost is $2.7M/mile. PCG projects that to fall to $2M/mile or lower as the program scales up; PCG's high-level target is 10k miles of UG. PCG also noted its gas operations have experience with undergrounding gas lines and there could be opportunities of dual-trenching with telcos who want to bury communication lines. PCG is still evaluating whether the ITCs proposed in the BBB would apply to UG.
- **BBB likely to have a neutral cash impact.** PCG thinks the cash impact from BBB will not be material either way, and CA has a history of adjusting rates from tax memo accounts (TAMA). PCG is still eyeing any federal assistance with wildfire prevention, particularly vegetation management or other operating expenses. The nuke PTC also would still apply to Diablo Canyon until it shuts mid-decade.
- **Excitement over bidirectional EVs, storage.** PCG is excited by the potential from bidirectional EVs and views its role as an enabler. An EV is like 6 TSLA power packs and can power a house. PCG's territory is home to 1 in every 5 EVs nationally. PCG also has storage projects. And it does not view solar rooftop as a threat. The NEM 3.0 order this year is still important for reform, but PCG sees win-win solutions.

PNW: Pitching rate case outcome as an exception, not the rule

- **Rate case outcome clear disappointment.** Management didn't shy away from sharing just how disappointing the outcome of the rate case was. PNW is of the view that the deck was stacked against the company from the get-go, having gotten called in for the rate case with the perception that the company was overearning. A key tenant of the case was getting recovery of the controversial SCRs coal equipment at Four Corners. While a portion was ultimately allowed to be recovered in rates, the ACC jockeyed with other items (namely lowering the ROE to 8.7%) in order to effectively award no rate increase to give the Commission a win in the eyes of rate payers.

- **Legal challenge being pursued.** PNW was transparent in saying that it would sue the Commission in court over the legality of the rate case if the ROO was adopted as amended. As such, the company is preparing its legal strategy potentially through two different avenues 1) a challenge at the appeals court in AZ; 2) a special action at the AZ state Supreme Court. The first route will happen definitively, and the appeals court is required to hear all cases. But its unclear if PNW will go to the state Supreme Court on a special action over the SCRs given how fast the Court could act as PNW may look to use the challenge as a bargaining chip in the next rate case. Also, the state Supreme Court only accepts ~20% of the cases brought to it so there is no guarantee.
- **Next rate case coming in short order.** PNW will file its next rate case as soon as is practical. This would likely be sometime in Q2 of next year. Between now and then, PNW will seek to have discussions with various stakeholders, including the Commissioners, to hopefully reach alignment on key issues prior to even filing the case. We do worry some that the Commission would want to engage with the company while simultaneously being sued. Also, there is no indication at this point that the Commission would want parties to pursue a settlement in the next case. We are hesitant to buy into the narrative that the last case was an anomaly until we see signs that the regulatory environment is actually stabilizing in AZ.
- **ACC election next fall, one new Commissioner guaranteed.** Two seats at the ACC will be up for grabs next fall – Sandra Kennedy (D) and Justin Olson (R). Olson will not seek re-election as he has already stated his intent to run for a seat in the state Senate. Kennedy is by far the most vocal critic of the company, so failure to win re-election would be positive for PNW. That said, she did receive the highest vote count of any candidate the last time she ran. If Kennedy were to win and a Dem took Olson's seat, the Commission would move the majority Dem where Kennedy could be named Chair.
- **5-7% EPS CAGR hinges on reasonable outcome in next rate case.** PNW's forward EPS growth guidance assumes new rates from the next rate case are effective in the back half of 2023 and that the company will receive a reasonable outcome. It's still not clear exactly if PNW will be in the range in 2023 as it depends on timing of final order and outcome. Similarly, 2024 could see a step up even above the range.

POR: Big renewable goals

- **Renewable RFP on the come.** POR will formally launch its renewable RFP early next month, targeting to procure 375-500 MW of renewables, 375 MW of non-emitting capacity and 100 MW specifically for its Green Futures program. POR believes what is currently being discussed in the Reconciliation Bill will make it a lot easier for its benchmark bids to compete with third parties. In addition, management believes POR's incumbent position – existing land ownership, interconnection rights, ability to co-locate facilities – all bode well for the company's competitive position too. Even if the Reconciliation Bill were to fail, POR will submit its bids through an unregulated affiliate to have a better chance of winning a chunk of the RFP. Depending on what POR ultimately wins, we would expect the company to fund it with enough equity to get the consolidated ratio back close to 50%. It will likely be after the Q1 call next year before we know the outcome of the RFP.
- **Lot of growth opportunities.** Management mentioned that growth opportunities in front of the company are as strong as they have ever been. Any capex out of the RFP is pure upside but POR also expects to have another one or two iterations during the decade in an effort to meet the state's ambitious clean energy goals (80% clean by 2030, 100% by 2040). POR also sees a lot of opportunities in the base business, hinting that the capex of $550M/yr. in 2023-24 are likely to move higher as the years come closer. The question is if POR will adjust the L-T

growth expectation for the company. It sounds like POR will need to work through the RFP above before that decision is made.

- **Hopeful on rate case settlement.** POR has already settled cost of capital, but some of the more controversial items have yet to be hashed out. Settlement conferences were held earlier this month and management noted that November is typically when we would expect to see a full settlement filed. POR feels good about its case – predominantly a capital case with a modest 2% increase (ex-fuel).
- **Strong load growth.** Oregon is a top-3 state for immigration and the company continues to see strong load growth, particularly in the high-tech industrial sector. Roughly 30-40% of customers in Portland have air conditioning, but that could move higher in the future given recent fits with extreme heat conditions which could provide another avenue for load growth. POR also sees a big opportunity in future from EVs, saying that 1 EV is the equivalent to adding half a home.

PPL: A little more clarity on growth drivers, new utility capex but detail to come in Mar

- **Repositioning of the company nearly complete; Mar analyst day.** Management is nearing the finish line with its major repositioning of the company, which includes a US focused utility with KY, PA and likely RI operations. The company will also have one of the strongest B/S in the sector. Assuming the NEC acquisition is approved by RI in Feb, PPL could have an analyst day in Mar, at which PPL will provide 2022 guidance, LT EPS growth and capital plan.
- **EPS growth off 2022 adjusted base**. At analyst day, PPL will likely give a LT growth rate of 5-7%, using a pro forma 2022 EPS. PPL will own NEC for only 10 months in 2022, meaning its formal 2022 guidance needs to be adjusted. PPL sees O&M efficiency and incremental utility capex as growth drivers over the next several years. There could hardening and smart grid spend in RI, as well as investments in onshoring the power from offshore windfarms. In the second half of the decade, there is another generation replacement cycle in KY.
- **RI order expected 2/25**. PPL has received all approvals for NEC except from the RI PUC. Intervenor testimony was filed and the company wasn't surprised. Intervenors want to ensure merger transition costs are not passed onto ratepayers. RI's merger standard is no net harm. PPL feels good about closing the transaction shortly after a decision. PPL also would like to find a way to resolve rate matters and stay out for several years, as it has in KY and PA.
- **Incremental utility capex is mostly at PA transmission**. PPL last week identified an incremental $1B of utility capex through 2025. PPL said most of that is earmarked for PA transmission, which receives good returns on a timely basis.
- **KY fleet transition to take time.** The biggest fleet transition opportunity for PPL is in KY; however, the timing is not imminent. The coal plants, which came online in the 70s and early 80s have useful lives of 55 years or more. Still, by 2028 unit retirements will require some replacement. That could be the next leg of growth for PPL. Another thing to watch in KY is EVs and hydrogen. Ford's EV announcement this Sep was significant. And the KY Gov's E-cubed plan could be supportive. KY is petitioning the government to be one of four hydrogen hubs (another is NC).
- **Strong B/S and no major impact from BBB.** PPL is over halfway done with its $1B of buybacks by YE21. PPL's 16-18% FFO/D target will be among the best in the sector. The language on tax credits will be important, but PPL does not expect the corporate min tax to have a major impact. PPL will be a taxpayer.

SO: GA Watch 2022

- **While it gets the attention, SO came ready to portray a post-Vogtle SO.** Continuing where it left off last week on its 3Q21 call, SO said its 2024 EPS of $4.00-4.30 is solid and fleet transition could further support earnings within that range. SO will update its 5yr capital plan early next year and wants to show something for generation replacement. SO does not put in placeholder capex or front-run regulatory filings/decisions, particularly its GA IRP (filing in Jan). But SO will find a way to communicate the range of capital opportunities through 2026. Renewables will be a part of that, as SO envisions more solar in the northern part of GA (most is in the south).

- **Vogtle completion is absolutely the focus.** SO is targeting 3Q22 for U-3 and 2Q23 for U-4. SO is still working through the remediation work. Mgmt will update investors quarterly on the progress, including submission of ITAACs, which are necessary to get to fuel load. In the upcoming GaPSC Staff testimony due 12/1, SO anticipates them to again criticize the schedule that the company has employed: early testing.
- **But GA rate case is key next year, followed by the IRP.** SO underscored the importance of the GA Power rate case (filing in Jul). SO has a history of settlements in the triennial reviews, and SO is optimistic. Next year is jampacked and important for SO in GA: Rate case, IRP, Vogtle U-3 target in-service, Vogtle prudency, and GaPSC commissioner elections (2 of the 5 seats). A lot could change in a year, but based on last week's VA and NJ elections, a red wave is possible next fall (all five PSC comms are Republicans).
- **Vogtle prudency also important but SO feeling good.** SO expects prudency on both units to be addressed. SO is expecting to recover at least $7.3B of Vogtle capital costs, and that is what is SO's EPS outlook. Last month, SO reached a deal with intervenors to rate base $2.1B of previously deemed prudent. The remaining costs above $5.2B still need to be deemed prudent. SO sees a path to get prudency resolved in 2022.
- **Didn't say how BBB would impact it.** Frankly, SO does not know whether the BBB, as currently drafted, will pass and believes further cutting in the top line number is possible.

SRE: Could give a long-term growth rate; lots of utility growth in the future and confident in LNG growth

- **Building a track record on execution but open to options; could give a long-term EPS growth rate.** Sempra management highlighted that it has executed on strategy and financial guidance over the last several years and has a lot of confidence in the LT plan. However, noting the apparent disconnect of the stock compared to other utilities and LNG stocks, it remains open to strategic options though it believes continued execution will help. Management is considering giving a long-term earnings growth rate and suggested its historical 7%-8% growth could be sustainable looking ahead.
- **LNG – confident in Cameron FID, excited on Vista Pacifico.** While mgmt is confident in securing commercial commitments to 7 mpta Cameron expansion, it first needs to complete the feed study, bid out the project to EPCs, and receive FERC approval for the change to electric drive; FID is still about a year away and not really likely to accelerate much. There is a lot of excitement on Vista Pacifico which can use existing pipeline infrastructure (and reduce CFE's capacity payment obligations) and the West Coast footprint is highly appealing to customers.
- **Utilities – Oncor capex boost a tailwind and seeing potential upsides in CA.** Oncor's $2.8B capital plan raise will represent a modest tailwind on earnings from the segment over the next several years and rates are still expected to remain the lowest in the state. In CA, it is seeing opportunities in storage solutions for grid reliability near term and longer term LDC decarbonization.
- **Build Back Better bill will likely be a net positive; CCUS of most interest.** On an overall basis Sempra sees more opportunities than downsides out of the reconciliation bill. Mgmt was most constructive on the 45Q carbon capture tax credit which would help their Hackberry carbon storage hub as well as some work with industrials customers at the LDC. The

hydrogen credit will be helpful as well. On the minimum corporate tax, mgmt sees a modest negative cash tax impact but would not affect EPS.

WEC: New plan with more renewables, higher EPS growth; Biden bill could add even more tailwinds

- **New capital plan up 10% with more focus on regulated renewables.** WEC refreshed its five-year capex plan and took it up 10% to $17.7B. the latest iteration features more spend allocation toward regulated renewables, grid mod, and transmission upgrades. This is expected to support 7% growth in asset base and allowed WEC to raise its EPS growth target to 6-7% (from 5-7% previously) with still no equity needs.
- **Lower margin sales lagging, but higher margin better.** WEC also refreshed its long-term sales growth forecast – lowering it to 0.7-1.0% over 2024-2026 (from 1.0-1.3% over 2022-2025 previously). That said, the headwinds appear to largely be at the lower margin industrial segment (i.e.: Foxconn delays), while higher margin residential sales continue to come in ahead of plan driven partly by customer growth.
- **Most focused on solar PTC and direct pay tailwinds.** Excited about 2 potential tailwinds from the Biden clean energy plan. The first is the solar PTC, which will make its regulated renewables buildout even more economic and allow its energy infrastructure segment to incorporate solar to its existing base of wind-only projects. The second portion of the Biden bill is direct pay, which is a positive, and when couple with the minimum book tax, nets to a 50-100bps improvement in FFO/Debt from current levels around 16%.
- **Power the Future fuel conversion seems relatively straightforward.** Only need modest $30M investment in new burners to get to 30% nat gas fuel blend, along with air permit modification. Will eventually need WI PSC approval in the next few years for full conversion cost of $150-180M. Plan was well-received by the Governor's office. Will be less than 5% coal by 2030 and completely out by 2035.

XEL: Executing well on the regulatory front; potential upside in IRPs

- **New 10-year capex look.** XEL provided a new 10-year look at capex – seeing $36-40B in 2027-31 or a 6.5% rate base CAGR at the midpoint. XEL sees most of that within electric transmission/distribution (50%), followed by other (25%), renewables (20%) and hydrogen/storage (5%). XEL was the first utility to put a capex number on the initial project set under MISO's MTEP. The initial project set is believed to be ~$30B, where the opportunity for XEL is expected to be $5-6B (through 2039). XEL doesn't see real dollars actually getting spent on MTEP until 2026 at the earliest.
- **Potential upside to the IRPs.** XEL is expecting to add 3.9 GW and 5.8 GW of renewables through its CO and MN resource plans, respectively, with investment starting mid-decade and running through 2030 (for CO) and 2034 (for MN). XEL is targeting 50% ownership through the IRPs. But our sense is there could even be upside to that target – CO has legislation that says as long as XEL is reasonably cost effective, then it can own at least 50%. And in MN's last resource plan, XEL ended up getting 75% of what was procured. If the Reconciliation Bill was passed as it is currently proposed, its likely XEL could do even better than 50% ownership given economic benefits from direct pay or PTCs for solar. A decision in both IRPs is expected in 1Q22.
- **CO rate settlement sounds promising.** XEL sounded optimistic on being able to reach a settlement in its CO rate case before the December 22nd deadline. A big driver behind that was being able to reach the settlement regarding Winter Storm Uri costs last month (also resolved three other outstanding issues). XEL also just recently filed a settlement in the CPCN proceeding for its Pathway Transmission project in CO. XEL thought Staff's initial set of recommendations in the rate case were a reasonable starting point for negotiations. The

biggest difference between the company and Staff was on the use of a forward test year, which isn't that surprising given the history in the state.

- **Reconciliation Bill would be big.** In addition to providing upside potential in the IRPs, XEL reiterated that the direct pay option would significantly reduce the equity needs currently in plan. Even if the bill were to fail, XEL thinks something could get done through a tax extenders package. On the potential for an AMT, XEL thinks any impact would be manageable and that existing renewable credits sitting on its balance sheet could be used to offset a minimum book up to 75% in a year.

Sales Growth Update

Exhibit 5: Nominal and Weather-adjusted Sales Growth (3Q21 vs. 3Q20)

Company	Ticker	Residential	Commercial	Industrial	Total Retail	Residential Weather Adjusted	Commercial Weather Adjusted	Industrial Weather Adjusted	Total Retail Weather Adjusted	Decoupling
Alliant Energy	LNT	2.2%	(4.6%)	(2.7%)	(1.5%)					No
Ameren Corp	AEE	3.5%	4.5%	0.0%	3.1%					No
American Electric Power	AEP	(0.8%)	4.7%	7.0%	3.2%	(1.6%)	5.0%	7.0%	3.0%	No
Centerpoint - CEHE	CNP	(4.3%)			5.9%					No
CMS Energy	CMS	(2.6%)	4.2%	(1.8%)	0.2%	(3.8%)	2.8%	(2.0%)	(0.7%)	Yes
Consolidated Edison	ED	(2.4%)	0.7%	0.7%	(1.1%)					Yes
Dominion Energy	D									No
DTE Energy	DTE	(3.0%)	2.6%	(4.6%)	(1.2%)	(0.8%)	3.4%	0.3%	1.1%	Yes
Duke Energy	DUK	(2.1%)	4.2%	8.5%	2.8%	(0.2%)	5.3%	7.2%	3.4%	No
Entergy Corp	ETR	(3.6%)	0.1%	9.9%	2.4%	(2.9%)	0.5%	9.9%	2.8%	No
Evergy	EVRG	6.7%	4.7%	0.9%	4.8%	(3.0%)	1.0%	0.0%	(1.2%)	No
Exelon - ComEd	EXC	(0.4%)	5.6%	2.3%	2.3%	4.6%	6.9%	3.5%	4.9%	Yes
Exelon - PECO	EXC	(3.6%)	6.9%	2.3%	0.8%	(1.4%)	7.7%	2.7%	2.0%	No
FirstEnergy	FE	(2.7%)	2.0%	3.4%	0.5%	0.3%	3.3%	3.6%	2.2%	No
NextEra Energy - FPL	NEE	(4.8%)	2.8%	(0.7%)	(1.4%)				1.0%	No
NextEra Energy - Gulf	NEE	(1.5%)	4.5%	0.2%	0.6%				(1.2%)	No
NiSource	NI	1.2%	6.1%	9.0%	7.1%				2.8%	No
Pinnacle West	PNW	(7.7%)	1.8%	1.8%	(3.5%)	3.1%	5.8%	5.8%	4.3%	No
Portland General	POR	2.2%	6.3%	5.0%	4.3%					Partial
PPL - Kentucky	PPL	(2.4%)	1.8%	6.1%	1.8%	(5.5%)	0.3%	6.1%	0.1%	No
PPL - Pennsylvania	PPL	(3.3%)	2.1%	4.1%	0.4%	2.2%	3.8%	4.0%	3.2%	No
PSEG	PEG	(7.0%)	1.0%	1.0%	(2.0%)					No
Southern Company	SO	(4.6%)	2.4%	4.8%	0.6%	0.5%	4.2%	4.8%	3.0%	No
WEC Energy Group	WEC	0.3%	3.5%	3.8%	2.4%	(0.1%)	4.2%	3.5%	2.5%	No
Xcel Energy	XEL	(1.0%)	3.1%	3.1%	1.8%	0.5%	3.2%	3.2%	2.4%	Partial
Average		**(1.7%)**	**3.1%**	**2.8%**	**1.4%**	**(0.5%)**	**3.8%**	**4.0%**	**2.0%**	

Source: Wolfe Utilities & Power Research

Exhibit 6: Nominal and Weather-adjusted Sales Growth (YTD21 vs. YTD20)

Company	Ticker	Residential	Commercial	Industrial	Total Retail	Residential Weather Adjusted	Commercial Weather Adjusted	Industrial Weather Adjusted	Total Retail Weather Adjusted	Decoupling
Alliant Energy	LNT	1.0%	(4.9%)	(3.8%)	(2.8%)					No
Ameren Corp	AEE	2.6%	3.8%	1.4%	2.7%					No
American Electric Power	AEP	2.3%	4.7%	4.1%	3.5%	(0.9%)	4.3%	4.2%	2.3%	No
Centerpoint - CEHE	CNP	(2.1%)			5.8%					No
CMS Energy	CMS	(0.4%)	4.3%	5.2%	2.3%	(2.2%)	3.3%	4.9%	1.3%	Yes
Consolidated Edison	ED	2.2%	(2.3%)	(2.3%)	(2.0%)					Yes
Dominion Energy	D									No
DTE Energy	DTE	0.5%	5.0%	3.6%	2.8%	0.5%	5.0%	5.7%	3.5%	Yes
Duke Energy	DUK	3.5%	3.1%	5.2%	3.4%	0.6%	4.0%	5.5%	2.9%	No
Entergy Corp	ETR	2.4%	1.0%	4.7%	3.0%	(1.3%)	0.8%	4.7%	1.7%	No
Evergy	EVRG	3.6%	4.3%	4.1%	4.0%	(2.0%)	2.3%	3.7%	0.9%	No
Exelon - ComEd	EXC	1.4%	3.7%	1.7%	2.2%	2.2%	3.4%	1.5%	2.3%	Yes
Exelon - PECO	EXC	3.0%	5.5%	2.3%	3.2%	1.0%	3.9%	1.8%	2.0%	No
FirstEnergy	FE	2.0%	2.6%	3.9%	2.8%	(0.6%)	1.5%	4.2%	1.6%	No
NextEra Energy - FPL	NEE	(2.3%)	2.0%	0.6%	(1.0%)					No
NextEra Energy - Gulf	NEE	(0.1%)	3.8%	(3.4%)	0.7%					No
NiSource	NI	1.8%	4.5%	15.6%	9.3%				7.3%	No
Pinnacle West	PNW	(1.9%)	3.8%	3.8%	0.8%	2.3%	5.2%	5.2%	3.8%	No
Portland General	POR	4.5%	5.8%	8.7%	5.8%	1.0%	4.0%	9.0%	4.0%	Partial
PPL - Kentucky	PPL	2.9%	2.7%	9.0%	4.6%	(2.7%)	0.3%	9.0%	1.7%	No
PPL - Pennsylvania	PPL	2.1%	4.4%	4.0%	3.3%	1.3%	4.5%	4.0%	3.1%	No
PSEG	PEG	0.0%	3.0%	3.0%	2.0%					No
Southern Company	SO	1.2%	3.2%	4.3%	2.8%	(0.1%)	3.3%	4.3%	2.4%	No
WEC Energy Group	WEC	0.6%	4.3%	5.6%	3.4%	(0.3%)	4.4%	5.6%	3.1%	No
Xcel Energy	XEL	2.0%	1.7%	1.7%	1.8%	1.8%	1.9%	1.9%	1.9%	Partial
Average		**1.4%**	**3.1%**	**3.6%**	**2.7%**	**0.0%**	**3.3%**	**4.7%**	**2.7%**	

Source: Wolfe Utilities & Power Research

Comparables Tables

Exhibit 7: Utility Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
AES Corp.	AES	$24.10	667	$16,068	16.1x	14.8x	13.8x	12.7x	2.5%	5.0%	40%	7.2x	18%
Alliant Energy	LNT	$56.08	250	$14,040	21.3x	20.4x	19.5x	18.3x	2.9%	5.9%	61%	2.4x	46%
Ameren	AEE	84.42	258	21,747	22.0x	20.7x	19.4x	18.3x	2.6%	7.0%	57%	2.2x	43%
American Electric	AEP	84.18	504	42,397	17.9x	16.8x	15.9x	15.0x	3.5%	5.7%	63%	1.9x	37%
Avangrid	AGR	50.84	387	19,685	24.2x	20.6x	19.5x	19.1x	3.5%	0.0%	84%	1.0x	70%
CenterPoint Energy	CNP	26.58	629	16,715	20.8x	19.3x	17.9x	16.5x	2.4%	8.0%	49%	2.2x	35%
CMS Energy	CMS	60.89	290	17,640	23.0x	21.2x	19.3x	17.5x	2.9%	6.7%	66%	3.0x	32%
Con Edison	ED	77.96	354	27,578	18.5x	16.7x	16.3x	15.6x	4.0%	1.3%	74%	1.4x	45%
Dominion	D	75.68	807	61,038	19.6x	18.3x	17.3x	16.1x	3.3%	6.0%	65%	2.5x	40%
DTE Energy	DTE	113.17	194	21,924	19.3x	19.3x	18.2x	17.1x	3.2%	7.2%	61%	2.6x	33%
Duke Energy	DUK	101.62	769	78,168	19.5x	18.8x	17.7x	16.6x	3.9%	2.0%	76%	1.7x	43%
Edison International	EIX	65.46	380	24,869	14.7x	14.1x	13.2x	12.3x	4.0%	4.0%	59%	1.8x	34%
Emera*	EMA	58.96	257	15,123	20.7x	18.5x	17.5x	16.5x	4.4%	4.0%	90%	1.8x	38%
Entergy	ETR	103.44	201	20,790	17.3x	16.4x	15.4x	14.5x	3.9%	6.0%	67%	1.8x	31%
Evergy	EVRG	64.69	229	14,834	18.2x	18.3x	16.9x	16.0x	3.4%	6.2%	61%	1.6x	46%
Eversource Energy	ES	83.74	344	28,790	21.7x	20.3x	19.0x	18.0x	2.9%	6.2%	62%	2.0x	43%
Exelon	EXC	54.45	978	53,269	19.9x	24.1x	22.9x	21.6x	2.8%	0.0%	56%	1.6x	45%
FirstEnergy	FE	38.96	544	21,211	15.0x	16.1x	15.1x	14.1x	4.0%	0.0%	60%	2.8x	24%
Fortis*	FTS	56.96	473	26,936	20.9x	19.5x	18.4x	17.6x	3.6%	5.8%	75%	1.5x	43%
NextEra Energy	NEE	85.20	1,962	167,174	33.6x	31.5x	29.2x	27.2x	1.8%	10.0%	61%	4.6x	40%
NiSource	NI	25.31	393	9,939	18.6x	17.5x	16.5x	14.6x	3.5%	6.0%	65%	2.1x	40%
OGE Energy	OGE	34.31	200	6,868	14.0x	16.1x	15.3x	14.7x	4.7%	2.0%	65%	1.9x	44%
PG&E	PCG	12.40	1,985	24,619	12.3x	11.4x	10.4x	9.5x	0.0%	N/A	0%	1.2x	32%
Pinnacle West	PNW	64.53	113	7,280	12.3x	16.5x	15.9x	14.9x	5.2%	5.1%	64%	1.3x	43%
Portland General	POR	50.13	89	4,482	18.0x	17.8x	17.1x	16.7x	3.4%	7.1%	61%	1.7x	44%
PPL Corp.	PPL	28.78	751	21,606	26.6x	17.3x	16.2x	N/A	5.8%	0.0%	153%	1.5x	57%
PSEG	PEG	62.72	506	31,715	17.3x	18.1x	17.2x	16.2x	3.3%	4.1%	56%	2.2x	41%
Sempra	SRE	124.61	319	39,793	15.0x	15.0x	14.4x	13.7x	3.6%	8.0%	54%	1.6x	51%
Southern Company	SO	63.86	1,059	67,617	18.8x	18.4x	17.0x	15.6x	4.1%	3.9%	78%	2.4x	35%
WEC Energy Group	WEC	90.64	315	28,591	22.3x	21.0x	19.7x	18.6x	3.0%	7.1%	67%	2.6x	43%
Xcel Energy	XEL	64.39	539	34,685	21.6x	20.3x	18.9x	17.8x	2.8%	6.4%	61%	2.3x	38%
Average					**19.4x**	**18.6x**	**17.4x**	**16.4x**	**3.4%**	**4.9%**	**65%**	**2.2x**	**40%**
Average (ex EIX & PCG)					**19.8x**	**19.0x**	**17.8x**	**16.8x**	**3.5%**	**4.9%**	**67%**	**2.3x**	**41%**

Source: Wolfe Utilities & Power Research, FactSet
*Current price shown in CAD

Exhibit 8: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div Yield
Clearway Energy	CWEN	37.00	202	7,463	13.8x	11.7x	12.5x	13.1x	3.7%
NextEra Energy Partners	NEP	84.27	177	14,939	12.2x	9.8x	9.5x	9.1x	3.3%
Atlantica Yield*	AY	38.37	111	4,253	11.7x	11.0x	10.5x	10.7x	4.5%
Brookfield Renewable Partners*	BEP	38.75	275	10,654	23.4x	23.4x	22.7x	21.5x	3.2%
Average					**15.3x**	**13.9x**	**13.8x**	**13.6x**	**3.6%**

Source: Wolfe Utilities & Power Research, FactSet
*Not covered by Wolfe Research, estimates based on consensus

Exhibit 9: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Free Cash Flow Yield 2021E	Free Cash Flow Yield 2022E	Free Cash Flow Yield 2023E	Free Cash Flow Yield 2024E
NRG Energy	NRG	34.97	245	8,562	8.8x	7.2x	6.2x	N/A	9.4%	15.2%	21.0%	N/A
Vistra Corp	VST	19.44	483	9,382	9.2x	5.8x	5.5x	N/A	2.1%	26.9%	26.1%	N/A
Average					**9.0x**	**6.5x**	**5.8x**	**N/A**	**5.8%**	**21.0%**	**23.6%**	**N/A**

Source: Wolfe Utilities & Power Research, FactSet

Exhibit 10: Wolfe Research EPS Estimates for Utilities vs. Consensus

Company Name	Ticker	2021E WR	2021E Cons	2022E WR	2022E Cons	2023E WR	2023E Cons	2024E WR	2024E Cons
AES Corp.	AES	1.50	1.53	1.62	1.65	1.75	1.78	1.90	1.91
Alliant Energy	LNT	2.63	2.61	2.74	2.73	2.88	2.88	3.06	3.06
Ameren	AEE	3.84	3.81	4.08	4.04	4.36	4.34	4.61	4.61
American Electric	AEP	4.70	4.69	5.00	4.97	5.30	5.26	5.61	5.57
American Water	AWK	4.24	4.25	4.44	4.54	4.77	4.92	5.23	5.27
Avangrid	AGR	2.10	2.15	2.47	2.43	2.60	2.50	2.66	2.68
CenterPoint Energy	CNP	1.28	1.44	1.38	1.42	1.49	1.52	1.61	1.59
CMS Energy	CMS	2.65	2.66	2.87	2.87	3.16	3.12	3.48	3.30
Consolidated Edison	ED	4.20	4.25	4.66	4.51	4.78	4.72	4.99	4.91
Dominion	D	3.87	3.87	4.13	4.11	4.38	4.38	4.70	4.67
DTE Energy	DTE	5.87	5.87	5.88	5.94	6.23	6.28	6.61	6.73
Duke Energy	DUK	5.20	5.23	5.40	5.47	5.74	5.77	6.13	6.13
Edison International	EIX	4.47	4.51	4.63	4.66	4.95	4.95	5.32	5.23
Emera*	EMA	2.85	2.83	3.19	3.07	3.36	3.25	3.56	3.49
Entergy	ETR	5.99	5.98	6.32	6.33	6.74	6.72	7.11	7.05
Evergy	EVRG	3.55	3.54	3.54	3.54	3.84	3.77	4.04	4.02
Eversource Energy	ES	3.87	3.83	4.13	4.09	4.40	4.38	4.65	4.66
Exelon	EXC	2.74	2.80	2.26	3.38	2.38	3.47	2.52	3.48
FirstEnergy	FE	2.60	2.60	2.42	2.53	2.58	2.67	2.77	2.78
Fortis*	FTS	2.72	2.68	2.92	2.88	3.10	3.03	3.24	3.20
NextEra Energy	NEE	2.53	2.53	2.70	2.74	2.92	2.95	3.13	3.16
NiSource	NI	1.36	1.36	1.45	1.44	1.53	1.54	1.74	1.72
OGE Energy	OGE	2.45	2.28	2.14	2.16	2.25	2.23	2.34	2.34
PG&E	PCG	1.01	1.01	1.09	1.10	1.19	1.25	1.31	1.33
Pinnacle West	PNW	5.26	5.05	3.91	4.27	4.05	4.46	N/A	4.55
Portland General	POR	2.78	2.74	2.82	2.80	2.93	2.91	3.00	3.00
PPL Corp.	PPL	1.08	1.19	1.66	1.61	1.77	1.80	N/A	1.85
PSEG	PEG	3.63	3.62	3.47	3.50	3.65	3.66	3.87	3.91
Sempra	SRE	8.29	8.22	8.30	8.43	8.66	8.92	9.12	9.34
Southern Company	SO	3.40	3.37	3.48	3.53	3.76	3.82	4.09	4.13
WEC Energy Group	WEC	4.07	4.06	4.31	4.31	4.59	4.58	4.88	4.88
Xcel Energy	XEL	2.98	2.98	3.17	3.17	3.40	3.39	3.61	3.62

Source: Wolfe Utilities & Power Research, FactSet

Exhibit 11: Wolfe Research EBITDA Estimates for YieldCos v. Consensus

		2021E		2022E		2023E		2024E	
Company Name	**Ticker**	**WR**	**Cons**	**WR**	**Cons**	**WR**	**Cons**	**WR**	**Cons**
Clearway Energy	CWEN	$1,185	$1,189	$1,238	$1,241	$1,149	$1,246	$1,096	$1,204
NextEra Energy Partners	NEP	1,446	1,449	$1,677	1,685	$1,778	1,830	$1,926	1,950
Atlantica Yield*	AY		845		904		941		927
Brookfield Renewable Partners*	BEP		2,025		2,025		2,088		2,204

Source: Wolfe Utilities & Power Research, FactSet
*Not covered by Wolfe Research, estimates based on consensus

Exhibit 12: Wolfe Research EBITDA Estimates for IPPs v. Consensus

		2021E		2022E		2023E		2024E	
Company Name	**Ticker**	**WR**	**Cons**	**WR**	**Cons**	**WR**	**Cons**	**WR**	**Cons**
NRG Energy	NRG	1,800	1,923	2,100	2,196	2,300	2,390	N/A	2,367
Vistra Corp	VST	1,957	1,847	3,068	3,153	3,025	3,248	N/A	3,219

Source: Wolfe Utilities & Power Research, FactSet

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Peer Perform:	38%	4% Investment Banking Clients
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Goldman Sachs | Equity Research

12 April 2021 | 7:02PM EDT

NiSource Inc. (NI): Announces convertible equity offering, eliminates bulk equity needs

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NiSource (NI, Neutral) announced the issuance of equity units with forward purchase contracts totaling 7.5mn units - or ~8.63mn including the greenshoe - with the common stock to be delivered on March 1, 2024 (subject to certain early settlements). The $100 stated amount implies proceeds of $750mn, or ~$863mn including the greenshoe. The company expects to use the proceeds for its renewable generation investments, debt repayment, and for other general corporate purposes.

With this issuance, NI no longer expects a need to issue the previously guided $500-$700mn in bulk equity in 2022-2023, while also reducing its 2023 ATM equity needs to $0-$150mn (from $200-$300mn prior). Our published estimates embedded $990mn of convertible debt in 3Q2021 (converting in 4Q2024) along with $700mn of bulk equity in 1Q2023. Finally, the company expects its renewable capital investment requirement to total $2bn, versus its $1.8-$2.0bn guidance.

Our 12-month price target of $25 embeds an 18x P/E multiple to our 2022 EPS estimate of $1.40 (unchanged). Key upside risks include (1) reduced debt/equity financing needs via accretive monetization of one or more of its gas utilities, (2) increased ability to lower O&M expenses, and (3) plans to further accelerate retirement of its remaining coal fleet.

NI	12m Price Target: **$25.00**	Price: **$24.75**	Upside: **1.0%**

Neutral

Market cap: $9.5bn
Enterprise value: $20.9bn
3m ADTV: $85.6mn
United States
Americas Utilities
M&A Rank: 3

GS Forecast

	12/20	12/21E	12/22E	12/23E
Revenue ($ mn)	4,681.7	4,638.6	4,833.0	5,065.9
EBITDA ($ mn)	1,687.3	1,831.2	2,002.3	2,212.4
EBIT ($ mn)	961.4	1,073.8	1,174.3	1,290.8
EPS ($)	1.32	1.32	1.40	1.49
P/E (X)	18.6	18.7	17.7	16.6
EV/EBITDA (X)	11.9	11.6	11.3	11.2
FCF yield (%)	(6.9)	(7.3)	(10.6)	(15.4)
Dividend yield (%)	3.4	3.6	3.8	4.0
Net debt/EBITDA (X)	5.7	5.7	5.8	5.8

	12/20	3/21E	6/21E	9/21E
EPS ($)	0.34	0.69	0.18	0.12

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 12 Apr 2021 close.

Disclosure Appendix

Reg AC

I, Insoo Kim, CFA, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

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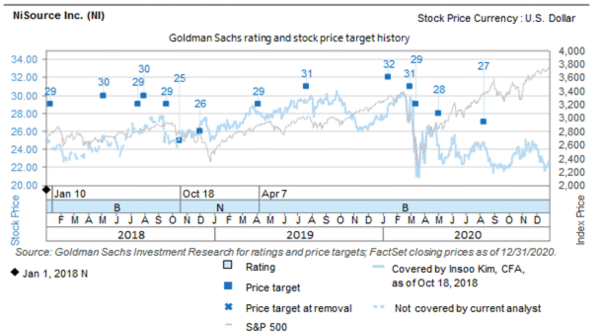

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08 Jul 2021 15:00:03 ET | 12 pages

NiSource Inc (NI.N)

Potential Solar Supply Chain Disruption May Impact EPS Growth

CITI'S TAKE

NI's earnings growth story is dependent on execution of $1.8-2.0B of solar and renewable projects. Citi's global solar view is that there's a risk to execution of solar development timeline given global supply chain disruptions impacting polysilicon, shipping, and panel management. NI has some exposure to this thesis. TP to $27.

Earnings Growth Most Pronounced in 2023 from Solar & Renewable Investment — NI has committed $1.8-$2.0B of solar investment by 2023 in their latest capital plan. Based on preliminary assumptions about the regulated projects the bulk of earnings is likely to come in 2024 when the projects have reached run rate earnings (see figure 1 for our analysis).

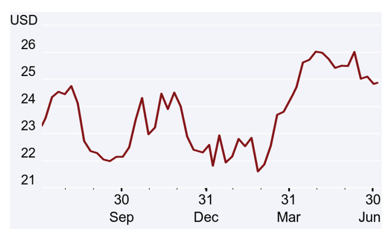
Supply Chain Dynamics Weigh on Solar. Not Good. — Citi's global solar team argued that there is real risk to utility scale solar installation in the US due to polysilicon price spike, panel management issues, and shipping delays. These developments could delay timing of installations for NiSource although the projects will still get completed in our view. See our team note Global Solar Power - Rising Installations an Irreversible Trend for more information.

NiSource's Contract Structure — NiSource has contractual protections built into its renewable build-transfer deals that provide NiSource with a combination of liquidated damages and lower purchase price protections. They don't shield the company 100%, but do give it a reasonable degree of protection against delays.

Impact to NiSource — A meaningful portion of near term earnings growth for NiSource comes from its renewable development projects. In figures 1-3, we provide an illustrative analysis of the impact of the solar projects of up to ~11% of earnings in 2024 coming from these projects (before issuance dilution). Of the projects identified, several are in advanced commercial negotiation or pending IURC approval. If some of these projects get delayed slightly, we may see a modest downward revision to guidance depending on the specific terms of the contracts and the nature of the delay.

Neutral	
Price (07 Jul 21 16:00)	US$25.03
Target price	US$27.00↑
from US$24.00	
Expected share price return	7.9%
Expected dividend yield	3.2%
Expected total return	11.1%
Market Cap	US$9,817M

Price Performance
(RIC: NI.N, BB: NI US)



EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2020A	0.76A	0.13A	0.09A	0.34A	1.32A	1.32A	-0.19A
2021E	**0.77A**	**0.11E**	**0.11E**	**0.34E**	**1.35E**	**1.35E**	**1.34E**
Previous	na	na	na	na	1.43E	na	na
2022E	**na**	**na**	**na**	**na**	**1.40E**	**1.41E**	**1.41E**
Previous	na	na	na	na	1.49E	na	na
2023E	**na**	**na**	**na**	**na**	**1.60E**	**1.52E**	**1.54E**
Previous	na	na	na	na	1.58E	na	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus. VA Cons: Visible Alpha Consensus.

Click here for Visible Alpha consensus data

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NI.N: Fiscal year end 31-Dec — Price: US$25.03; TP: US$27.00; Market Cap: US$9,817m; Recomm: Neutral

Profit & Loss (US$m)	2019	2020	2021E	2022E	2023E
Sales revenue	5,209	4,676	4,699	5,025	5,366
Cost of sales	-2,252	-1,855	-1,990	-2,028	-2,156
Gross profit	2,957	2,821	2,709	2,997	3,211
Gross Margin (%)	56.8	60.3	57.7	59.6	59.8
EBITDA (Adj)	**1,275**	**1,370**	**1,748**	**1,978**	**2,279**
EBITDA Margin (Adj) (%)	24.5	29.3	37.2	39.4	42.5
Depreciation	-717	-746	-682	-734	-840
Amortisation	0	0	0	0	0
EBIT (Adj)	**557**	**624**	**1,065**	**1,244**	**1,439**
EBIT Margin (Adj) (%)	10.7	13.4	22.7	24.8	26.8
Net interest	-379	-371	-378	-444	-519
Associates	0	0	0	0	0
Non-Op/Except/Other Adj	-5	-211	6	-22	-22
Pre-tax profit	**173**	**42**	**693**	**778**	**899**
Tax	-56	12	-124	-152	-177
Extraord./Min.Int./Pref.div.	-55	-59	-56	-55	-55
Reported net profit	**63**	**-4**	**513**	**571**	**666**
Net Margin (%)	1.2	-0.1	10.9	11.4	12.4
Core NPAT	495	508	536	571	666
Per share data	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Reported EPS ($)	0.17	-0.01	1.29	1.40	1.60
Core EPS ($)	1.32	1.32	1.35	1.40	1.60
DPS ($)	0.80	0.83	0.84	0.86	0.87
CFPS ($)	3.51	3.10	3.18	3.19	3.70
FCFPS ($)	-1.29	-1.47	-1.80	-3.04	-4.85
BVPS ($)	13.63	12.90	13.39	14.17	14.80
Wtd avg ord shares (m)	366	375	388	399	405
Wtd avg diluted shares (m)	376	385	398	409	415
Growth rates	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Sales revenue (%)	1.8	-10.2	0.5	6.9	6.8
EBIT (Adj) (%)	346.8	12.1	70.6	16.7	15.7
Core NPAT (%)	9.2	2.5	5.6	6.5	16.8
Core EPS (%)	3.7	0.0	2.1	3.7	15.0
Balance Sheet (US$m)	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Cash & cash equiv.	148	126	1,979	1,979	1,979
Accounts receivables	857	791	804	845	868
Inventory	425	401	391	408	417
Net fixed & other tangibles	19,090	18,643	19,981	21,797	24,506
Goodwill & intangibles	1,486	1,486	1,486	1,486	1,486
Financial & other assets	654	593	647	658	664
Total assets	**22,660**	**22,041**	**25,288**	**27,172**	**29,921**
Accounts payable	666	589	584	594	604
Short-term debt	1,787	526	1,985	2,477	3,941
Long-term debt	7,856	9,220	9,802	10,702	11,602
Provisions & other liab	6,364	5,868	5,960	5,965	5,970
Total liabilities	**16,673**	**16,203**	**18,332**	**19,738**	**22,117**
Shareholders' equity	5,987	5,838	6,946	7,406	7,755
Minority interests	0	0	0	0	0
Total equity	**5,987**	**5,838**	**6,946**	**7,406**	**7,755**
Net debt (Adj)	**9,494**	**9,621**	**9,808**	**11,200**	**13,564**
Net debt to equity (Adj) (%)	158.6	164.8	141.2	151.2	174.9

Valuation ratios	2019	2020	2021E	2022E	2023E
PE (x)	19.0	19.0	18.6	17.9	15.6
PB (x)	1.8	1.9	1.9	1.8	1.7
EV/EBITDA (x)	18.0	16.7	13.3	12.3	11.5
FCF yield (%)	-5.2	-5.9	-7.2	-12.2	-19.4
Dividend yield (%)	3.2	3.3	3.4	3.4	3.5
Payout ratio (%)	61	63	63	61	54
ROE (%)	1.3	-0.1	10.0	10.3	11.2
Cashflow (US$m)	**2019**	**2020**	**2021E**	**2022E**	**2023E**
EBITDA	1,275	1,370	1,748	1,978	2,279
Working capital	-75	72	-54	-54	-23
Other	118	-249	-429	-618	-718
Operating cashflow	**1,318**	**1,193**	**1,265**	**1,306**	**1,538**
Capex	-1,802	-1,758	-1,980	-2,550	-3,550
Net acq/disposals	-113	1,116	0	0	0
Other	-7	-237	-35	0	0
Investing cashflow	**-1,922**	**-879**	**-2,014**	**-2,550**	**-3,550**
Dividends paid	-299	-322	-352	-383	-412
Financing cashflow	**423**	**-193**	**2,657**	**1,309**	**2,077**
Net change in cash	**-182**	**121**	**1,908**	**65**	**66**
Free cashflow to s/holders	**-485**	**-566**	**-715**	**-1,244**	**-2,012**

For definitions of the items in this table, please click here.

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Sourcing Solar at NiSource

Our analysis uses a 30 year asset life, 9.75% ROE (in line with NIPSCO electric trackers) and assumed 50% equity layer to illustrate the earnings profile of the solar capex.

Figure 1. NiSource Solar Investment Illustration

		2021	2022	2023	2024
Capex Company Guide	$m	$150.0	$400.0	$1,350.0	
Rate Base Math		2021	2022	2023	2024
Beg	$m	0.0	141.7	505.6	1,733.7
Add	$m	$150.0	$400.0	$1,350.0	$0.0
Depreciation	$m	($2.5)	($11.7)	($40.8)	($63.3)
Deferred Tax Liability	$m	($5.8)	($24.4)	($81.1)	($97.2)
End	**$m**	**141.7**	**505.6**	**1,733.7**	**1,573.2**
Average Rate Base	$m	70.9	323.7	1,119.7	1,653.5
Equity Layer	%	50%	50%	50%	50%
ROE	%	9.75%	9.75%	9.75%	9.75%
NI	**$m**	**$3.5**	**$15.8**	**$54.6**	**$80.6**
Average Share Count	m shares	398	409	415	415
EPS	**$/share**	**$0.01**	**$0.04**	**$0.13**	**$0.19**
Citi EPS	$/share	$1.35	$1.40	$1.60	$1.76
EPS % of total	%	0.6%	2.8%	8.2%	11.0%

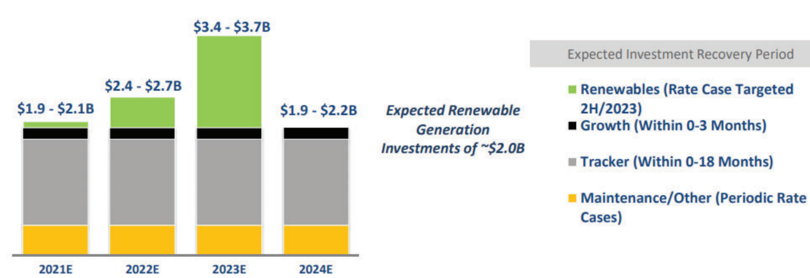
Source: Citi Research

Increasing Price Target: We are increasing our price target to reflect a roll forward of price target time period, updated estimates and company guidance, executed convertible equity issuance, higher gas utility transaction multiples, and our current business outlook. This increased our PT to $27.00.

Estimate Revision: We updated our estimates for recent results, updated spending and regulatory activity, the recent financing transaction and updated financing guidance.

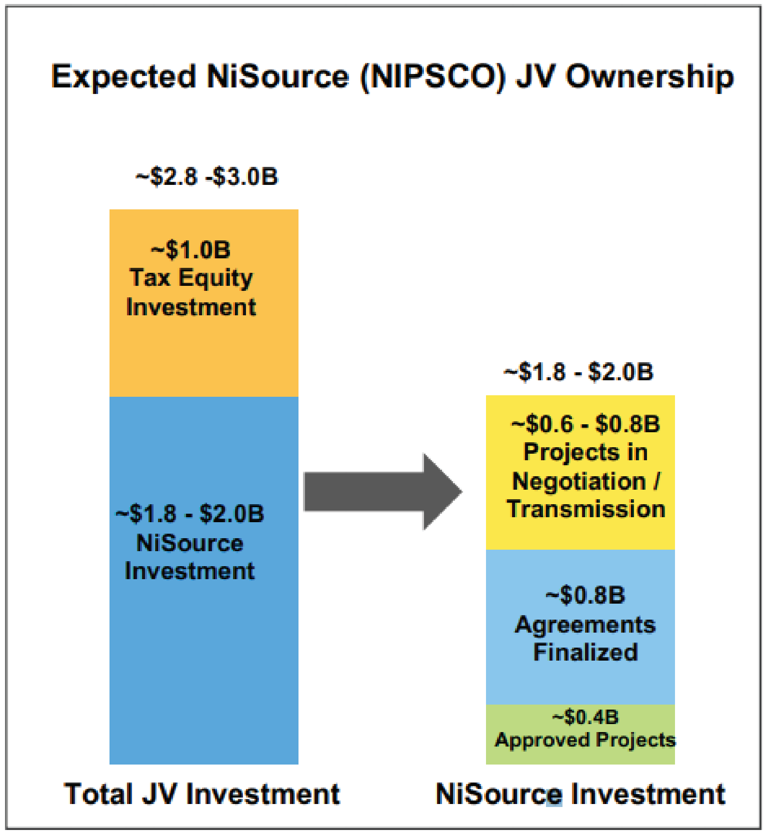
Appendix

Figure 2. NiSource Capex Guidance



Source: Citi Research

Figure 3. NiSource Solar Capital investment



Source: Citi Research

NiSource Inc

Company description

NiSource Inc (NI) is primarily a regulated utility with an integrated network of gas distribution in the Northeast, Mid-Atlantic, and Midwest. NiSource also operates an electric utility in Northern Indiana. The company serves around 4 million customers across seven states through its two main business segments, including: 1) Gas Distribution, which delivers natural gas in several states; 2) Electric Operations, which consist of NiSource's regulated electric utility, Northern Indiana Public Service Company (NIPSCO).

Investment strategy

We rate the shares of NiSource (NI) Neutral (2). We believe NI's long-term earnings are relatively stable due to diverse operations areas and constructive regulatory jurisdictions. Our estimates do not include: 1) Substantial industrial load growth at the utilities; 2) Colder-than-normal weather and faster than average customer growth; or 3) Slower than typical timeline in regulatory filing and approval process for new infrastructure projects and cost recovery mechanisms.

Valuation

We average multiple valuation methodologies to derive our $27 target price. Our NAV yields a value of $34. We value regulated assets at a multiple of 1.5x rate base. These values are partially offset by the company's net debt. Our DDM, which incorporates our rate base growth assumptions, values the company at $30 per share. Our P/E and EV/EBITDA analyses yield values of $27 per share.

Risks

The key risks to our investment thesis are: (1) Rate Cases – We estimate the company will receive rate relief at several of its utilities. Under- or over-estimation of relief could materially impact our estimates. (2) Weather – Changes in weather impact the stability of earnings. (3) Capital Investment Recovery — NI spends a substantial amount of capital to maintain and expand its distribution system. NI depends on rate increases from public utility commission to earn a fair return on this expansion. (4) Capital Markets — Access to cheap capital markets could be limited due to the size of the company. If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause the stock price to materially under/outperform our target. (5) There is a risk that there will be negative political, financial, and regulatory backlash from the recent events in New England.

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Appendix A-1

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NiSource Inc (NI)

Ratings and Target Price History
Fundamental Research

Analyst: Ryan Levine

	Date	Rating	Target Price	Closing Price
1	28-Nov-18 16:01:00	2	*26.00	25.76
2	03-May-19 06:40:08	2	*28.00	27.86
3	23-Oct-19 22:00:00	2	*30.00	28.15
4	23-Apr-20 03:00:00	2	*29.00	25.85
5	01-Jul-20 14:08:34	2	*24.00	23.46

*Indicates Change

Rating/target price changes above reflect Eastern Time

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BofA GLOBAL RESEARCH

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US Electric Utilities & IPPs

Power Points: DUK IRP, Freeport LNG, EXC IL rate case, NI OH rate case,

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Industry Overview | 01 July 2021 | Equity | United States | Electric Utilities

Key takeaways

- Parties in NC file motion for hearing on DUK IRP, SC rejected the IRP and is requiring modification, not a surprise following
- D's IRP earlier this year; Freeport LNG could contract for train 4 by YE, positive read for Cheniere; ICC approves modest
- rate hike for ComEd, focus remains on the future for FRP; NI OH files first rate case since 2008, proposes addl. mechanisms

DUK: IRP developments are key to renewables ambitions

Environmental justice non-profit NC WARN and The Center for Biological Diversity (The Center or CBD) filed a motion for the North Carolina Utilities Commission to schedule an evidentiary hearing to address matters in Duke Energy Carolinas (DEC) and Duke Energy Progress (DEP)'s 2020 Integrated Resource Plans (IRPs). NC Warn and The Center assert several issues with the IRPs that they believe warrant an evidentiary hearing including principally the necessity of natural gas generation relative to battery storage.

Separately, on June 29th the SC PSC rejected the Duke's DEC/DEP IRP (2019-224-E and 2019-225-E) and required a response within 60 days. While a negative headline, we don't see this as a surprise, following the similar rejection of Dominion SC's IRP earlier in 2021. In fact, the details of the rejection represent a positive because the Commission requested a series of revisions that could lead to additional solar investment. For example the Commission requested solar/storage power purchase agreement (PPA) cost assumption revisions (presumably lower) and update associated capacity benefits (likely higher).

The IRPs have been contentious due to the natural tensions between broad stakeholder support for renewables and related cost pressures. The SC Commission requested modifications are a prime example of this pressure. We continue to monitor progress on NC HB951 that builds-off the IRP and would support accelerated coal retirement, step-function increase in utility-owned renewables, and favorable regulatory reforms.

Freeport LNG could have contracts for Train 4 by YE-21

Gulf Coast developer Freeport LNG management commented that they could have enough long-term contracts by year-end to FID (Final Investment Decision) on a fourth train at their export facility. Train 4 would need at least 75% of its 5mtpa capacity to FID and if contracts were signed by YE21, they could FID by summer 2022. The increase in expectations follows renewed customer conversations following the improvement in LNG prices. The company has not yet announced any firm contracts associated with Train 4, aside from the preliminary agreement signed in 2018 with Sumitomo for 2.2mtpa, which expired last year.

We see this commentary as a positive read-through for Cheniere, given the positive contracting environment for Corpus Christi Stage 3 growth project, for which they are also working on securing sufficient contracts to FID.

EXC: ICC backs small rate hike for ComEd

The Illinois Commerce Commission (ICC) staff has recommended (Docket 21-0367) a $31.6mn (+1.1%) revenue requirement increase which includes a $23.1mn filing year increase on a 7.36% ROE (48.7% equity) and a $38.4mn downward adjustment using a 7.29% ROE prior year reconciliation. Overall, the proceeding is not expected to be controversial given the formulaic nature of the process, particularly the ROE (12-month avg 30-year Treasury yield plus

580 bps premium). Although we note the proposed -7bp 'performance metrics penalty', albeit small, introduces a degree of uncertainty. The ICC is expected to issue a decision in Dec '21, with new rates taking effect in Jan '22.

Investor focus is on future ComEd earnings profile in various legislative scenarios regarding a potential FRP extension. If the FRP is not extended, we see potential for an improvement in the allowed ROE based on the 9.1% 2020 average allowed. For reference, ComEd's latest earned regulatory ROE is 6.88%.

NI: Columbia Gas of OH files rate case

Columbia Gas of OH filed a general rate case with proposed +$221Mn revenue requirement premised on a 10.95% ROE and 50.6% equity ratio. The filing was agreed to in Columbia Gas' 2017 rider update and is the first rate case since 2008. We note that the Public Utility Commission of OH (PUCO) recently hosted a forum to cost of capital considerations.

Aside from the earnings drivers, notable rate construct proposals include (1) increasing volumetric breakpoint between rate classes to minimize class switching; (2) establishing a monthly delivery charge for certain classes; (3) proposed Federal/State Tax Reform Rider; and (4) establishment of a voluntary $5/month Carbon Reduction Rider to fund the purchase of carbon offsets.

Ohio has historically been a constructive electric and gas jurisdiction but we expect an elevated focus given the 10+ years since the prior case and the magnitude of the request. Ultimately we see a constructive outcome as likely based on precedent.

Exhibit 1: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
LNG	LNG US	Cheniere Energy Inc	US$ 87.05	B-1-9
DUK	DUK US	Duke Energy	US$ 99.71	B-2-7
EXC	EXC US	Exelon Corp	US$ 45.00	B-1-7
NI	NI US	NiSource Inc	US$ 24.90	B-1-7

Source: BofA Global Research

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Price Objective Basis & Risk

Cheniere Energy Inc (LNG)

Our $90/sh PO is based on an SOTP in which we value LNG's stake in CQP using a fundamental DCF valuation of its ownership stake in Sabine Pass. We provide separate value to LNG's marketing business assuming excess capacity of SP 1-5 and CC 1-3 is marketed with a $2.35/MMBtu realized margin, applying a 9.0x multiple to corresponding EBITDA. We value CC 1-3 on a DCF basis, valuing the initial 20-year contract term at 100% and the 10-yr extension at 100% (risk reflecting in pricing assumptions). We discount cash flows at an 7% rate during the contracted period given the difference in risk profile. For CC3 we again assume initial 20-year contract term, given the asset is largely contracted we assume full value, again weighing the contract extension at 100%, same discount rates as for CC1&2. We ascribe 75% likelihood to the CCS3 expansion and 100% likelihood to the SP-6 expansion. We also attribute value for after-tax GP distributions using DCF approach at an 7% discount rate.

Downside risks are counterparty credit risk, construction delays, changes in trade policy limiting exports, and changes in commodities.

Duke Energy (DUK)

Our $105 PO is derived from a sum-of-the-parts valuation. We value the Electric and Gas utilities using peer 2023E P/E multiples. We apply a 3.0x multiple premium to Duke's operations in FL and 2x in IN to reflect more favorable regulatory environments (and recent sale valuation marker). We apply a 2x multiple to the Carolinas given upside to spending in improving regulatory construct combined with latest IRP & wider legislative reforms into 2021. We value the other regulated electric utilities at 18.2x and the gas utilities at peer group multiples of 16.7x 2023E P/E, respectively. Both electric and gas peer P/E multiples are grossed up by 5% for the groups CAGR to reflect capital appreciation across the sector. The commercial midstream, and transmission are valued on a 2023E EV/EBITDA basis. We use a 9.0x multiple for midstream and transmission segment. We add the net present value of renewable segment using an 8% discount rate. We subtract out the impact of commercial debt, and add back for the renewable debt.

Upside risks: constructive rate case results, higher capital expenditure additions vs our assumptions, lower interest rates. Downside risks: poor rate case results, operating errors, and negative changes in the regulatory environment, Macro risks: Increases in interest rates and decreases in equity market valuations.

Exelon (EXC)

Our $52 PO is based on an SOTP valuation.

Utility: Our base electric peer P/E multiple of 18.1x for '23 is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply an in-line multiple for BGE and a 1x prem to PECO. We apply an in-line multiple to ComEd and a 1x discount to PHI.

Our Generation valuation is based on a 2022E SOTP. We start with our EBITDA estimates at each segment and subtract out maintenance capex. We then capitalize this at a 7.0x base multiple (based on the long-term average forward EV/FCF in the sector) to which we apply a premium/discount based

then capitalize this at a 7.0x base multiple (based on the long-term average forward EV/FCF in the sector) to which we apply a premium/discount based on our views of the specific region and portfolio while we apply a DCF for nuclear and Mystic.

Risks: 1) the company may or may not experience adverse regulatory rulings in its future rate cases, 2) Rate making mechanisms may or may not change in the future, 3) the company may or may not experience an increase in the price of key inputs such as natural gas and coal 4) the company may or may not experience a decrease in wholesale power prices 5) the company may or may not have to deal with stricter environmental or safety regulations 6) the company may or may not be able to access capital markets, 7) the company's operations could be materially impacted by weather events.

NiSource Inc (NI)

Our $29 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples that are marked-to-market to the lates peer utility multiples of 16.1x for gas (from 16.3) and 17.8x (unchanged) for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith

Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
Dominion Energy	D	D US	Julien Dumoulin-Smith
Edison International	EIX	EIX US	Julien Dumoulin-Smith
Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
Enphase Energy	ENPH	ENPH US	Aric Li
Entergy	ETR	ETR US	Julien Dumoulin-Smith
Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
Exelon	EXC	EXC US	Julien Dumoulin-Smith
First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
FirstEnergy	FE	FE US	Julien Dumoulin-Smith
Hydro One	YH	H CN	Dariusz Lozny, CFA
MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
NiSource Inc	NI	NI US	Julien Dumoulin-Smith
NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith

SolarEdge Technologies	SEDG	SEDG US	Aric Li
South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
Southern Company	SO	SO US	Julien Dumoulin-Smith
Spire	SR	SR US	Julien Dumoulin-Smith
Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
SunRun	RUN	RUN US	Julien Dumoulin-Smith
UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith

NEUTRAL

American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
American Water Works	AWK	AWK US	Julien Dumoulin-Smith
Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
Bloom Energy	BE	BE US	Julien Dumoulin-Smith
Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
Eversource Energy	ES	ES US	Julien Dumoulin-Smith
Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
Idacorp	IDA	IDA US	Julien Dumoulin-Smith
Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith

Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
Vistra Energy	VST	VST US	Julien Dumoulin-Smith
Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith

UNDERPERFORM

Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
Avangrid	AGR	AGR US	Julien Dumoulin-Smith
Avista	AVA	AVA US	Julien Dumoulin-Smith
DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

Analyst Certification

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Disclosures

Disclosures

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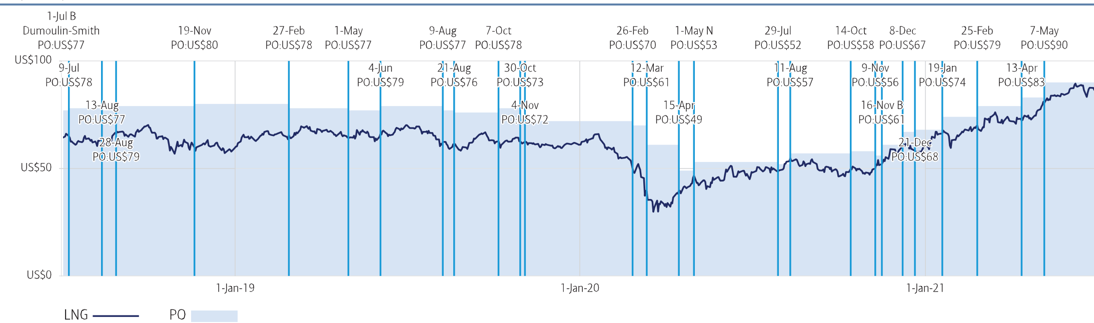
Cheniere Energy Inc (LNG) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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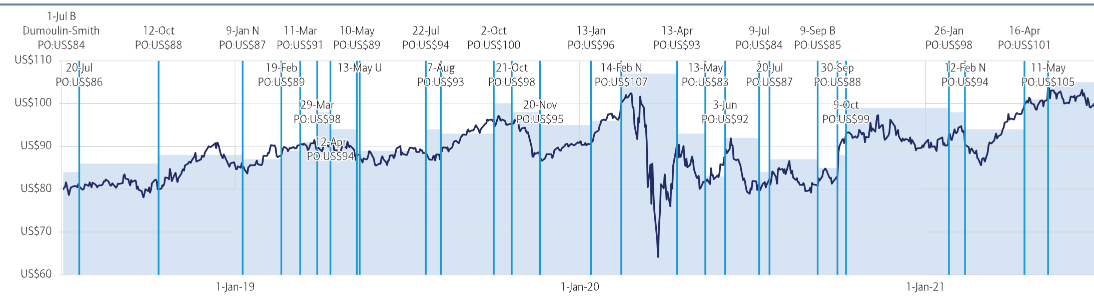
Duke Energy (DUK) Price Chart



DUK —— Restricted PO

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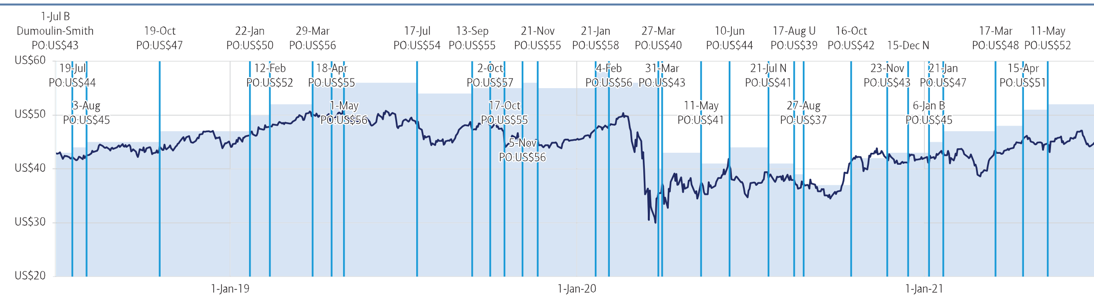
Exelon Corp (EXC) Price Chart



EXC —— PO

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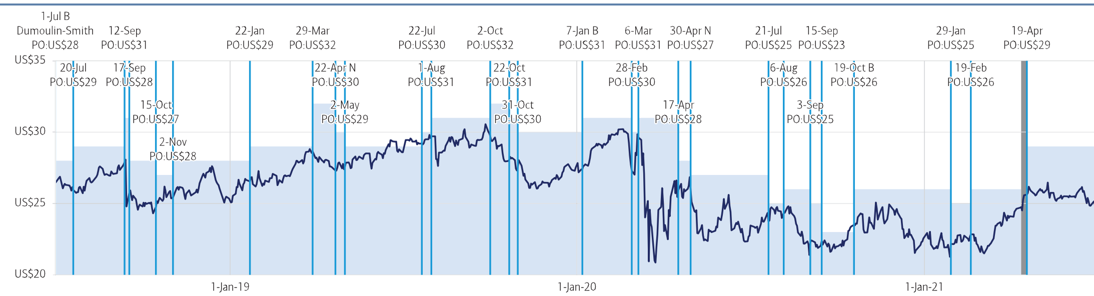

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Equity Investment Rating Distribution: Energy Group (as of 30 Jun 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	77	60.63%	Buy	57	74.03%
Hold	27	21.26%	Hold	15	55.56%
Sell	23	18.11%	Sell	13	56.52%

Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	77	49.68%	Buy	53	68.83%
Hold	39	25.16%	Hold	29	74.36%
Sell	39	25.16%	Sell	24	61.54%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1947	60.07%	Buy	1252	64.30%

Hold	637	19.65%	Hold	395	62.01%
Sell	657	20.27%	Sell	340	51.75%

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Investment rating	**Total return expectation (within 12-month period of date of initial rating)**	**Ratings dispersion guidelines for coverage cluster***
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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ARGUS®

NYSE: NI

NISOURCE INC

Report created Jun 30, 2021 **Page 1 OF 4**

NiSource Inc. is an energy holding company whose subsidiaries are fully regulated natural gas and electric utility companies serving approximately 4.0 million customers in seven states. NiSource is one of the nation's largest natural gas distribution companies, as measured by number of customers. NiSource's principal subsidiaries include NiSource Gas Distribution Group Inc., a natural gas distribution holding company, and NIPSCO, a regulated gas and electric company. NiSource derives substantially all of its revenues and earnings from the operating results of these rate-regulated utilities.

Analyst's Notes

Analysis by Gary Hovis, June 29, 2021

ARGUS RATING: BUY

- Discounted NI shares offer value
- NiSource management expects the company's infrastructure and generation investments to drive 7%-9% annual growth in operating EPS from 2021 through 2024. It also expects to reduce greenhouse gas emissions by 90% by 2030.
- The company has narrowed its 2021 non-GAAP operating EPS guidance to $1.32-$1.36, up at the low end from its prior forecast of $1.28-$1.36. Our EPS estimates are $1.36 for 2021 and $1.42 for 2022.
- NiSource pays an annualized dividend of $0.88 per share for a yield of about 3.5%.
- NI shares appear favorably valued at 18.5-times our 2021 EPS estimate, below the average multiple of 19.6 for comparable electric and gas utilities.

INVESTMENT THESIS

Our rating on NiSource Inc. (NYSE: NI) is BUY based on valuation and historical earnings performance. Focusing on its regulated electric and gas utilities, NiSource recently completed a corporate restructuring that resulted in the spinoff of its nonregulated pipeline group. The company keeps a tight rein on operating expenses as well as capital spending. The shares are trading near the midpoint of their historical range on P/E, price/book and price/cash flow, and carry an attractive yield of about 3.5%. We are reiterating our target price of $32. Our long-term rating is also BUY.

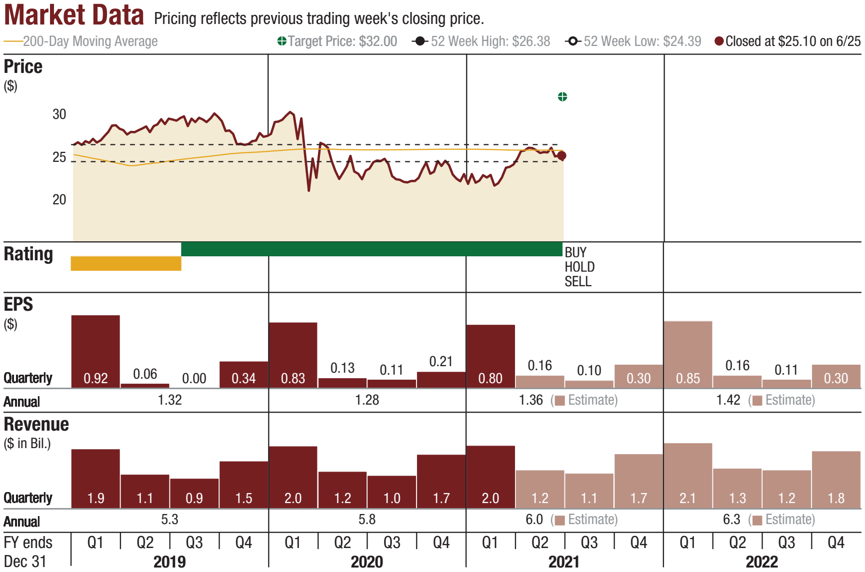
RECENT DEVELOPMENTS

On May 5, NiSource posted 1Q21 GAAP net income of $281.7 million or $0.72 per diluted share, compared to $61.8 million or $0.16 per share a year earlier. Non-GAAP operating earnings came to $304.8 million or 0.77 per share, compared to $290.9 million or $0.76 per share in 1Q20.

The company initiated four new renewable energy projects in 2021. Management

Market Data

Pricing reflects previous trading week's closing price.



Argus Recommendations

Twelve Month Rating	SELL	HOLD	**BUY**
Five Year Rating	SELL	HOLD	**BUY**
Sector Rating	Under Weight	**Market Weight**	Over Weight

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 72% Buy, 28% Hold.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview	
Price	$24.64
Target Price	$32.00
52 Week Price Range	$21.09 to $26.60
Shares Outstanding	392.22 Million
Dividend	$0.88
Sector Overview	
Sector	Utility
Sector Rating	MARKET WEIGHT
Total % of S&P 500 Market Cap.	2.00%
Financial Strength	
Financial Strength Rating	MEDIUM
Debt/Capital Ratio	62.6%
Return on Equity	10.6%
Net Margin	4.4%
Payout Ratio	0.65
Current Ratio	0.73
Revenue	$4.62 Billion
After-Tax Income	$202.30 Million
Valuation	
Current FY P/E	18.12
Prior FY P/E	19.25
Price/Sales	2.09
Price/Book	1.91
Book Value/Share	$12.88
Market Capitalization	$9.66 Billion
Forecasted Growth	
1 Year EPS Growth Forecast	6.25%
5 Year EPS Growth Forecast	4.00%
1 Year Dividend Growth Forecast	4.76%
Risk	
Beta	1.01
Institutional Ownership	92.84%

Please see important information about this report on page 4

Analyst's Notes...Continued

expects the company's infrastructure and generation investments to drive 7%-9% annual growth in operating EPS from 2021 through 2024. It also expects to reduce greenhouse gas emissions by 90% by 2030.

In the Electric Operations segment, principal operating subsidiary Northern Indiana Public Service Co. (NIPSCO) continues to execute on an electric generation transition consistent with its 2018 Integrated Resource Plan (IRP). The IRP calls for the retirement of nearly 80% of NIPSCO's remaining coal-fired generation capacity by 2023, and the retirement of all coal plants by the end of 2028, which will be replaced by cleaner, lower-cost plants.

In the Gas Distribution Operations segment, Pennsylvania regulators approved an annual revenue increase of $63.5 million for Columbia Gas of Pennsylvania in February. The higher rates will enable Columbia Gas to upgrade its natural gas distribution system. Regulators also approved an ROE of 9.86%, with rates effective as of January 23, 2021.

We note that NiSource could become a buyout target, as larger utilities and private equity firms pursue smaller utilities because of their stable earnings growth and above-average dividend yields.

EARNINGS & GROWTH ANALYSIS

The company has narrowed its 2021 non-GAAP operating EPS guidance to $1.32-$1.36, up at the low end from its prior forecast of $1.28-$1.36.

Our EPS estimates are $1.36 for 2021 and $1.42 for 2022. NiSource continues to rely on its utility infrastructure programs for earnings and dividend growth. The company's regulated gas and electric segments are investing in pipelines and in electric transmission projects as well as in distribution modernization programs, and should continue to benefit from favorable regulation.

FINANCIAL STRENGTH & DIVIDENDS

NiSource has improved its balance sheet by selling noncore assets, recalibrating capital expenditures, and carefully managing operating expenses and working capital.

The company expects to make capital investments of $1.9-$2.1 billion in 2021, and a total of approximately $10 billion through 2024. It expects annual investments of $1.9-$2.2 billion for growth, safety, and modernization, and an additional $2 billion for renewable generation.

NiSource remains committed to maintaining its current investment-grade credit ratings. The company has investment-grade ratings with Fitch Ratings (BBB), Moody's (Baa2) and Standard & Poor's (BBB+). As of March 31, 2021, NiSource had approximately $1.9 billion in net available liquidity, consisting of cash and available capacity under its credit facility and accounts receivable securitization programs.

NiSource pays an annualized dividend of $0.88 per share, for a relatively high yield of about 3.5%. Our dividend payout estimates are $0.88 for 2021 and $0.94 for 2022.

Growth & Valuation Analysis

GROWTH ANALYSIS ($ in Millions, except per share data)	2016	2017	2018	2019	2020
Revenue	4,493	4,875	5,115	5,209	4,682
COGS	2,836	3,120	4,114	2,890	2,695
Gross Profit	1,657	1,754	1,000	2,319	1,987
SG&A	—	—	—	—	—
R&D	—	—	—	—	—
Operating Income	865	927	126	1,305	961
Interest Expense	335	336	333	363	355
Pretax Income	514	443	-231	507	-31
Income Taxes	182	315	-180	124	-17
Tax Rate (%)	35	71	—	24	—
Net Income	332	129	-51	383	-18
Diluted Shares Outstanding	324	331	357	376	384
EPS	1.02	0.39	-0.18	0.87	-0.19
Dividend	0.64	0.70	0.78	0.80	0.84
GROWTH RATES (%)					
Revenue	-5.0	7.7	5.5	1.2	-11.5
Operating Income	7.9	7.1	-86.4	936.7	-26.3
Net Income	15.7	-61.2	—	—	—
EPS	61.9	-61.8	—	—	—
Dividend	-22.9	9.4	11.4	2.6	5.0
Sustainable Growth Rate	2.7	1.1		3.4	-2.6
VALUATION ANALYSIS					
Price: High	$26.94	$27.76	$28.11	$30.67	$30.46
Price: Low	$19.05	$21.65	$22.44	$24.69	$19.56
Price/Sales: High-Low	1.9 - 1.4	1.9 - 1.5	2.0 - 1.6	2.2 - 1.8	2.5 - 1.6
P/E: High-Low	26.4 - 18.7	71.2 - 55.5	— - —	35.3 - 28.4	— - —
Price/Cash Flow: High-Low	10.9 - 7.7	11.3 - 8.8	8.6 - 6.9	13.6 - 10.9	9.6 - 6.2

Financial & Risk Analysis

FINANCIAL STRENGTH	2018	2019	2020
Cash ($ in Millions)	113	139	117
Working Capital ($ in Millions)	-1,981	-1,892	-620
Current Ratio	0.51	0.49	0.73
LT Debt/Equity Ratio (%)	145.9	153.8	189.2
Total Debt/Equity Ratio (%)	187.5	188.8	200.0
RATIOS (%)			
Gross Profit Margin	19.6	44.5	42.4
Operating Margin	2.5	25.1	20.5
Net Margin	-1.3	6.3	-1.6
Return On Assets	-0.3	1.5	-0.3
Return On Equity	-1.4	6.6	-1.5
RISK ANALYSIS			
Cash Cycle (days)	42.5	22.7	35.2
Cash Flow/Cap Ex	0.3	0.9	0.6
Oper. Income/Int. Exp. (ratio)	0.3	2.4	0.9
Payout Ratio	84.2	303.9	64.6

Please see important information about this report on page 4

Analyst's Notes...Continued

MANAGEMENT & RISKS

The CEO of NiSource is Joseph Hamrock, 53, who assumed the position in July 2015. Mr. Hamrock, who joined NiSource in 2012, previously served as EVP and Group CEO for NiSource's Gas Distribution segment. He also has experience as an executive with American Electric Power. Donald E. Brown is the CFO.

Management is committed to electric and gas service expansion strategies in the company's regulated service territories, and to the expansion of its gas transmission and storage business. We think the company's platform for a return to growth is solid, and we are confident in management's ability to provide shareholders with increased value over the long term.

Key risks for stocks in our electric utility universe include fluctuations in interest rates and commodity prices, the effect of adverse weather on revenue, regulatory issues (especially involving construction cost recovery), and potential environmental and safety liabilities. In addition, the capital-intensive nature of the utility industry creates ongoing liquidity risk that must be actively managed by each company.

COMPANY DESCRIPTION

NiSource Inc. is an energy holding company whose subsidiaries are fully regulated natural gas and electric utility companies serving approximately 3.2 million natural gas customers and 500,000 electric customers across six states through its Columbia Gas and NIPSCO brands. NiSource's principal subsidiaries include NiSource Gas Distribution Group Inc., a natural gas distribution holding company, and NIPSCO, a regulated gas and electric company. NiSource derives substantially all of its revenues and earnings from the operating results of these rate-regulated utilities.

VALUATION

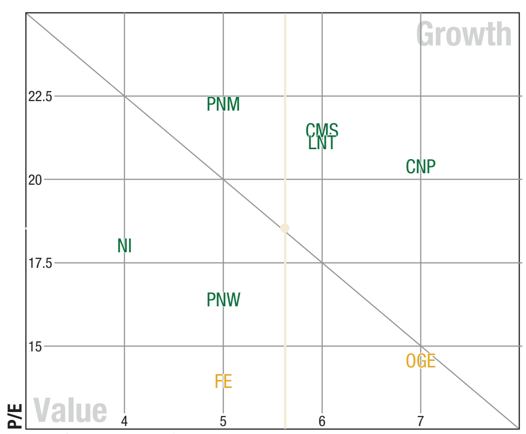
At current prices near $25, NI shares are trading above the midpoint of their 52-week range of $21-$27. The shares trade at 18.5-times our 2021 EPS estimate, below the average multiple of 19.6 for comparable electric and gas utilities. They are also trading at a price/book multiple of 2.4, below the peer average of 2.6. The price/cash flow ratio is 17.3, below the peer average of 19.4. The shares trade near the midpoint of their historical range on P/E, price/book and price/cash flow. The dividend yield of 3.5% is above the industry average. We are reiterating our BUY rating on NI with a 12-month target price of $32.

On June 29 at midday, BUY-rated NI traded at $25.00, down $0.16.

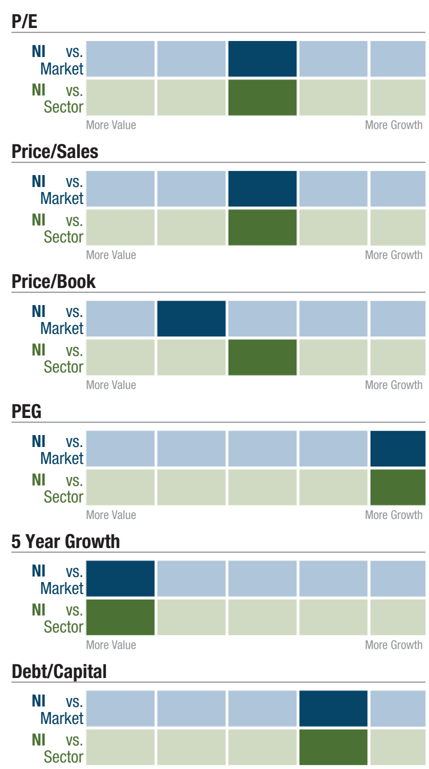
Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare NI versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- **The scatterplot shows how NI stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.**
- **The table builds on the scatterplot by displaying more financial information.**
- **The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how NI might fit into or modify a diversified portfolio.**



Ticker	Company	Market Cap ($ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
FE	Firstenergy Corp.	19,127	5.0	14.0	10.0	4.8	HOLD
CMS	CMS Energy Corporation	17,846	6.0	21.5	11.3	7.7	BUY
LNT	Alliant Energy Corp.	13,635	6.0	21.1	18.3	6.6	BUY
CNP	Centerpoint Energy Inc.	13,050	7.0	20.4	-10.4	12.1	BUY
NI	Nisource Inc. (Holding Co.)	9,604	4.0	18.0	-.4	4.4	BUY
PNW	Pinnacle West Capital Corp.	9,363	5.0	16.4	15.3	1.8	BUY
OGE	OGE Energy Corp.	6,532	7.0	14.6	-8.2	2.7	HOLD
PNM	PNM Resources Inc	4,244	5.0	22.3	11.4	3.6	BUY
Peer Average		**11,675**	**5.6**	**18.5**	**5.9**	**5.4**	



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METHODOLOGY & DISCLAIMERS

About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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BARCLAYS

North America Power & Utilities

Energy/Power Conference Question Bank

We provide a list of relevant questions and discussion topics to guide conversations with company management.

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POSITIVE

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Industry Themes and Issues

What are the biggest levers available for maintaining customer bill affordability?

At what level of renewable energy generation does dispatchability of energy become a concern?

What are the biggest barriers to decarbonization goals and timing?

What could FERC do to remove roadblocks currently impacting transmission development and expansion?

Are state regulatory commissions starting to shift views on utility ownership of renewables from a pure least cost perspective?

Any thoughts on the pending infrastructure bill or budget reconciliation bill and the potential impact to the utility sector?

American Electric Power (AEP)

- Can you provide an update on the latest RFP 's for owned renewable resources?
- At what point will the renewable opportunities not included in the capital plan be added to the capital plan?
- Are there any updates on the strategic review of Kentucky?
- North Central Wind financing was expected to be 60% equity, what are the expectations for the 16.6GW of incremental renewable financing from a debt and equity perspective?
- Can you provide an updated on transmission ROE and incentive adders being considered by FERC?
- How could AEP participate in a national renewable transmission corridor/system?
- With the increase of delta variant are you seeing any shift in customer load?

Avangrid (AGR)

Offshore Wind

- Are there any states that present more attractive opportunities than others (e.g. the impact of MA Section 83C price cap on subsequent projects)?

- How are you thinking about upcoming state RFPs for uncontracted capacity?
- Which phase of the project presents the greatest construction risk?
- How are you hedging supply chain risk for these projects? What percent of project components have already been procured?
- Do either of the two lawsuits seeking to block Vineyard Wind have merit? If so, on what grounds, and what would be potential avenues for remediation? If not, what are the procedural timelines and will these lawsuits have any impact on construction timelines?

Maine

- How do you see the regulatory environment in ME changing in the long term?
- What is your rationale for the removal of the 100 bps ROE penalty given the current regulatory environment in the state?
- What impact will the management audit ultimately have on CMP? What is the commission's view of the audit?
- Do you think Maine will continue to pursue structural changes to utility ownership? What could these efforts look like going forward?

Connecticut

- What are the merits of the CT Isaias ROE penalty lawsuit against PURA?
- Which Isaias related costs have the potential for recovery and what will that process look like?
- What is the current state of the grid modernization docket in CT?
- Is there any opportunity to include EV infrastructure in rate base in the state?

NECEC

- What are the consequences of the ballot initiative related to NECEC?
- How does opposition to the project impact the likelihood of completion?

Hydrogen

- Where do you see the greatest opportunities for early investment in Hydrogen?
- How would you characterize the timeline to commercialization?
- What are the assumptions behind your $1/kg long-term development target?

PNM Acquisition

- Provided the deal is approved, what does the process of integrating PNM into your operations look like?

American Water Works (AWK)

- What impact might the federal infrastructure legislative package have on AWK and the general public water system M&A market?
- What type of environmental enforcement changes have been observed and how might new state legislation (IE New Jersey) change compliance?

- Are there any states that you are particularly enthusiastic about accelerating FMV deals now that legislation covers most of the service territory?
- Are there any updates to discussion in the CA cost of capital proceeding? Is the CA business still financially insulated and operationally comfortable that the water supply environment is manageable amidst the drought?
- Can you provide an update on the remaining hurdles to complete the New York sale and what the political appetite is following Governor Cuomo's resignation? How might financing plans be impacted if the sale slips to 2022?
- Does the New Jersey BPU decision regarding acquisition premiums paid above FMV determinations have any impact to AWK's strategy and approach to new deals? What is the current appeals process?
- Given FFO improvements from recent rate case resolutions, how much capacity does the balance sheet have for increased capex while maintaining the trajectory toward a long-term 60% debt/total cap target, before needing incremental equity (above the current $700mn plan)?

CMS Energy (CMS)

- What has been the focus of commission deliberations or conversations around the 2021 IRP?
- Do you foresee any pushback to the accelerated coal retirement schedule?
- If the IRP is not approved, how could you rework the plan for a better reception?
- Any on conversations in the ongoing electric rate case?
- How would you characterize the potential for a settlement?
- What are the differences between the initial filing and your revised request?
- Is there any seasonality to Enerbank performance, and if outperformance in 1H is maintained, to what extend would a favorable purchase price adjustment help offset future financing needs?
- Do you see any political appetite to increase the state RPS? Any potential for this to change in the future?
- Are there any opportunities to own EV infrastructure in your service territory?

Consolidated Edison (ED)

- What is the effect of the continued gas moratorium in Westchester and can you discuss details on Tennessee Gas Pipeline expansion plans that could fill the supply need?
- What could FERC do to remove roadblocks currently impacting transmission development and expansion?
- How does NY's 9 GW offshore wind target impact the need for reliability investments in your service territory?
- With shifting demographics, WFH usage patterns and decoupling, how do you maintain bill affordability with fewer MWh going to residential homes?
- What are the biggest levers available for maintaining customer bill affordability given the

lack of generation-related O&M?

- How would you characterize storm performance during Henri relative to Isaias?
- What are the major components you expect to contribute to your upcoming rate filing?
- How do you think about the regulatory backdrop changing under Gov. Kathy Hochul?
- What are your expectations for the CEB going forward? How would you characterize pipeline growth? Any strategic focus on solar/wind/storage? What are you expectations for the earnings contribution from CEB going forward?
- Did you submit a bid into the NJ RFP for transmission to support its offshore wind goals?
- How would you characterize the timing and magnitude of transmission expansion opportunity both to receive power flows from offshore wind from LI and to enable upstate renewables to reach NYC?
- Is MVP still expected in-service Summer 2022 and how would your financing or capital plans change if the project faces further delays? Any update on the progress of the individual stream crossing permits? What are your expectations for the project once it is operational?
- What about the offshore wind risk/reward backdrop would have to change for you to consider investment?
- Could you provide an update on the late fee recovery petition at the NY PSC?
- How would you describe the path back to earnings at your allowed ROEs?
- Do you see any avenues to reducing the level of equity needed to fund your capital plans?

Edison International (EIX)

- What drove EIX to join PCG and SRE in filing an off cycle cost of capital application?
- Have there been preliminary discussions with CPUC staff or ratepayer advocate groups regarding a potential suspension of the cost of capital formulaic mechanism, in the interest of bill stability and other capital market conditions outlined in the application?
- Can you walk through your views on the adequacy of the revisions to the GRC PD and some of the key benefits and challenges in the final order?
- Is it your view that the CPUC maintained an achievable path for EIX to deploy the full covered conductor program in the forecast period, as proposed by EIX, if ongoing prudency and efficacy reviews show tangible benefits?
- What is your view of the GRC's use of deferred balancing accounts for certain cost categories? Do you view the cash flow impacts from ongoing deferred recovery mechanisms as being manageable / material relative to FFO/debt targets?
- Does the determination that EIX will not face criminal charges for the Woolsey fire have any influence on remaining civil settlements or the accounting estimate?
- What is your view of CA resource adequacy and the CPUC's decision to remove natural gas from the 'medium term' plan to add 11.5gw of clean resources?
- How do you see EIX's role as a 'provider of last resort' evolving if CCAs and other direct offerings cannot meet load obligations? Do you expect additional changes to the PCIA structure?

FirstEnergy (FE)

- What were the established priorities for settlement discussions following the August 3 pre-hearing discussion?
- Would $2bn-$3bn of potential proceeds from a theoretical TransCo minority asset sale fit your current base case of an ideal transaction size (assuming a range of OH outcomes)?
- How does the valuation range you would require for transmission assets contrast to your view of distribution OpCo deals? Is timing of a potential strategic deal contingent on achieving a final comprehensive settlement or decision in OH?
- Assuming current FE equity valuation, would you be open to additional sales if transaction multiples are accretive relative to block issuance (ie satisfy all planned equity in current plan with divestitures)?
- Following the extension for intervenor testimony in the SEET test to October 18, what are the key timelines and hurdles for settlement? Can you also summarize the settlement progress report filed September 1?
- Does the expansion of the OH AG allegations to FE's former CEO and the former PUCO commissioner have any implication for FE?
- Do you anticipate the $6.6mn of refunds and $7.5mm of capital disallowances recommended in the Blue Ridge report would represent all remaining refunds related to improper ratepayer-funded contributions?

NextEra Energy (NEE)

- What are the biggest barriers to decarbonization goals and timing? At what level of renewable energy generation does dispatchability of energy become a concern?
- Any thoughts on the pending infrastructure legislation or budget reconciliation bill and the potential impacts to the utility sector?
- How would you characterize the potential FPL settlement with the PSC? Any unexpected developments? What does the timeline to approval look like?
- How would you characterize the outlook for spending under the Storm Protection Plan rider? Do you see any long-term changes to this outlook driven by climate change?
- Please discuss major spending initiatives and the plans to finance them at the utilities.
- How have you been hedging against supply chain inflation for the NEER project pipeline? If this inflation is sustained, how do you see the project pipeline or outlook for NEER changing?
- How will you maintain the competitive advantages you have had with wind development when it comes to solar? How do you see the wind/solar investment mix changing over the next decade? What percentage of solar projects include storage?
- How would you characterize the outlook for storage and transmission development relative to wind/solar?
- What about the offshore wind risk/reward backdrop would have to change for you to consider direct investment?
- Would you consider participating in future offshore wind lease area auctions off of NC and SC?

- How can you capitalize on recent tax credit safe harbor extensions? What potential tax policy changes (extensions, storage credits, direct pay, transmission, etc) would have the most impact to NEER?
- How do you see the infrastructure legislation impacting the transmission opportunity landscape?
- How does policy risk in Texas change the risk/reward backdrop for renewables investment in the state?
- How are you thinking about your role in the development of the H2 value chain over the next decade?
- Any thinking around expanding into more nascent infrastructure markets given the level of competition in renewables development and maturing state of the market?
- What do you see as the next technology or greatest opportunity for NEE to develop an edge as a developer?

NiSource (NI)

- How would you characterize the current market for LDC assets? What impact to commodity prices have on interest in this space?
- Have there been any significant developments on the rate cases in OH, PA, MD, or KY?
- Which proceedings have the greatest potential for settlement?
- What are the statutory requirements for filing your next case in each of these states?
- Do you see any upside to TDSIC reliability investments as renewables penetration increases?
- How is the RFP process for the 2021 IRP progressing? Any surprising technologies?
- Have there been any more actionable proposals for the early use of Hydrogen?
- How does your thinking regarding Michigan City Generating Station changing in light of MISO resource adequacy and affordability needs?
- How does the potential for PA to join the RGGI change the outlook for SMS or methane reduction-related capital opportunities in the state?

NorthWestern Corporation (NWE)

- What are the next steps in the certification/approval of the RFP results at the Montana PSC?
- When do you expect to file the next rate cases, as none are planned in 2021?
- Is construction on schedule for the South Dakota RICE project (expected commercial operation in late 2021)?
- Post the $200M equity issuance in 2021, what are the expectations for financing in 2022 and beyond?
- What is the timing for the next RFPs in South Dakota and North Dakota for capacity?
- With the increase of delta variant are you seeing any shift in customer load, and how might this impact the timing of the delayed decoupling program?

OGE Energy (OGE)

- Can you walk through the plan to retire older plants across your generation fleet?
- What level of capacity do you forecast solar can provide across your service territory?
- What type of regulatory mechanisms can help facilitate the transition?
- What is the potential for future legislation that might be supportive of additional clean energy development?
- What type of load rebounds have you seen YTD and what trends have emerged as the local economy emerges from Covid-19?
- Can you provide an update on potential use of proceeds assuming OGE is able to monetize ET units at a higher price than originally anticipated?
- What are the remaining hurdles to close the ENBL and ET deal?

PG&E (PCG)

- What implications does the recent CPUC letter regarding a higher level of the safety oversight standard have on operations, if any?
    - What is your confidence that PG&E can address the cited issues and move lower in the oversight program?
- Can you provide a general update on 2021 wildfire activity and the potential approach to Camp fire liabilities?
- How do you envision NEM 3.0 and further development of the PCIA mechanism evolving?
    - How do you see PCG's role as a 'provider of last resort' evolving if CCAs and other direct offerings cannot meet load obligations?
- Can you discuss the transmission opportunity driven by resource adequacy?
- What is your view of CA resource adequacy and the CPUC's decision to remove natural gas from the 'medium term' plan to add 11.5gw of clean resources?
- Is it still practically possible to delay the closure of Diablo Canyon if regulatory and political stakeholders supported a delay, or is the decommissioning process too far along?

Public Service Enterprise Group (PEG)

- Post PEG Power debt paydown and debt prepayment penalty, what proceeds will be left from the Fossil and Solar sale? What should be the expectation for these proceeds?
- How do you see energy markets and energy pricing shifiting as more renewables including offshore wind are added to the grid?
- What are the latest updates for nuclear grants, PTCs or carbon charges in DC?
- Any updated view or details on FERC Transmission incentive adders and potential policy?
- Can you provide and update on the NJ Offshore transmission RFP and in what capacity you participated?
- What do you view as the next critical areas of spending to keep pace with NJ's clean energy goals?

- Are any NJ communities limiting new natural gas connections and/or is natural gas customer growth different from electric customer growth?

Portland General Electric (POR)

- What was House Bill 2021 and how does it align with POR's longstanding corporate priorities and recent planning?
- How does the law tie in with the current IRP action items around clean *and* firm capacity additions?
- What are the other key grid considerations to solve in order to achieve the ambitious GHG reductions by 2030 and 2040?
- Can you summarize your recently-filed general rate case drivers and your overall outlook for customer affordability over the longer term as POR pursues a net zero future?
- With recent resource adequacy concerns in CA, do you anticipate OR will play an even larger regional power exporter role given the advantaged hydro and wind resources in the state?
  - Is there a transmission opportunity there for POR?
- What are the operative legal differences between CA's inverse condemnation framework and OR's treatment of wildfire ignitions?
- What operational impacts have wildfires had on POR's business and how might general priorities (safety, employee needs, investment size) shift to meet the challenge?

Southern Company(SO)

- What is required for Vogtle Unit 3 to receive NRC approval for fuel load?
- How should the potential timing/filing for recovery of expenses beyond the cap for Vogtle be considered?
- Given the current schedule for Vogtle Unit 4 would 2024 be the first year reflecting 12 months of earnings from Vogtle Units 3 and 4?
- Any update on customer growth profile for natural gas services in IL and GA?
- What are the expectation for the timing of the next Mississippi rate case?
- How will the shift to net-zero emissions by 2050 shape capital investment over the next 5 years and beyond?
- How are load growth and customer growth trending by jurisdiction and how does that compare to expectations?
- What impact if any do you see from an implementation of the Southeast Energy Exchange Market (SEEM)? Did reliability issues in TX and CA play any part in the formation of SEEM
- With the increase of delta variant are you seeing any shift in customer load?

WEC Energy (WEC)

- Were there any significant differences in the WI rate case stay out agreement from your request?
- When do you expect a final order on the stayout?
- Any developments in the MI or IL rate cases?

- How do you see the future of energy legislation progressing in Illinois?

Essential Utilities (WTRG)

- Can you discuss the recent Aqua PA rate case filing and some of the drivers of the $1.1bn of capital investment since the prior case?
- What is the current outlook for a new PA PUC commissioner appointment?
  - Have there been ongoing debates on RGGI participation?
- Have you seen or do you anticipate any impacts from federal infrastructure package on the general market for municipal FMV deals?
- Are the federal dollars being made available for municipal system upgrades likely to be accessed by the same type of systems that WTRG would historically target for FMV deals?
- Is the federal investment amount material enough to impact deal flow?
- Do you expect any change in EPA or state environmental agency enforcement priorities following the federal focus on infrastructure?
  - If so, could it compliance costs be material enough to lead to more municipal sellers?
- Has WTRG's definition of the ideal municipal target profile changed in any ways over the past couple years?
  - Are the ongoing delays and noisy public rhetoric surrounding Delcora unique to the circumstances, or do you anticipate similarly sophisticated levels of challenges and disagreements to naturally accompany large systems?
  - Are there any systems >100k customers in the current pipeline?
- How would you characterize Texas municipalities' interest in monetizing via FMV?
- What is your overall assessment of new water legislation enacted at the state level in 2021?
- What is your view of the federal infrastructure package as it pertains to water and natural gas?

Xcel Energy (XEL)

- How are you hedging against supply chain inflation? What is the plan if elevated costs persist?
- Any developments in the MN approval of the Sherco solar project?
- Any update on the CO PUC's reception of the transmission expansion pathway plan?
- When could the incremental $0.5-$1 billion investment opportunity be considered for approval?
- When do you expect more clarity on MISO and SPP transmission expansion plans and how would you characterize the opportunity for XEL?
- Any developments in Winter Storm Uri gas cost recovery proceedings?
- Have there been any significant developments on the rate cases and settlements in WI, NM, CO and TX?

- How would you characterize the long-term capital opportunities to own EV infrastructure in rate base in CO and MN? Any potential for a recovery mechanism for these investments?

Analyst(s) Certification(s):
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Materially Mentioned Stocks (Ticker, Date, Price)
Alliant Energy Corporation (LNT, 01-Sep-2021, USD 61.64), Equal Weight/Positive, CE/E/J/K/L/M

Ameren Corp. (AEE, 01-Sep-2021, USD 88.76), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

American Electric Power Company, Inc. (AEP, 01-Sep-2021, USD 90.50), Overweight/Positive, A/CD/CE/D/E/J/K/L/M/N

American States Water Company (AWR, 01-Sep-2021, USD 93.85), Equal Weight/Positive, CE/J

American Water Works Company, Inc. (AWK, 01-Sep-2021, USD 184.43), Equal Weight/Positive, CE/J

Avangrid, Inc. (AGR, 01-Sep-2021, USD 55.32), Equal Weight/Positive, CD/D/E/J/K/L/M/N

CMS Energy Corporation (CMS, 01-Sep-2021, USD 65.05), Overweight/Positive, A/CD/CE/D/E/J/K/L/M

CenterPoint Energy, Inc. (CNP, 01-Sep-2021, USD 25.51), Equal Weight/Positive, A/CD/CE/D/J/K/L/M

Consolidated Edison, Inc. (ED, 01-Sep-2021, USD 76.44), Underweight/Positive, A/CD/CE/D/J/K/L/M

DTE Energy (DTE, 01-Sep-2021, USD 121.37), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

Dominion Energy (D, 01-Sep-2021, USD 78.98), Rating Suspended/Positive, A/CD/CE/D/E/J/K/L/M

Other Material Conflicts: Barclays Bank PLC and/or its affiliate is serving as financial advisor to Dominion Energy Inc. (NYSE:D) in relation to its announcement that it has executed a definitive agreement to sell substantially all of its Gas Transmission & Storage segment assets to an affiliate of Berkshire Hathaway Inc. (NYSE: BRK.A). The rating, price target and estimates (as applicable) on Dominion Energy Inc. (NYSE:D) previously issued by the Firm's Research department have been temporarily suspended due to this potential transaction.

Duke Energy Corporation (DUK, 01-Sep-2021, USD 106.12), Rating Suspended/Positive, A/CD/CE/D/J/K/L/M

Other Material Conflicts: Barclays Bank PLC and/or its affiliate is serving as exclusive financial advisor to an affiliate of GIC Private Limited in relation to the announced definitive agreement under which an affiliate of GIC Private Limited will acquire an indirect minority interest in Duke Energy Indiana, LLC, a subsidiary of Duke Energy Corp (NYSE: DUK). The rating, price target and estimates on Duke Energy Corp (NYSE: DUK) previously issued by the Firm's Research department have been temporarily suspended due to this potential transaction.

Edison International (EIX, 01-Sep-2021, USD 58.24), Equal Weight/Positive, A/CD/CE/D/J/K/L/M

Essential Utilities, Inc. (WTRG, 01-Sep-2021, USD 50.40), Equal Weight/Positive, A/CD/CE/D/J/K/L/M

Eversource Energy (ES, 01-Sep-2021, USD 91.66), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

Exelon Corporation (EXC, 01-Sep-2021, USD 49.60), Rating Suspended/Positive, A/CD/CE/D/E/J/K/L/M

Other Material Conflicts: Barclays Bank PLC and/or its affiliate is serving as financial advisor to Exelon Corp. (NASDAQ: EXC) in relation to its plan to separate Exelon Utilities (RemainCo), comprised of the company's six regulated electric and gas utilities, and Exelon Generation (SpinCo), its competitive power generation and customer-facing energy businesses, into two publicly traded companies. The rating, price target and estimates (as applicable) on Exelon Corp. (NASDAQ: EXC) previously issued by the Firm's Research department have been temporarily suspended due to this potential transaction.

FirstEnergy Corp. (FE, 01-Sep-2021, USD 39.43), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

NextEra Energy, Inc. (NEE, 01-Sep-2021, USD 85.34), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

NiSource, Inc. (NI, 01-Sep-2021, USD 25.21), Overweight/Positive, A/CD/CE/D/J/K/L/M

NorthWestern Corporation (NWE, 01-Sep-2021, USD 64.37), Equal Weight/Positive, CD/CE/J

OGE Energy Corp. (OGE, 01-Sep-2021, USD 35.73), Equal Weight/Positive, CD/CE/J

PG&E Corporation (PCG, 01-Sep-2021, USD 9.21), Overweight/Positive, A/CD/CE/D/J/K/L/M

PNM Resources, Inc. (PNM, 01-Sep-2021, USD 49.60), Underweight/Positive, CE/J

Pinnacle West Capital Corporation (PNW, 01-Sep-2021, USD 77.78), Equal Weight/Positive, CD/CE/D/E/J/K/L/M

Portland General Electric Company (POR, 01-Sep-2021, USD 52.12), Underweight/Positive, CD/CE/D/E/J/K/L/M

Public Service Enterprise Group (PEG, 01-Sep-2021, USD 64.72), Equal Weight/Positive, CD/CE/D/J/K/L/M

SJW Group (SJW, 01-Sep-2021, USD 70.61), Equal Weight/Positive, CD/CE/J

Sempra Energy (SRE, 01-Sep-2021, USD 133.60), Overweight/Positive, A/CD/CE/D/J/K/L/M

The Southern Company (SO, 01-Sep-2021, USD 66.48), Overweight/Positive, A/CD/CE/D/E/J/K/L/M

WEC Energy Group, Inc. (WEC, 01-Sep-2021, USD 95.90), Equal Weight/Positive, A/CD/CE/D/J/K/L/M

Xcel Energy Inc. (XEL, 01-Sep-2021, USD 69.75), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

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In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating
Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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North America Power & Utilities

Alliant Energy Corporation (LNT)	Ameren Corp. (AEE)	American Electric Power Company, Inc. (AEP)
American States Water Company (AWR)	American Water Works Company, Inc. (AWK)	Avangrid, Inc. (AGR)
Brookfield Infrastructure Partners LP (BIP)	Brookfield Infrastructure Partners LP (BIP_u.TO)	CenterPoint Energy, Inc. (CNP)
CMS Energy Corporation (CMS)	Consolidated Edison, Inc. (ED)	Dominion Energy (D)
DTE Energy (DTE)	Duke Energy Corporation (DUK)	Edison International (EIX)
Essential Utilities, Inc. (WTRG)	Eversource Energy (ES)	Exelon Corporation (EXC)
FirstEnergy Corp. (FE)	NextEra Energy, Inc. (NEE)	NiSource, Inc. (NI)
NorthWestern Corporation (NWE)	OGE Energy Corp. (OGE)	PG&E Corporation (PCG)
Pinnacle West Capital Corporation (PNW)	PNM Resources, Inc. (PNM)	Portland General Electric Company (POR)
Public Service Enterprise Group (PEG)	Sempra Energy (SRE)	SJW Group (SJW)
The Southern Company (SO)	WEC Energy Group, Inc. (WEC)	Xcel Energy Inc. (XEL)

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December 12, 2021 | 22:13 ET | 22:13 ET~

Utilities, Power & Renewables

ESG & Growth Conference - Sector Leadership in Accretive Decarbonization

Bottom Line:

We hosted managements from ES, NI, NEE, PEG, and XEL at our ESG & Growth conference last week. This included fire-side chats with NEE, PEG, and XEL, and ES participated in our Net Zero panel. Inside we present summaries of our discussions with each company. We are marking to market our target prices given the increases in the sector multiples used in our SOTP valuation framework. Our target prices move to $95 (from $91) for ES, $29 (from $28) for NI, $69 (from $67) for PEG, and $72 (from $70) for XEL. We reaffirm our Outperform ratings on ES, NI, NEE, and XEL and our Market Perform rating on PEG.

Key Points

ES: Eversource participated in our Net Zero Emissions Panel. The company continues to play a crucial part in helping New England reach at least 80% carbon reduction by 2050. Within this longer-term goal, ES plans to reach carbon neutrality by 2030 for scope 1 and 2 emissions and notes the company was the first of its peers to set this aggressive target. ES can also play a major role beyond controlling its own emissions profile by helping the region accelerate its electric vehicle adoption and converting customers from highly inefficient oil heating.

NEE: Our fireside chat with NEE focused on the increasingly visible tailwinds to the company's 6-8% EPS growth rate. This is driven by its expanding cost-effective suite of renewable products and outlook for end-market penetration across its existing and also expanding C&I customer base. Our conversation also focused on hydrogen where the company believes that a $3/kg PTC for Green hydrogen could make it economic with Blue and Grey hydrogen and management expects to participate in nearly all parts of the hydrogen value-chain. In the near term, it is focused on providing enough hydrogen (once economic) to support the industrial uses with transportation being a more medium-term objective.

NI: We met with NiSource's senior management last and discussed its solid YTD execution and continued confidence in its growth and decarbonization strategies for both gas and electric operations over the near term (2021-24). Similar to its recent 3Q/EEI update, NiSource reiterated the regulatory and financing certainty that adds to its confidence in executing against its 10-12% rate base growth and subsequent 7-9% EPS aspirations through 2024.

PEG: Our fireside chat offered a unique set of insights given the CEO's recent attendance at COP26 summit. PEG discussed its efforts to combat client change, which includes promoting energy efficiency, reminding parties of the importance of nuclear to carbon-free energy, expanding its renewables presence through its investment in offshore wind, and focusing on electrifying the economy such as transportation as the supply of carbon-free energy becomes more plentiful. PEG also recently joined the Race to Zero, which means it will have to establish a plan to eliminate its scope 3 emissions.

XEL: Our fireside chat with XEL highlighted its continued leadership position in decarbonization within the sector. Importantly, the company believes that it is still in the early innings of its steel for fuel strategy, having just completed its initial build-out of owned renewables and is now on the verge of its next significant phase with 10GWs of proposed new renewable resources to be added to its system over the next 10 years. The company remains committed to its net zero target by 2050.

For disclosure statements, including the Analyst Certification, please refer to page(s) 10 to 15.

ESG

BMO Capital Markets

Utilities, Power & Renewables

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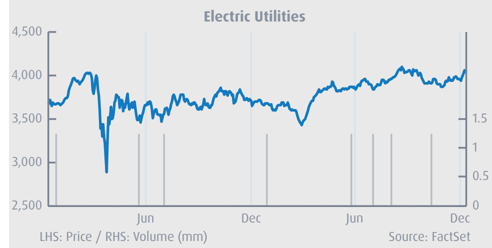

Industry Research

Glossary

BMO Capital Markets

Exhibit 1: Target Price Change Summary

Company	Ticker	Price	Rating	Prior Target	Revised Target
Eversource Energy	ES-NYSE	$87.88	OP	$91.00	$95.00
NiSource Inc	NI-NYSE	$25.93	OP	$28.00	$29.00
Public Service Enterprise Group	PEG-NYSE	$63.80	Mkt	$67.00	$69.00
XCEL Energy	XEL-NSDQ	$66.51	OP	$70.00	$72.00

Prices as of December 10, 2021. Source: BMO Capital Markets, FactSet

Company Summaries From BMO's ESG & Growth Conference

Eversource Energy (ES-NYSE; $87.88; Outperform) – In addition to representatives from both OMERS and Moody's, Eversource participated in our Net Zero Emissions panel. Management described its continued partnership with its states to help meet increasingly ambitious carbon reduction goals including a target of at least an 80% reduction in carbon emissions by 2050. Within this longer-term goal, ES plans to reach carbon neutrality by 2030 for scope 1 and 2 emissions and notes the company was the first of its peers to set this aggressive target. The company's strategy begins at the customer level, including energy efficiency targets where it spends $500-600 million per year in programs encouraging customers to reduce their usage, which also helps bill affordability. Eversource also remains laser-focused in improvements across its utility footprint through emission reductions within its own fleet and existing facilities, reducing SF6 in electrical equipment, replacing leak-prone pipe in its gas system, and reducing line losses. Likely more unique to New England, only ~25% of the region's emissions come from power generation and industry, compared to more than 50% for the rest of the country. As such, in addition to energy efficiency, ES can help New England resolve emissions from transportation and home heating. Regarding the latter, ~40-45% of homes in the region are still heated with oil, which provides the company with the ability to reduce carbon emissions through the continued push to convert customers to natural gas related heating. In addressing the transportation sector's carbon footprint, both MA and CT have ambitious electrical vehicle adoption targets of 425,000 by 2025 relative to ~50,000 vehicles currently. ES looks to help facilitate this transition by building out the necessary infrastructure to support EV charging stations. Lastly, Eversource is currently evaluating how to define and track its scope 3 emissions with an eye to developing a more fulsome reduction target in the future.

NextEra Energy (NEE-NYSE: $90.28; Outperform) – We hosted a fireside chat with NextEra at our conference again this year where we focused on the increasingly visible tailwinds to the company's 6-8% EPS growth rate driven by its expanding cost-effective suite of renewable products and outlook for end market penetration across its existing and also expanding C&I customer base (transportation/mobility). In addition to an already growing market opportunity with renewables moving from ~12% to ~30-40% by the end of the decade, the company sees significant end-market opportunities on the C&I side as its bundled suite of projects provide compelling and increasingly cost-effective decarbonization products across multiple sectors given its suite of wind, solar, and storage offerings. Moreover, the company continues to leverage its already significant customer relationships by tailoring both resource and management solutions to its customers' needs, including both a combination of low-cost and reliable carbon-free power (wind/solar at 2-2.5c range), backup and customer/grid specific storage solutions, and increasingly completive green hydrogen solutions that should allow it to compete with grey/blue on a bundled basis. currently. Finally, we see the continued evolution of its business model both opening new sales channels for its products but also sustaining its industry-leading product returns. Specifically, we believe its already sizeable economies of scale advantage in both equipment procurement and financing costs will also be augmented through cash flows streams associated with the operation, maintenance, and unique customer-specific software optimization (energy storage). Management continues to feel good about its equipment cost structure as we head into 2022 and the ability to accelerate growth in an inflationary market as a significant portion of the economics to the end use customer of renewables is tied to the embedded tax credits. NEE once again highlighted that it has 1.7GW of solar panels in inventory that are safe harbored, giving it a competitive advantage in what is currently a supply-chain constrained market.

Looking specifically at a few of its core product lines, on the storage front, the company was optimistic about the growing market opportunity to deploy energy storage as part of its near-firm supply offering but also on a stand-alone basis for reliability and customer-specific grid solutions. Currently, the company's large existing solar footprint has allowed it to pair storage to create near-firm power and benefit from the associated ITC. However, if the Build Back Better (BBB) bill passes, the proposed stand-alone storage ITC would enable NEE to add significant storage to wind sites where it has additional interconnection capacity as well as stand-alone storage sites. Our conversation also focused on growth in green Hydrogen, where at $4-5/kg currently, the company believes that a $3/kg PTC for Green hydrogen would make it economic with Blue and Grey hydrogen quickly vs. the $1-1.5/kg current price. In fact, NEE believes a PTC at the proposed $3/kg level would make green hydrogen competitive in 2022 and it has 30-40 projects in front of industrial customers right now that could get pushed forward as the economics are levelized. Additionally, this could accelerate the development of the application of hydrogen blending through the retrofitting of gas plants as the next step to the longer-term, final solution for taking carbon out of the power supply stack. Currently NEE's two pilot programs can accommodate ~10-20% blending with retrofits, but this percentage should improve over time and allow the company not only to transition its gas-fired plants to a more carbon-friendly profile but also eventually decarbonize its transportation fleet from its 60-65% natural gas usage currently. Overall, NEE expects to participate in various parts of the hydrogen value-chain. In the near term, it is focused on providing enough green hydrogen (as it becomes economic) to support industrial applications, with transportation being a more medium-term objective including the participation in hydrogen hubs to facilitate this transition. Finally, despite the typical partisan and 11th hour political process, NEE still believes that Build Back Better and its climate supportive provisions are more likely than not to be enacted into law, although the timing remains tough to predict.

NiSource Inc (NI-NYSE; $25.93; Outperform) – We met with NiSource's senior management last week where we discussed its solid execution in 2021 and continued confidence in its growth and decarbonization strategies for both gas and electric operations over the intermediate term (2021-24). Similar to its recent 3Q and EEI updates, NiSource reiterated the regulatory and financing certainty that adds to its confidence in executing against its 10-12% rate base growth and subsequent 7-9% EPS aspirations through 2024. More importantly, it noted it is looking in 2022 to outline the discrete building blocks that support a 5-7% growth outlook beyond 2024 as it taps into its robust and visible $40 billion in incremental infrastructure and reliability-related capex opportunities. Gas and electric infrastructure/reliability spending of at least $1.9-2.2 billion through the company's various tracked recovery mechanisms have a long and accelerating runway through the end of the decade, with the majority of this having an investment recovery period of under 18 months. In addition to this visible growth, we will get the final ownership percentage of its $750-million Indiana preferred IRP plan in 2022, which will address the retirement of its remaining coal-fired generation (coal free by no later than 2028). Management remains optimistic it could own up to 100% of this new portfolio, with some of the initial IRP spending on the transmissions side beginning in 2022. We look forward to a more fulsome update at its spring analyst day where the company will extend its rate base and EPS growth objectives and financing plan to support this continued above-average growth outlook. In addition to the company's electric decarbonization plan, NiSource also discussed its efforts to shrink its carbon footprint across its gas LDC operations including energy efficiency, methane leak reductions, and the 12 smaller RNG-related projects it has outlined. Finally, regarding natural gas prices for the 2021/2022 heating season, the company outlined that of its 50% of R&C customers that are non-choice customers, 77% of their supply is already procured (68% through storage) with only 10-15% of R&C customers' bills exposed to short-term gas prices and its quarterly/annual gas cost adjustment (GCA) mechanisms providing some smoothing of any price volatility.

Public Service Enterprise Group (PEG-NYSE; $63.80; Market Perform) – Our fireside chat featured PEG Chairman, President and CEO Ralph Izzo, who we believe offered a unique set of insights given his recent attendance at the COP26 Summit. Mr. Izzo highlighted three groups of attendees: the negotiating policy makers, the people not involved in the policy decisions but are directly affected (but with a growing opinion that policymakers need to get on board or get out of the way), and the third group was protestors supporting sustainability. Management believes that all parties are on-board with the conclusion/end point of where climate change needs to go, but there remains a diverse set of questions around pace and path in achieving carbon reductions on a country-by-country basis. Specifically, for utilities, PEG used COP26 to discuss its efforts to combat client change through: 1) promoting energy efficiency; 2) reminding parties of the importance of nuclear to carbon-free energy; 3) expanding its renewables presence through its investment in offshore wind; and 4) focusing on electrifying the economy such as transportation as the supply of carbon-free energy becomes more plentiful. In terms of targets, PEG is aiming to achieve net zero scope 1 and 2 emissions by 2030. Over the past couple years, it has retired 4,000MWs of inefficient oil and gas generation, but after the sale of their remaining fossil assets closes, it will have decreased the company's emissions profile by 90%. However, even more impressively, PEG recently joined the Race to Zero, which through the use of science-based target initiatives will be developing a plan to eliminate its scope 3 emissions over the next 22 months. As the company looks at the different opportunity sets in front of it to address its carbon footprint, management remains a proponent of an economy-wide price on carbon and is hopeful that other market participants will help find new and unique solutions to meet this 2050 target.

Xcel Energy (XEL-NSDQ; $66.51; Outperform) – We hosted a fireside chat with XEL management that highlighted no only its early leadership position but also continued innovation and expanding tool kit being deployed to help the decarbonization of the utility sector. Importantly, the company believes that it is still in the early innings of its steel for fuel strategy. As the company transitions from the completion of its initial build out of owned renewable resources, management feels it is on the precipice of the next phase, highlighting ~10GWs of proposed new renewable resources that could be added to its own utility system over the next 10 years. Furthermore, the company remains committed to its net zero target by 2050 as well as its interim emissions reductions targets. Notably, the company's net zero target includes scope 1, scope 2, and scope 3 emissions. With the company's recent settlement in CO it now expects to retire its last coal plant in 2034, which will allow it to achieve an 80% carbon reduction in 2030. However, the company expects to reach an even higher reduction of 87% in CO and 85% reduction in MN as proposed in its current resource plans. Moreover, XEL also remains an early mover on the green hydrogen front including its current pilot project at its Prairie Island nuclear power plant and an additional 5-8 additional greenfield and brownfield hydrogen projects being contemplated. The company's hydrogen strategy will remain tied to its regulated operations with the potential primary applications for green hydrogen being deployed through generation and gas distribution systems.

BMO Capital Markets

Exhibit 2: ES Model Summary

Eversource Energy (ES)	2020A	2021E	2022E	2023E	2024E	2025E
EPS By Segment						
Connecticut Light & Power	$1.34	$1.41	$1.51	$1.58	$1.63	$1.69
Public Service of New Hampshire	$0.44	$0.49	$0.51	$0.53	$0.56	$0.58
NSTAR Electric	$1.31	$1.43	$1.50	$1.54	$1.58	$1.62
NSTAR Gas	$0.15	$0.17	$0.21	$0.25	$0.27	$0.32
Yankee Gas	$0.21	$0.23	$0.23	$0.24	$0.26	$0.27
EGMA		0.04	0.05	0.08	0.10	0.12
Aquarion Water Company	$0.11	$0.12	$0.13	$0.14	$0.15	$0.16
Parent & Other	$0.01	($0.02)	($0.04)	($0.01)	$0.10	$0.30
Consolidated E.P.S.	$3.56	$3.86	$4.10	$4.36	$4.65	$5.06
Dividend per share	$2.27	$2.41	$2.55	$2.70	$2.85	$3.00
Payout Ratio total	63.7%	62.4%	62.2%	61.9%	61.3%	59.3%
Dividend Yield	2.6%	2.7%	2.9%	3.1%	3.2%	3.4%
EBITDA/Interest Expense	5.8x	6.1x	6.0x	6.0x	6.2x	6.5x
Forecast Consolidated ROE's						
Connecticut Light & Power	14.6%	14.3%	14.4%	14.5%	14.7%	14.9%
Public Service of New Hampshire	11.5%	11.9%	11.5%	11.2%	11.0%	10.9%
NSTAR Electric	11.2%	11.3%	11.0%	10.7%	10.5%	10.5%
NSTAR Gas	8.9%	8.2%	8.3%	8.6%	8.3%	8.8%
Yankee Gas	9.3%	9.1%	8.4%	7.8%	7.6%	7.5%
Columbia Gas of Massachusetts		3.0%	3.1%	3.3%	3.4%	3.5%
Aquarion Water Company	10.1%	10.2%	9.8%	9.7%	9.5%	9.3%

Source: BMO Capital Markets, Company Filings

Exhibit 3: ES Valuation

							BMO Low Case		BMO Base Case		BMO High Case	
Regulated, Parent & Other	Valuation Metric	2023E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)
Connecticut Light & Power	EPS	$1.58	Electric	18.1x	+7.3%	19.4x	15.4x	$24	19.4x	$31	21.9x	$35
Public Service of New Hampshire	EPS	$0.53	Electric	18.1x	+0.0%	18.1x	15.6x	$8	18.1x	$10	20.6x	$11
NSTAR Electric	EPS	$1.54	Electric	18.1x	+17.0%	21.2x	19.2x	$30	21.2x	$33	23.2x	$36
NSTAR Gas	EPS	$0.25	Gas LDC	15.8x	+5.0%	16.6x	14.1x	$4	16.6x	$4	18.6x	$5
Yankee Gas	EPS	$0.24	Gas LDC	15.8x	+5.0%	16.6x	14.1x	$3	16.6x	$4	18.6x	$4
Columbia Gas of Massachusetts	EPS	$0.08	Gas LDC	15.8x	+5.0%	16.6x	14.1x	$1	16.6x	$1	18.6x	$1
Aquarion Water Company	EPS	$0.14	Water	33.3x	+0.0%	33.3x	31.3x	$4	33.3x	$5	35.3x	$5
Parent & Other	EPS	($0.01)	Blend			19.7x	17.2x	($0)	19.7x	($0)	21.7x	($0)
Utility & Parent Value		**$4.35**					**17.1x**	**$74**	**20.0x**	**$87**	**22.2x**	**$97**
Electric Distribution								$62		$73		$81
Natural Gas Distribution								$8		$9		$11
Water Distribution								$4		$5		$5
Parent								($0)		($0)		($0)
Offshore Wind - 2026 Contribution (Discounted to 2023)								$6		$8		$9
Consolidated Eversource								**$81**		**$95**		**$105**
Upside/(Downside)								(8%)		8%		20%
Current Yield								3%		3%		3%
Total Return								**(6%)**		**11%**		**23%**

Source: BMO Capital Markets, Company Filings

BMO Capital Markets

Exhibit 4: NI Model Summary

NI Model Summary	2019	2020	2021	2022	2023	2024
EPS By Segment						
Electric Operations	$0.76	$0.63	$0.72	$0.82	$1.01	$1.15
Gas Distribution	$1.12	$1.17	$1.08	$1.14	$1.19	$1.24
Corporate & Other	($0.56)	($0.48)	($0.44)	($0.50)	($0.66)	($0.67)
Consolidated E.P.S.	**$1.32**	**$1.32**	**$1.36**	**$1.46**	**$1.54**	**$1.72**
Dividend per share	**$0.80**	**$0.84**	**$0.88**	**$0.93**	**$0.99**	**$1.05**
Payout Ratio total	60.8%	63.6%	64.9%	64.1%	64.2%	60.9%
Dividend Yield	2.9%	2.9%	3.0%	3.2%	3.4%	3.6%
Valuation Metrics						
Price to Earnings	21.2x	22.2x	21.6x	20.1x	19.0x	17.0x
Price to Book Value	1.7x	1.7x	1.5x	1.5x	1.5x	1.4x
Funding Sources						
Cash Flow from Operations	$1,750	$1,681	$1,422	$1,546	$1,623	$1,824
Total Debt Financings	$750	$2,974	$0	$1,080	$1,800	$0
Total Equity Financings	$34	$360	$1,211	$348	$198	$911
Credit Metrics						
Total Debt/Capitlization	61%	60%	54%	55%	58%	54%
FFO/Total Debt	14%	13%	15%	15%	13%	15%
Regulated Operations Performance - Realized ROE						
NIPSCO Electric ROE	12.3%	9.5%	11.0%	12.1%	13.2%	14.7%
Columbia Gas of Ohio ROE	9.4%	9.1%	9.5%	9.7%	9.3%	9.5%
Columbia Gas of Pennsylvania ROE	9.4%	9.1%	9.5%	9.7%	9.3%	9.5%
NIPSCO Gas ROE	9.4%	9.2%	9.5%	9.7%	9.3%	9.5%
Columbia Gas of Virginia ROE	9.4%	9.1%	9.5%	9.7%	9.3%	9.5%
Columbia Gas of Kentucky ROE	9.3%	9.0%	9.4%	9.6%	9.2%	9.4%
Columbia Gas of Maryland ROE	9.7%	9.3%	9.3%	9.5%	9.2%	9.3%

Source: BMO Capital Markets, Company Filings

Exhibit 5: NI Valuation

							BMO Low Case		BMO Base Case		BMO High Case	
Regulated, Corporate & Other	Valuation Metric	2023E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)
Electric Operations	EPS	$1.01	Electric	18.1x	+7.5%	19.5x	15.6x	$16	19.5x	$20	21.5x	$22
Gas Distribution	EPS	$1.19	Natural Gas	15.8x	+15.0%	18.2x	13.3x	$16	18.2x	$22	20.2x	$24
Corporate & Other	EPS	($0.66)	Blend	18.8x	+0.0%	18.8x	18.8x	($12)	18.8x	($12)	20.8x	($14)
Utility & Parent Value		**$1.54**					12.5x	**$19**	18.8x	**$29**	20.8x	**$32**
Total NiSource Inc.								**$19**		**$29**		**$32**
Upside/(Downside)								(26%)		12%		23%
Current Yield								3%		3%		3%
Total Return								**(22%)**		**15%**		**27%**

Source: BMO Capital Markets, Company Filings

BMO Capital Markets

Exhibit 6: NEE Model Summary

NEE Model Summary	2020	2021	2022	2023	2024	2025
EPS By Segment						
Florida Power & Light	$1.34	$1.39	$1.49	$1.66	$1.87	$1.97
Gulf Power	$0.12	$0.14	$0.15	$0.17	$0.17	$0.19
NextEra Energy Resources	$0.99	$1.06	$1.17	$1.22	$1.25	$1.25
NEET	$0.03	$0.03	$0.06	$0.06	$0.00	$0.00
Corporate & Other	($0.18)	($0.16)	($0.16)	($0.16)	($0.16)	($0.17)
Consolidated E.P.S.	**$2.31**	**$2.47**	**$2.71**	**$2.95**	**$3.13**	**$3.25**
Dividend per share	**$1.40**	**$1.54**	**$1.69**	**$1.83**	**$1.98**	**$2.13**
Payout Ratio total	60.7%	62.4%	62.5%	62.1%	63.1%	65.7%
Dividend Yield	2.1%	2.3%	2.5%	2.7%	2.9%	3.2%
Valuation Metrics						
Price to Earnings	29.0x	27.2x	24.7x	22.7x	21.4x	20.6x
Price to Book Value	2.7x	2.7x	2.6x	2.6x	2.5x	2.4x
Funding Sources						
Cash Flow from Operations	$7,883	$8,319	$9,382	$10,066	$10,193	$10,581
Total Debt Financings	$11,497	$10,510	$3,915	$2,790	$2,500	$3,205
Total Equity Financings	($92)	$100	$100	$100	$100	$100
Credit Metrics						
Total Debt/Capitlization	50%	52%	53%	52%	52%	52%
FFO/Total Debt	18%	17%	18%	19%	19%	19%
Regulated Operations Performance - Realized ROE						
Florida Power & Light	11%	11%	11%	11%	11%	11%
Gulf Power	11%	11%	11%	12%	11%	12%
NextEra Energy Resources Performance						
Adj. EBITDA	$5,728	$6,611	$7,128	$7,344	$7,437	$7,441

Source: BMO Capital Markets, Company Filings

Exhibit 7: NEE Valuation

Regulated Operations	Valuation Metric	2023E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	BMO Low Case P/E Multiple	BMO Low Case Implied Value ($ MM)	BMO Base Case P/E Multiple	BMO Base Case Implied Value ($ MM)	BMO High Case P/E Multiple	BMO High Case Implied Value ($ MM)
Florida Power & Light	EPS	$1.66	Electric	18.0x	+25%	22.5x	19.5x	$32	22.5x	$37	24.5x	$41
Gulf Power	EPS	$0.17	Electric	18.0x	+25%	22.5x	19.5x	$3	22.5x	$4	24.5x	$4
NEET	EPS	$0.06	Electric	18.0x	+25%	22.5x	19.5x	$1	22.5x	$1	24.5x	$1
Utility & Transmission		**$1.89**					19.5x	**$37**	22.5x	**$42**	24.5x	**$46**

Nextera Energy Resources	Valuation Metric	2023E EBITDA	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	BMO Low Case EV/EBITDA Multiple	BMO Low Case Implied Value ($ MM)	BMO Base Case EV/EBITDA Multiple	BMO Base Case Implied Value ($ MM)	BMO High Case EV/EBITDA Multiple	BMO High Case Implied Value ($ MM)
Nextera Energy Resources	EBITDA	$7,344										
Less: NEP Prpoportional EBITDA (2023)		($1,073)										
Net, NextEra Energy Resources		**$6,271**	Generation	14.0x	+20%	16.8x	14.3x	$89,677	16.8x	$105,355	17.8x	$111,626
Less: NEER Net Debt (2023E)								($5,298)		($5,298)		($5,298)
Shares Outstanding (2023E)								2026		2026		2026
EV/EBITDA Valuation								**$42**		**$49**		**$52**

NextEra Energy Partners	Valuation Metric	Shares Held	Price/ IDRs '23	Multiple	Prem/ (Discount)	Base Multiple	BMO Low Case Multiple	BMO Low Case Implied Value ($ MM)	BMO Base Case Multiple	BMO Base Case Implied Value ($ MM)	BMO High Case Multiple	BMO High Case Implied Value ($ MM)
Nextera Energy Partners LP Ownership	Ownership	101	$44.86					$4,551		$4,551		$4,551
Nextera Energy Partners GP Distributio	IDR		$155	14.0x	+0%	14.0x	12.0x	$1,860	14.0x	$2,170	15.0x	$2,325
Total NEP Value								**$6,411**		**$6,721**		**$6,876**
Shares Outstanding (2023E)								2026		2026		2026
Value to NEE								**$3**		**$3**		**$3**

Parent & Other	Valuation Metric		2023E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	BMO Low Case P/E Multiple	BMO Low Case Implied Value ($ MM)	BMO Base Case P/E Multiple	BMO Base Case Implied Value ($ MM)	BMO High Case P/E Multiple	BMO High Case Implied Value ($ MM)
Parent & Other	EPS		($0.16)	Blended	18.0x		29.5x	27.0x	($4)	29.5x	($5)	31.5x	($5)
Utility & Transmission									$37		$42		$46
NextEra Energy Resources									$42		$49		$52
NextEra Energy Partners									$3		$3		$3
Parent & Other									($4)		($5)		($5)
Consolidated NEE									**$77**		**$90**		**$97**
Upside Not Reflected in Current Forecast:													
	Capital	**ROE**	**Probability**	**EPS**									
1) Balance Sheet Capacity	$5,000	10%	50%	$0.06	18.0x	+25%	22.5x	20.0x	$1	22.5x	$1.39	23.5x	$1
	GW			**EBITDA**									
2) Renewables Backlog (Beyond 2022)	5,800			$1,102	14.0x	+20%	16.8x	14.3x	$15,759	16.8x	$18,514	17.8	$19,616
Less: Debt									($5,429)		($5,429)		($5,429)
Backlog Value per Share									**$5**		**$6**		**$7**
Total Upside:									**$6**		**$8**		**$8**
NEE Target Price									**$84**		**$98**		**$105**
Upside/(Downside)									-7.4%		8.8%		16.8%
Current Yield									2.1%		2.1%		2.1%
Total Return									**-5%**		**11%**		**19%**

Source: BMO Capital Markets, Company Filings

BMO Capital Markets

Exhibit 8: PEG Model Summary

PEG Model Summary	2020	2021	2022	2023	2024	2025
EPS By Segment						
PSE&G	$2.62	$2.87	$3.04	$3.28	$3.50	$3.73
Power	$0.85	$0.80	$0.44	$0.45	$0.43	$0.43
Parent & Other	($0.03)	($0.03)	($0.05)	($0.06)	($0.07)	($0.08)
Consolidated E.P.S.	**$3.43**	**$3.63**	**$3.43**	**$3.67**	**$3.86**	**$4.08**
UP&O	**$2.58**	**$2.84**	**$2.98**	**$3.22**	**$3.43**	**$3.65**
Dividend per share	**$1.96**	**$2.04**	**$2.16**	**$2.29**	**$2.43**	**$2.57**
Payout Ratio total	57.1%	56.2%	63.0%	62.4%	62.9%	63.0%
Payout Ratio % of Regulated earnings	74.9%	71.1%	71.2%	69.9%	69.3%	68.9%
Dividend Yield	3.3%	3.2%	3.4%	3.6%	3.8%	4.0%
Valuation Metrics						
Price to Earnings	17.3x	17.6x	18.7x	17.4x	16.6x	15.7x
Price to Book Value	1.9x	1.9x	1.9x	1.8x	1.7x	1.7x
Funding Sources						
Cash Flow from Operations	$3,102	$3,121	$2,888	$3,075	$3,244	$3,428
Total Debt Financings	$2,450	$1,475	$2,510	$2,360	$2,620	$2,020
Total Equity Financings	$0	$0	($499)	$0	$0	$0
Credit Metrics						
Total Debt/Capitlization	51%	50%	51%	51%	53%	53%
FFO/Total Debt	20%	19%	17%	17%	16%	16%
EBITDA/Interest Expense	6.1x	6.0x	6.1x	6.0x	6.1x	6.1x
Regulated Operations Performance - Realized ROE						
PSE&G	11.8%	11.9%	11.1%	11.0%	11.0%	10.9%
PEG Power Performance						
Power Adj. EBITDA	$990	$976	$463	$468	$458	$463
Power CFO	$1,111	$924	$587	$599	$590	$594
Power FCF	$951	$824	$467	$474	$465	$469

Source: BMO Capital Markets, Company Filings

Exhibit 9: PEG Valuation

PEG UP&O	Valuation Metric	2023E EPS	Sector Comp	Sector Multiple	Premium/ (Discount) %	Base Multiple	BMO Low Case P/E Multiple	BMO Low Case Implied Value ($ MM)	BMO Base Case P/E Multiple	BMO Base Case Implied Value ($ MM)	BMO High Case P/E Multiple	BMO High Case Implied Value ($ MM)
PSE&G Utility	EPS	$3.28	Blended	17.5x	11.0%	19.4x	16.4x	$54	19.4x	$64	21.4x	$70
Parent Company	EPS	($0.06)	Blended	17.5x	11.0%	19.4x	16.4x	($1)	19.4x	($1)	21.4x	($1)
UP&O Total		**$3.22**						**$53**		**$63**		**$69**
PEG Power Valuation	**Valuation Metric**	**2023E EBITDA**	**Sector Comp**	**Sector Multiple**	**Premium/ (Discount) %**	**Base Multiple**	**BMO Low Case EV/EBITDA Multiple**	**BMO Low Case Implied Value ($ MM)**	**BMO Base Case EV/EBITDA Multiple**	**BMO Base Case Implied Value ($ MM)**	**BMO High Case EV/EBITDA Multiple**	**BMO High Case Implied Value ($ MM)**
PSEG Power	EBITDA	$424	Generation	6.0x	0%	6.0x	5.0x	$2,121	6.0x	$2,545	7.0x	$2,969
Power Enterprise Value								**$2,121**		**$2,545**		**$2,969**
Less: Net Debt (2023E)								$69		$69		$69
Unregulated Equity Value per Share		**$0.45**						**$4**		**$5**		**$6**
Ocean Wind I - Discounted Value (YE2025)								**$1**		**$1**		**$2**
BMO Equity Value per Share		**$3.67**						**$58**		**$69**		**$77**
Upside/(Downside)								(8%)		8%		20%
Current Yield								3%		3%		3%
Total Return								**(5%)**		**12%**		**23%**

Source: BMO Capital Markets, Company Filings

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Exhibit 10: XEL Model Summary

XEL Model Summary	2021	2022	2023	2024	2025
EPS By Segment					
Northern States Power - MN	$1.18	$1.30	$1.43	$1.54	$1.60
Public Service Company of Colorado	$1.20	$1.32	$1.43	$1.53	$1.66
Southwestern Public Service Company	$0.59	$0.61	$0.62	$0.65	$0.69
Northern States Power - WI	$0.21	$0.23	$0.25	$0.28	$0.31
Equity Earnings of Unconsolidated Subsidiaries	$0.06	$0.06	$0.06	$0.06	$0.06
Parent & Other	($0.27)	($0.33)	($0.37)	($0.39)	($0.44)
Consolidated E.P.S.	**$2.97**	**$3.18**	**$3.42**	**$3.66**	**$3.87**
Dividend per share	**$1.83**	**$1.94**	**$2.06**	**$2.18**	**$2.31**
Payout Ratio total	61.6%	61.0%	60.1%	59.5%	59.7%
Dividend Yield	2.9%	3.1%	3.3%	3.5%	3.7%
Valuation Metrics					
Price to Earnings	21.0x	19.6x	18.2x	17.0x	16.1x
Price to Book Value	2.2x	2.1x	2.0x	1.9x	1.8x
Funding Sources					
Cash Flow from Operations	$3,531	$3,782	$4,057	$4,335	$4,602
Total Debt Financings	$2,240	$3,000	$3,245	$2,130	$3,110
Total Equity Financings	$130	$250	$250	$250	$250
Credit Metrics					
Total Debt/Capitlization	60%	61%	61%	61%	61%
FFO/Total Debt	16%	15%	15%	15%	15%
Regulated Operations Performance - Realized ROE					
Northern States Power MN - MN Electric	8.7%	8.8%	9.0%	9.2%	9.1%
Northern States Power MN - MN Gas	7.6%	7.8%	8.0%	8.3%	8.2%
Northern States Power MN - ND Electric	9.3%	9.4%	9.5%	9.7%	9.6%
Northern States Power MN - ND Gas	8.8%	9.0%	9.2%	9.4%	9.3%
Northern States Power MN - SD Electric	9.5%	9.6%	9.7%	9.9%	9.7%
Public Service Company of CO - Electric	8.1%	8.3%	8.5%	8.6%	8.7%
Public Service Company of CO - Gas	7.8%	8.1%	8.3%	8.4%	8.5%
Public Service Company of CO - Wholesale	7.2%	7.5%	7.7%	7.9%	8.1%
Southwestern Public Service Co - TX Electric	9.1%	9.4%	9.3%	9.4%	9.6%
Southwestern Public Service Co - NM Electric	8.5%	8.7%	8.7%	8.8%	8.9%
Southwestern Public Service Co - Wholesale	9.0%	9.2%	9.2%	9.3%	9.5%
Northern States Power WI - WI Electric	10.5%	10.2%	10.2%	10.4%	10.6%
Northern States Power WI - WI Gas	10.4%	10.1%	10.1%	10.4%	10.5%
Northern States Power WI - MI Electric & Gas	10.5%	10.2%	10.2%	10.5%	10.6%

Source: BMO Capital Markets, Company Filings

Exhibit 11: XEL Model Valuation

							BMO Low Case		BMO Base Case		BMO High Case	
Regulated, Parent & Other	Valuation Metric	2023E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)
Northern States Power - MN	EPS	$1.43	Electric	18.1x	+18%	21.4x	19.4x	$28	21.4x	$30	23.4x	$33
Public Service Company of Colorado	EPS	$1.43	Electric	18.1x	+13%	20.5x	18.5x	$27	20.5x	$29	22.5x	$32
Southwestern Public Service Company	EPS	$0.62	Electric	18.1x	+13%	20.5x	18.5x	$12	20.5x	$13	22.5x	$14
Northern States Power - WI	EPS	$0.25	Electric	18.1x	+21%	21.9x	19.9x	$5	21.9x	$5	23.9x	$6
Equity Earnings of Unconsilidated Subsidiaries	EPS	$0.06	Electric	18.1x	+16%	20.9x	18.9x	$1	20.9x	$1	22.9x	$1
Parent & Other	EPS	($0.37)	Blend	18.1x	+16%	20.9x	18.4x	($7)	20.9x	($8)	23.4x	($9)
Utility & Parent Value		**$3.42**					19.0x	**$65**	20.9x	**$72**	22.9x	**$78**
Upside/(Downside)								-2%		8%		18%
Current Yield								3%		3%		3%
Total Return								**0%**		**10%**		**20%**

Source: BMO Capital Markets, Company Filings

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Eversource Energy Rating History as of 12/10/2021

Closing Price Target Price

Outperform (OP); Market Perform (Mkt); Underperform (Und); Speculative (S); Suspended (Spd); Not Rated (NR); Restricted (R)

Source: FactSet, BMO Capital Markets

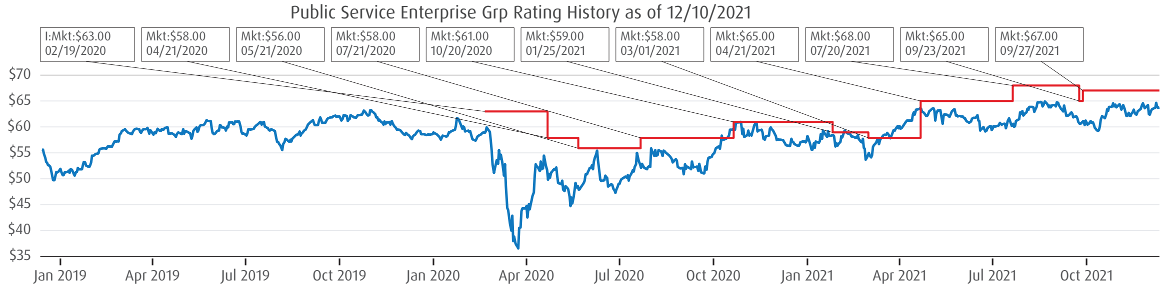
NiSource Inc Rating History as of 12/10/2021

Closing Price Target Price

Outperform (OP); Market Perform (Mkt); Underperform (Und); Speculative (S); Suspended (Spd); Not Rated (NR); Restricted (R)

Source: FactSet, BMO Capital Markets

Public Service Enterprise Grp Rating History as of 12/10/2021



Closing Price Target Price

Outperform (OP); Market Perform (Mkt); Underperform (Und); Speculative (S); Suspended (Spd); Not Rated (NR); Restricted (R)

Source: FactSet, BMO Capital Markets

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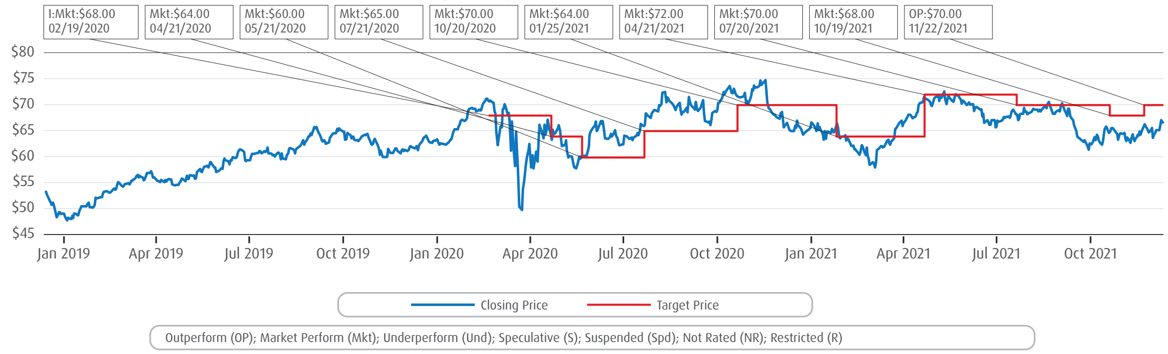
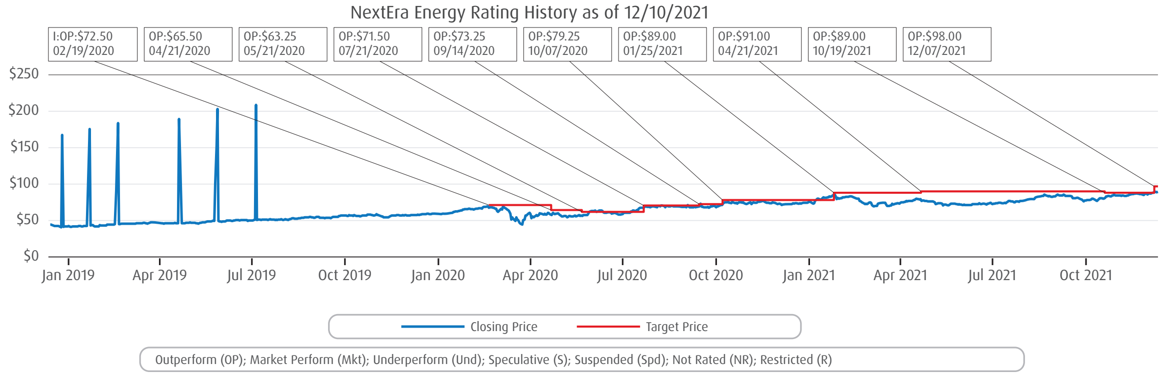
XCEL Energy Rating History as of 12/10/2021



Source: FactSet, BMO Capital Markets

NextEra Energy Rating History as of 12/10/2021



Source: FactSet, BMO Capital Markets

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Risks: ES's regulated profile exposes the company to business risk, including but not limited to: federal and state regulatory risk, federal and state political risk, environmental policy, interest rate risk, access to capital markets, construction risk, changes in customer demand trends, changes in customer affordability, extreme weather, natural disaster, and equipment failure.

Methodology and Risks to Target Price/Valuation for NextEra Energy (NEE-NYSE)

Methodology: Our target price is arrived at using a sum-of-the-parts methodology. Our framework begins with the relevant sector average P/E and EBITDA multiple using 2023E EPS as a base, which we then adjust (premium, discount, or no change) to reflect the relative fundamentals of that segment.

Risks: NEE's regulated electric and gas distribution companies are subject to numerous state and federal regulatory agencies that determine the rates they can charge for their services. Utility businesses are highly correlated to interest rate movements. NEE's development of solar and wind generation assets is often dependent on the presence of federal and state tax incentives that may not be renewed. NEE owns and operates multiple nuclear generation assets that are subject to federal and state regulatory on operational and safety standards.

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Methodology: Our target price is the product of a P/E-based sum-of-the-parts (SOTP) analysis of the company's primary regulated operating companies. We utilize a regulated group-average multiple based on 2023E EPS as our initial basis for valuation and then make adjustments specific to each jurisdiction to reflect our current view of the fundamental outlook.

Risks: NI's regulated profile exposes the company to business risk including but not limited to federal and state regulatory risk, federal and state political risk, environmental policy, interest rate risk, access to capital markets, construction risk, changes in customer demand trends, changes in customer affordability, extreme weather, natural disaster, and equipment failure.

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Methodology: We value PEG using our sum-of-the-parts valuation to derive our target price. We use an average of our base case P/E multiples for regulated electric and gas distribution utilities, which we apply to 2023E Utility EPS. We apply the same valuation multiple to the earnings we ascribe at the parent company. We utilize an EV/EBITDA multiple for the company's merchant power business and apply it to our 2023E EBITDA estimate for PSEG Power and then subtract net debt at this operating company to arrive at an equity valuation for this segment. We assume a slight premium to the IPCs given that PEG's power assets have longer useful lives.

Risks: We see potential downside from PEG's generation business owing to a potential for less capacity revenue given PJM capacity market uncertainty as well as lower power prices. The recently introduced NJ Master Energy Plan calls for a substantial reduction of natural gas use, which would negatively affect the company's regulated gas distribution business and its gas generation assets at PSEG Power. The company operates several nuclear facilities that are subject to stringent regulations. We could see upside risk as we only include a portion of the company's Clean Energy Future capital spending plan as it is still pending regulatory approval, but this could increase rate base and earnings upside above our forecast.

Methodology and Risks to Target Price/Valuation for XCEL Energy (XEL-NSDQ)

Methodology: Our target price is the product of a P/E-based sum of the parts of the company's primary regulated operating companies. We utilize a regulated group-average multiple based on 2023E EPS as our initial basis for valuation and then make adjustments specific to each jurisdiction to reflect our current view of the fundamental outlook.

Risks: XEL's regulated profile exposes the company to business risk including but not limited to: federal and state regulatory risk, federal and state political risk, environmental policy, interest rate risk, access to capital markets, construction risk, changes in customer demand trends, changes in customer affordability, extreme weather, natural disaster, and equipment failure.

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Buy	Outperform	52.8 %	28.6 %	58.2 %	54.8 %	59.9 %	57.7%
Hold	Market Perform	45.9 %	22.1 %	39.0 %	43.9 %	38.8 %	37.5%
Sell	Underperform	1.3 %	57.1 %	2.8 %	1.3 %	1.3 %	4.8%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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(April 2013 - October 2016)
http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

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Offline Report

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NiSource Inc

Fireside Chat; confidence in an extension of growth runway, avenues for growth

29 September 2021 | Equity | United States | Natural Gas-Local Distribution Companies

NI US

Maintain Rating	Price	Price Objective	Upside	Market Cap	Average Daily Value	ESGMeter ™
BUY	23.84	28.00	17.4%	9,355	81.68	High
	USD	USD		USD(mn)	USD(mn)	

all data as of 29 September 2021

Key takeaways

- Fireside affirms our confidence in latest IRP draft resulting in extended 7-9% EPS growth thru '26 (2 further years); Buy
- See IRP planning details in coming weeks ahead with resolution into mid-'22 A-Day: resulting capex between $0.4-0.8Bn
- OH settlement history affirmed for gas cases; confidence on further guide higher in '22 guide range w 3Q.

IRP: Integrated Resource Plan

RFP: Request for Proposal

Recapping the latest key points and messaging from mgmt

We hosted NiSource (NI) CFO Donald Brown and Chief Strategy and Risk Officer Shawn Anderson for a fireside chat with investors to discuss, **1)** the latest developments with the 2021 IRP stakeholder meetings - potential pathways were outlined in a stakeholder meeting last week and a preferred path will be announced at the Oct. 21 meeting. *While there are still a number of variables left to determine before we can narrow down a more concrete capex estimate, we conservatively estimate that the process could drive ~$430M-$800M in incremental capex* (see more than 50% ownership possible now), **2)** intact 5-7% growth commitment into '22 off of a raised '21 base ($1.40-1.44 '22 range implied by $1.34 midpoint) shows healthy EPS inflection, likely with 3Q call, and subsequent extension of the high growth runway (7-9% through '26) is more likely in our view by ~mid-'22 Analyst Day; **3)** regulatory environment; *more* confident in a constructive in the pending OH case, with settlements historically; **4)** balance sheet improvement; see less equity needs (~50/50 balance vs 60/40 earlier) in '25/'26 to enable decelerating ratebase growth off highs, but still industry leading 7-9% extended for two years considering muted equity for (precise portfolio selection process thru 1H22); **5)** watch renewable natural gas (RNG) with potential legislation in states to backstop - pilot partnerships upcoming, and **6)** strategic options seem to be on the table over the longer-term; less likely in the near-term after what seems an exhaustive review of late.

Shares positioned well from here; maintain key utility Buy

We came away from the meetings incrementally positive on the prospects of NI extending the higher growth (7-9%) runway through 2026 as not only more renewables and generation will be added to the system in that timeframe with a more balanced 50/50 cap structure, but more novel investments like transmission and RNG take shape. Importantly, timeline for a more comprehensive update following the filing of the IRP and evaluation of the bids submitted in the RFP seems to be 1H22 (during an analyst day) when we could see an extension of the growth path and a more granular discussion of growth potentially beyond a traditional five-year planning horizon - remember, mgmt. has previously highlighted ~$40B of capital opportunities over the long-term. *Maintain Buy on NI with positive re-rating potential through longer term.*

Estimates & Valuation Quarterly Estimates Stock Data

Estimates (Dec) (US$)	2019A	2020A	2021E	2022E	2023E
EPS	1.32	1.32	1.36	1.40	1.58
GAAP EPS	0.87	1.33	1.28	1.40	1.58
EPS Change (YoY)	1.5%	0%	3.0%	2.9%	12.9%
Consensus EPS (Bloomberg)			1.34	1.41	1.52
DPS	0.83	0.88	0.94	0.99	1.05
Valuation (Dec)					
P/E	18.1x	18.1x	17.5x	17.0x	15.1x
GAAP P/E	27.4x	17.9x	18.6x	17.0x	15.1x
Dividend Yield	3.5%	3.7%	3.9%	4.2%	4.4%
EV / EBITDA*	15.0x	13.7x	12.7x	11.7x	10.4x
Free Cash Flow Yield*	-2.3%	-7.0%	-5.6%	-10.4%	-18.2%

Framing the debate here on shares

We reiterate our preference for NI relative to many utilities of late considering their notable inflection in prospects. We appreciate that LDCs may indeed face disproportionate pressure vs more electric pure-play peers (and that appears to be playing out in NI of late) but stress among those with LDC this remains clearly our favorite name - and even beyond this group, we see shares as among the compelling still having shown among the most pronounced earnings inflections across the sector off flattish results in recent years. We perceive this inflection alongside under-appreciated extension of its outlook from 2024 to 2026, in tandem with a full exit of its coal portfolio on an expedite basis will continue to garner incremental attention & credit. While we appreciate that threat of rising bills for all utility bills (gas & electric) will put strains on relationships - and admit an open case in Ohio is key to watch come to hopefully settlement and resolution in the near-term- we have yet to find specific points of concern. Watch the Indiana process through this Winter given elevated gas prices around reliability considerations in particular. On balance, we perceive shares as especially attractive and maintain our Buy with $28 PO.

IRP pathways outlined w/ preferred plan late-Oct.

Northern Indiana Public Service Co. (NIPSCO) recently outlined four viable portfolio options ranging in carbon emission expectations and dispatchability: Portfolio B) Non-service territory gas peaking (no early storage), Portfolio E) Thermal PPAs plus storage and solar, Portfolio F) Local gas peaker, plus solar and storage, and Portfolio I) New H2-enabled peaker plus solar and storage, plus Sugar Creek conversion to H2 (more details in slides available on nipsco.com/irp). Note, portfolios A, D, and G are not viable given they do not meet winter planning reserve margins given expected market rules changes, portfolio C carries high scenario cost exposure and uncertainty and the highest CO2 emissions, and portfolio H has the highest cost under the reference scenario and the highest stochastic tail risk. NIPSCO noted that portfolios B, E, F, & I could be preferred under different, but plausible future scenarios. The portfolios were compared by the 30-yr net present value of revenue requirement across a number of scenarios with different carbon policies.

Mgmt. noted that the costs of the various portfolios are similar, and therefore the consideration and eventual selection of the preferred plan will be based more on reliability and resource adequacy. The retirement timeline of Michigan City is also contemplated - we think that the retirement will be accelerated to 2026 because it is the most economical. **What's next in the stakeholder process?** There is a technical hearing scheduled for Oct. 12 where parties will talk reliability and resource adequacy followed by a meeting on Oct. 21 where the preferred plan will be outlined and discussed with stakeholders.

What is the potential capex?

There are still a number of variables left to determine before we can narrow down a more concrete capex estimate, namely ownership percentage of the new generation assets; however, we outline the four portfolios with back of the envelope capex estimates in Exhibit 1 below. We emphasize that these estimates could be conservative based on mgmt. commentary on preferring to own more of the generation - specifically, we could see ownership percentages above 50%.

Exhibit 1: NIPSCO Hypothetical Renewable Capex Calc
We conservatively see a range of ~$430M-$800M in potential capex stemming from the 2021 IRP

NIPSCO Hypothetical Renewable Capex Calc

Portfolio B	Capacity (MW)	$/kw	Ownership (%)	Capex ($mm)
Distributed Energy Resources	10	1500	100%	15
Sugar Creek (CCGT) Uprate	53	400	100%	21.2
Gas Peaker	443	800	100%	354.4
Thermal PPA	150	0	0%	0
Solar	250	1200	50%	150
Total	**906**			**540.6**

Portfolio E	Capacity (MW)	$/kw	Ownership (%)	Capex ($mm)
Distributed Energy Resources	10	1500	100%	15
Sugar Creek (CCGT) Uprate	53	400	100%	21.2
Thermal PPA	150	0	0%	0
Storage	470	1400	50%	329
Solar	250	1200	50%	150
Total	**933**			**515.2**

Portfolio F	Capacity (MW)	$/kw	Ownership (%)	Capex ($mm)
Distributed Energy Resources	10	1500	100%	15
Sugar Creek (CCGT) Uprate	53	400	100%	21.2
Gas Peaker	300	800	100%	240
Thermal PPA	150	0	0%	0
Storage	135	1400	50%	94.5
Solar	100	1200	50%	60
Total	**748**			**430.7**

Portfolio I	Capacity (MW)	$/kw	Ownership (%)	Capex ($mm)
Distributed Energy Resources	10	1500	100%	15
Sugar Creek H2 Electrolyzer	10	1800	100%	18
Sugar Creek (CCGT) Uprate	53	400	100%	21.2
H2 Enabled Peaker	193	800	100%	154.4
Wind	200	1800	50%	180
Storage	370	1400	50%	259
Solar	250	1200	50%	150
Total	**1086**			**797.6**

Source: BofA Global Research estimates, company report, Energy Information Administration

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Runway for growth seems robust

The 2021 IRP process will drive additional growth through the 2026 timeframe and, in our view, extend the elevated rate base and earnings growth that NI has highlighted at this point through '24. Over time, the balance sheet will improve through cash flows from the renewables investments as well as the equity unit offering allowing the renewables investments in '24-'26 to be financed with a more balanced, 50/50 capital structure. This will lead to less dilution and an ability for NI to grow earnings closer to its rate base growth.

Monitoring gas price inflation; not yet a concern over the longer term

Mgmt. is cognizant of the recent increase and volatility in gas prices, but noted storage capacity across its footprint and hedges at NIPSCO. The gas market has caused gas utilities to underperform electric peers, and while we are cautious on the backdrop for many, we see this as short-term phenomenon, and believe that longer-term, gas utilities can re-rate closer to their electric peers.

What about RNG investment?

Investment in renewable natural gas (RNG) has not been top-of-mind for NI investors as focus has been more squarely on the renewables deployment through '24 and the ongoing 2021 IRP process. Mgmt. is interested in RNG for two angles, 1) how can it decarbonize their gas footprint and 2) how can it drive incremental infrastructure investment. It is still early in the evaluation process but, initially, it seems like there are a number of opportunities for mgmt. to capitalize on. We think supportive legislation from either the federal or state level would drive NI to accelerate a move into RNG.

Regulatory environment supportive; confidence in OH

Mgmt. highlighted confidence in the Columbia Gas of OH, a NI subsidiary, rate case process (Docket 21-0637-GA-AIR). It is still relatively early in the process (i.e. no procedural schedule yet) and this will be a key litmus test for management's ability to work well with a diverse group of stakeholders. The Ohio regulatory climate has been challenged due to the House Bill 6 (HB 6) scandal despite being unrelated to NiSource, but we believe the regulatory relationship with Columbia Gas continues to be strong.

While this is the first general rate case in the state since 2008, mgmt. noted they have continued to reach constructive outcomes with stakeholders and regulators in the interim (i.e. Capital Expenditure Program [CEP] in 2017).

More recently, Columbia Gas of PA reached a "black box" settlement in its rate case for an annual revenue increase of $58.5M (~60% of ask of $98.3M) with the ROE and capital structure undisclosed. As a reminder, Columbia Gas of PA requested a 10.95% ROE and a 54.34% equity layer. (Docket R-2021-3024296).

While the ROE and capital structure is unknown, receiving 60% of the revenue request is constructive. As a reminder, the 2020/early 2021 case drove NI to underperform as the Administrative Law Judge (ALJ) recommended no rate increase due largely to COVID considerations. Mgmt. highlighted the positive signal for the regulatory environment that Columbia and other parties are able to return to settled cases rather than having to fully litigate them.

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Strategy still an option, but not in the near-term

Before mgmt. went forward with the equity unit issuance earlier this year, there was speculation that mgmt. would be open to rotating a utility to help fund the equity need. While the issuance takes an asset sale off the table in the near-term (through 2026), we believe that it is still an option for mgmt. to fund the next leg of growth in the business. Dis-synergies were an issue with the sale of Columbia Gas of MA, but with mgmt.'s plan to reduce overhead costs across the enterprise, there is the possibility for an asset sale to be accretive and in the interest of shareholders if capital is deployed in areas that earn a better return. Simplification could be multiple accretive as well as the business spans a number of jurisdictions in its current state. All said, we believe mgmt. is content with its business mix and scale at the moment, and do not see a use of proceeds until the renewables investments in the '24-'26 timeframe.

*iQprofile*SM NiSource Inc

Company Description

NiSource Inc. (NI) is a fully-regulated utility company serving approximately 3.5mn natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. NI generates substantially all of its operating income through these rate-regulated businesses.

Investment Rationale

Our Buy rating on NI is underpinned by 1) likely positive revisions given ultra conservative EPS CAGR guidance baked into consensus, 2) renewable rate base upside, and 3) the ability to re-rate higher following any gas LDC asset sale.

iQ*method SM - Bus Performance

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Return on Capital Employed	3.3%	4.1%	4.2%	4.4%	4.7%
Return on Equity	9.9%	10.2%	10.3%	9.7%	10.5%
Operating Margin	17.1%	22.0%	20.3%	21.8%	24.3%
Free Cash Flow	(219)	(654)	(520)	(970)	(1,703)

iQ*method SM - Quality of Earnings

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Cash Realization Ratio	3.2x	2.2x	2.6x	2.6x	2.5x
Asset Replacement Ratio	2.5x	2.4x	2.6x	3.1x	4.0x
Tax Rate	24.4%	18.3%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	158.6%	167.4%	133.6%	143.6%	164.8%
Interest Cover	2.4x	2.8x	3.0x	3.2x	3.0x

Income Statement Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Sales	5,209	4,697	5,516	5,676	5,970
% Change	2.5%	-9.8%	17.4%	2.9%	5.2%
Gross Profit	3,674	3,587	3,904	4,039	4,309
% Change	10.5%	-2.4%	8.8%	3.5%	6.7%
EBITDA	1,608	1,757	1,904	2,065	2,327
% Change	5.0%	9.3%	8.3%	8.5%	12.7%
Net Interest & Other Income	(384)	(339)	(371)	(390)	(490)
Net Income (Adjusted)	**495**	**508**	**569**	**615**	**705**
% Change	**6.8%**	**2.6%**	**12.2%**	**8.1%**	**14.7%**

Free Cash Flow Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Net Income from Cont Operations (GAAP)	328	511	537	615	705
Depreciation & Amortization	717	726	783	827	874
Change in Working Capital	(75)	(249)	0	0	0
Deferred Taxation Charge	118	(29)	126	143	182
Other Adjustments, Net	495	145	34	0	0
Capital Expenditure	(1,802)	(1,758)	(2,001)	(2,555)	(3,464)
Free Cash Flow	**-219**	**-654**	**-520**	**-970**	**-1,703**
% Change	**82.9%**	**-198.5%**	**20.5%**	**-86.5%**	**-75.5%**

Balance Sheet Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Cash & Equivalents	148	117	126	126	126
Trade Receivables	905	825	825	825	825
Other Current Assets	800	718	718	718	718
Property, Plant & Equipment	16,912	16,620	17,837	19,565	22,156
Other Non-Current Assets	3,894	3,762	3,762	3,762	3,762
Total Assets	**22,660**	**22,041**	**23,267**	**24,995**	**27,586**
Short-Term Debt	1,787	526	517	583	697
Other Current Liabilities	1,959	1,753	1,753	1,753	1,753
Long-Term Debt	7,856	9,220	9,031	10,186	12,168
Other Non-Current Liabilities	5,071	4,704	4,829	4,972	5,154
Total Liabilities	**16,673**	**16,203**	**16,131**	**17,495**	**19,772**
Total Equity	**5,987**	**5,752**	**7,051**	**7,415**	**7,728**
Total Equity & Liabilities	**22,660**	**21,955**	**23,182**	**24,910**	**27,501**

* Click for full definitions of *iQmethod*SM measures .

Price Objective Basis & Risk

NiSource Inc (NI)

Our $28 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples that are

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marked-to-market to the lates peer utility multiples of 15.7x for gas and 17.6x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, higher natural gas prices, and inability to execute on renewables additions.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
NEUTRAL				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA

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Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
TPI Composites	TPIC	TPIC US	Adhok Bellurkar
Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Disclosures

Trending

Research Summary

Global Research Highlights (https://rsch.baml.com/r?q=-WuZPsKeH1sTI1z8yB99Pw&e=cturnure%40nisource.co MbA)

The Taper Chase

Derek Harris 2021-Sep-24

Report

US Economic Weekly (https://rsch.baml.com/r?q=Q92pOl&HRP1UTI1z8yB99Pw&e=cturnure%40nisource.co

Guess I gotta have FAIT

Michelle Meyer 2021-Sep-24

Timestamp: 29 September 2021 09:20AM EDT

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Offline Report

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North American Gas Utilities

Gas LDC 2Q21 Preview: Looking for a Bump up to FY21 Outlooks

Price Objective Change | 22 July 2021 | Equity | North America | Gas Utilities

Key takeaways

- We provide our 1Q20/fiscal 2Q21 Gas LDC preview for ATO, NI, NJR, NWN, OGS, SJI, SR, SWX, and UGI. Bounce continues?
- Favorable FY21 guidance updates from ATO/NI likely plus NWN, UGI, and SJI. OGS more cautious backdrop with rate case.
- Reiterate Buy on SJI and UGI with premium growth prospects tied to high-return unregulated. Upside from additional disclosure

Exhibit 1: Price Objective changes
We lower our POs for some stocks

Ticker	Rating	Prior PO	New PO
ATO	Neutral	$106.0	$102.00
NI	Buy	$29.0	$28.00
NJR	Underperform	$39.0	$39.00
NWN	Underperform	$51.0	$49.00
OGS	Underperform	$74.0	$73.00
SR	Buy	$78.0	$77.00
SWX	Neutral	$69.0	$69.00
SJI	Buy	$27.0	$27.00
UGI	Buy	$51.0	$51.00
UTL	Underperform	$49.0	$48.00

Source: BofA Global Research estimates

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Gas LDCs: few wrinkles in otherwise normal spring Q

We provide our gas LDC 2Q21/fiscal 3Q21 preview for ATO, NI, NJR, NWN, OGS, SJI, SR, SWX, UGI, and UTL. Overall, we see a somewhat quieter quarter especially following the very active 1Q updates across the sector with extreme weather. The focus is on (1) securitization of Uri costs for ATO and OGS which looks derisked; (2) probable FY21 guidance increases; (3) key rate cases in MO, OK, NJ, and PA; (4) updates on RNG, hydrogen, and other decarbonization efforts; (5) pipeline developments following STL Pipeline and PennEast updates; and (6) thoughts on divestitures following CenterPoint Energy (CNP) sales. We revise our POs in the sector (details inside).

FY21 guidances largely moving up in a constructive year

With **ATO** and **NI** both already pointing to the upper-half of their respective FY21 EPS guidance ranges we see increases as probable and largely expected by Street. **NWN, UGI, and SJI** all are tracking well in their respective ranges and appears to have latitude to point toward the upper-half as well. **NJR** has already significant increased its FY21 expectations after favorable weather benefits so we anticipate a reaffirmation. We highlight **OGS** where we estimate FY21 'only' around the midpoint as well as a quarterly miss as having a cautious backdrop relative to the aforementioned peers who will be increasing guidance and pointing higher in the range. Between this unfavorable outlook comparison and the pending Oklahoma rate case, we reiterate our restrained stance. **SR** similarly seems to be tracking toward the midpoint and we do not expect a FY21 change particularly at this stage in the Missouri rate case.

Let's talk specific names…

ATO: We expect fiscal 3Q to slightly miss on costs but could increase guidance. Watch for details around recent explosions in ATO's territory as well as an update on securitization.
OGS: Cautious backdrop with quarterly miss and lack of upside to guidance.
SR: Earnings will be overshadowed by STL pipeline and rate case commentary
NI: Renewables additions continue to be top-of-mind with the ongoing RFP process and upcoming Integrated Resource Plan (IRP) filing. We see a beat vs consensus as well as the latitude for NI to raise guidance driven by stronger load and better cost efficiencies.
NWN: Relatively quiet update as management works through the development process with the Tyson RNG plants. We see a modest beat.
SWX: Focus on the recent Riggs Distler acquisition where questions center no the strategic rationale. AZ regulatory remains a focus for us with the ongoing tracker reconciliation filing and upcoming rate case expected to be filed at YE21.
SJI: We expect some detail on the recent fuel cell acquisition announcement and hope to see some progress on the RNG front. Watch the NJ legislature into the fall as RNG is likely to pick up steam. Similar to UGI, appreciate requires execution and disclosure.
NJR: Investors remain skeptical on the plan to diversify renewable development outside of NJ. Questions will center on supply chain constraints and pressures on margins with the company disadvantaged versus larger peers.
UGI: Continued enhancement of disclosures on renewable growth ambitious and returns. With one of the best EPS CAGRs (~9%), upside is tied to providing comfort in outlook.
UTL: Focus will be on the NH rate cases where progress is positive, but premium valuation keeps us Underperform.

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PM Summaries

ATO: Expect an overall positive update with cost recovery progress and likely FY21 guidance increase but expected. Uri recovery derisked post legislation. Mgmt has downplayed Local Distribution Companies (LDCs) to mitigate equity but remains a top investor focus.
NI: Upside to FY21 guidance on a quiet execution quarter post-financing. IN generation ownership mix remains the key question. PA/OH rate cases still matter and a focus after last rocky PA case.

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<u>NJR:</u> Small local renewable developer is the type of firm that could see supply chain squeeze. We remain cautious on the expansion outside of NJ.
<u>NWN:</u> Progress on RNG and water diversification strategies need to show progress to support elevated multiple.
<u>OGS:</u> Small quarterly miss and weaker in FY21 range than many peers at the top-end. OK rate case looms large particularly with Uri rate pressures.
<u>SJI:</u> Attractive risk/reward at discounted valuation where success in NJ regulatory applications (infrastructure and rate case) and RNG can build confidence. 7% BofA EPS CAGR vs Street 3% (5-8% guidance).
<u>SR:</u> Expect a passionate defense of STL Pipeline which represents ~4% EPS. STL remains an overhang but also watch MO rate case for potential settlement in near-term.
<u>SWX</u>: Details of the strategic logic of RDC infrastructure deal and effectively doubling-down on the diversified strategy. AZ case will be a renewed overhang.
<u>UGI:</u> Investors continue to call for additional disclosures into renewable pipeline but details are frustratingly scarce at these early stages. Top-tier 9% EPS CAGR undervalued despite unregulated business mix.
<u>UTL</u>: Signs of progress in NH not enough to justify lofty premium on overly bullish Street estimates.

BofA Global Research Reports

Select 2Q21 Earnings Previews	Primary Author	Date Published
North American Electric Utilities: 2Q21 Regulated Preview: One Year Post Covid Who is Stronger? (https://rsch.baml.com/r?q=f8mXzJsjOd0AdWW2iVOSyw)	Julien Dumoulin-Smith	19 July 2021
US Electric Utilities & IPPs: 2Q21 SMID-Cap Preview: Part II: Opportunities abound? (https://rsch.baml.com/r?q=DKk6UcDvkXfuiYV3RuJxrA)	Julien Dumoulin-Smith	19 July 2021
US Electric Utilities & IPPs: 2Q21 PacNW SMID-Cap Preview: Pacific HOT West (https://rsch.baml.com/r?q=K-r2rpEY3VGAPmb9lSJABQ)	Julien Dumoulin-Smith	16 July 2021
US Electric Utilities & IPPs: 2Q21 Power Preview: Power Makes a Comeback (NRG/VST) (https://rsch.baml.com/r?q=tJxJPCbiA2EZaF8H9xjgog)	Julien Dumoulin-Smith	21 July 2021

Summary of Key Changes

Exhibit 2: PO & Estimate Changes
Our EPS estimates broadly remain unchanged for the gas utilities

				Prior					New				Delta vs Prior. (%)				Delta vs Consensus (%)			
Company	**Ticker**	**Rating**	**Prior PO**	**2021E**	**2022E**	**2023E**	**2024E**	**New PO**	**2021E**	**2022E**	**2023E**	**2024E**	**2021E**	**2022E**	**2023E**	**2024E**	**2021E**	**2022E**	**2023E**	**2024E**
Atmos Energy Corp	ATO	Neutral	$106.0	5.07	5.41	5.77	6.18	$102.00	5.07	5.41	5.77	6.18	0.0%	0.0%	0.0%	0.0%	-0.2%	0.1%	-0.4%	0.0%
NiSource Inc	NI	Buy	$29.0	1.36	1.40	1.58	1.76	$28.00	1.36	1.40	1.58	1.76	0.0%	0.0%	0.0%	0.0%	1.0%	-1.2%	3.3%	4.0%
New Jersey Resources Corp	NJR	Underperform	$39.0	2.09	2.24	2.33	2.58	$39.00	2.09	2.24	2.33	2.58	0.0%	0.0%	0.0%	0.0%	-1.0%	-0.9%	-3.7%	-11.5%
Northwest Natural Gas Co	NWN	Underperform	$51.0	2.55	2.63	2.79	2.91	$49.00	2.55	2.63	2.79	2.91	0.0%	0.0%	0.0%	0.0%	0.4%	0.0%	0.3%	-1.4%
ONE Gas Inc	OGS	Underperform	$74.0	3.82	4.14	4.40		$73.00	3.82	4.14	4.40		0.0%	0.0%	0.0%		0.4%	0.9%	1.0%	NA
Spire Inc	SR	Buy	$78.0	4.42	4.56	4.79	4.90	$77.00	4.42	4.56	4.79	4.90	0.0%	0.0%	0.0%	0.0%	-0.5%	2.9%	2.4%	-0.3%
Southwest Gas Holdings Inc	SWX	Neutral	$69.0	3.96	4.32	4.75	5.12	$69.00	3.96	4.35	4.76	5.13	0.0%	0.7%	0.2%	0.2%	-4.4%	0.1%	0.9%	NA
South Jersey Industries Inc	SJI	Buy	$27.0	1.63	1.74	1.90	2.03	$27.00	1.63	1.74	1.90	2.03	0.0%	0.0%	0.0%	0.0%	0.6%	2.8%	6.8%	7.4%
UGI Corp	UGI	Buy	$51.0	2.97	3.15	3.46	3.87	$51.00	2.97	3.15	3.46	3.87	0.0%	0.0%	0.0%	0.0%	-1.0%	-2.7%	1.5%	NA
Unitil Corp	UTL	Underperform	$49.0	2.32	2.49	2.63	2.79	$48.00	2.32	2.49	2.63	2.79	0.0%	0.0%	0.0%	0.0%	-8.8%	-7.9%	-7.4%	NA

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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Exhibit 3: BofA Estimates vs Consensus
We see a mixed bag of results on the quarter

			2Q21/F3Q21 EPS Estimates			
Company	**Ticker**	**Rating**	**BofAe**	**Cons**	**Expectations**	**% Beat/Miss**
Atmos Energy Corp	ATO	Neutral	0.74	0.73	Beat	1%
NiSource Inc	NI	Buy	0.15	0.12	Beat	24%
New Jersey Resources Corp	NJR	Underperform	-0.12	-0.08	Miss	54%
Northwest Natural Gas Co	NWN	Underperform	-0.11	-0.14	Beat	-24%
ONE Gas Inc	OGS	Underperform	0.49	0.52	Miss	-6%
Spire Inc	SR	Buy	-0.02	0.01	Miss	NM
Southwest Gas Holdings Inc	SWX	Neutral	0.50	0.45	Beat	12%
South Jersey Industries Inc	SJI	Buy	0.00	-0.02	Beat	NM
UGI Corp	UGI	Buy	0.08	0.11	Miss	-24%
Unitil Corp	UTL	Underperform	0.21	0.20	Beat	8%

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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PennEast path is still uncertain

The PennEast Pipeline has implications for NJR, SJI, and UGI (each are 20% owners of the pipe) and the US Supreme Court (SCOTUS) recently ruled in favor of the pipeline in an eminent domain suit. SO and ENB CN are also owners but the project is immaterial. **Despite the SCOTUS victory, NJ water permitting challenges still remain and in our view threaten the viability of the project.**

For Phase One (the PA portion) to progress, the PennEast partners have requested Federal Energy Regulatory Commission (FERC) to approve the bifurcation plan that would split the project into two phases, a PA phase and a NJ phase. The bifurcation application has been in pending at FERC for some time who was seemingly awaiting a decision from SCOTUS before ruling. Although there is no timeline for a ruling, the companies broadly expect a decision within weeks/months. As a matter of law, because PennEast still has the original FERC certificate in place, the ownership group consisting of UGI Corp (UGI), South Jersey Industries (SJI), New Jersey Resources (NJR), Southern Company (SO), and Enbridge (ENB) could technically move forward with Phase One, but we find this unlikely due to the associated risks.

While the bifurcation process at FERC should be procedural given that FERC has already signed off on the certificate, we note the process could be slightly more challenging now given the Democratic shift in the Commission and Chairman Glick's dissent on the issuance of the pipe's certificate of public convenience and necessity (CPCN) in March 2020. Key to FERC's decision, in our view, is twofold: (1) can Phase One be viable (stand on its own) if Phase

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Two does not move forward; and (2) what are the optics on viability of Phase Two? Phase One can likely 'stand on its own' because of the need for natural gas in that portion of PA, but more generally we find that the recent negativity on pipelines increases the risk of PennEast not receiving the necessary FERC approvals to support Phase Two. Also watch the fact that Commissioner Chatterjee's term expired and he will be replaced by another Democratic Commissioner soon, which potentially adds more risk to the bifurcation process. While timing is dependent on FERC, the owners could start construction on Phase One this fall/winter and have it completed by the end of '22.

PennEast remains a small contributor to future spending and earnings for each owner. **SJI** has $110M in spending on Phase One split between '21 and '22, with the majority of the spending based in '22 (this compares to the overall capital spending plan of $3.5B over the next five years). For **UGI**, the spending is similar. **NJR** removed PennEast completely from its guidance at the November 2020 Analyst Day, as it viewed the project as non-core and the path to completion challenging. Management has talked about adding the project back to its plan if there was a clearer path to completion, and if FERC approves the bifurcation, we could see Phase One added back later this year. That said, it would only represent a modest +$0.05 EPS to our estimates.

For more on the SCOTUS decision, comparisons to STL, and prospects for Phase Two see our note - North American Gas Utilities: PennEast clears SCOTUS; FERC bifurcation next w/ path to full completion still unclear 01 July 2021 (https://rsch.baml.com/r?q=ipZyaMpMtxmQuKPkKBfISQ)

Atmos Energy (ATO)

ATO: Recent explosions could cloud update

Reiterate Neutral on limited upside to our SOTP analysis after recovery from the February lows. ATO has returned moved more back to its historical premium with additional visibility around Winter Storm Uri gas cost recovery. See much of the focus centered on recent explosions of, or near, ATO assets and securitization during the call - the rest of the update will likely be light. Expect an overall positive update with cost recovery progress and likely FY21 guidance increase.

Key Call Topics: Explosions, securitization, strategic opps., incremental capex?

Explosions cause for concern? Likely no, but we will learn more during the call

Per media reports there have been two recent explosions of, or near, ATO assets. In late June the Atmos Pipeline and Transmission (APT) had an explosion that killed two subcontractors and injured two others. The incident occurred in a rural area and the company believes it was maintenance related. The other incident took place on July 19 at 4:40PM CT in a residential area where six people were injured, and by 9:30PM CT, ATO and others determined it safe to turn the system back on. On July 20th the local fire dept. determined the probable cause of the blast to be an isolated gas leak within the home and that no other homes are in danger. *While these recent explosions are negative on the surface, they differ from the 2018 North Dallas explosion that killed one and led to a $1.6M fine from TX because ATO failed to detect the leak in the days ahead the explosion. We will learn more on the explosions as the investigations progress, but, at this point, we are less concerned than if it were a distribution related explosion. With that in mind, these recent events re-highlights the risks inherent in LDCs and emphasizes the need for diligent operations and maintenance expense (O&M).*

Uri securitization the still a topic of interest

Uri securitization will likely be the topic of interest during the call given the magnitude. The process is significantly derisked after passage of securitization legislation and the respective Commissions general supportive comments/actions. In TX, The Railroad Commission (RRC) will have 90 days to review the prudency of ~$2Bn costs before the Texas Public Finance Authority (TPFA) starts the process of issuing the bonds. We will be watching the recovery timeframe and duration closely where we expect 20+ years with the longer-term frame helping mitigate the customer bill impact. With the debt effectively issued by the State of Texas rather than ATO it will not burden Atmos' balance sheet. ATO would simply act as an agent and collect from customers on behalf of the state. Even with a long recovery period there will be a customer rate impact but we do not believe it will be material enough to influence the $11-$12B five-year capital plan. ATO is working through the regulatory process in KS as well, where the regulatory asset stands at a very modest $77M, securitization has been passed, but ATO is still working through the items to file with the Commission. Securitized bonds are issued at the company level in KS, so *we think the recovery timeframe may be shorter than TX, and capital structure could be scrutinized more closely.*

Strategic opportunities still unlikely despite high equity needs/sales prices

We continue to believe that given management's fairly robust annual equity plan and recent very healthy transactions, strategic questions will continue to be prevalent from investors. *Based on our most recent discussions with management and their focus on the organic growth plan, we do not get the sense that management would be interested in divesting any of its utilities despite the extremely healthy multiple paid for CNP's LDCs.*

Potential upside to spending for reliability? Still too early in our view

Atmos and LDC systems across the US generally had strong operationally performance during the extreme February weather event but we ultimately expect some degree of reinvestment opportunities. The post-mortem analyses could lead to additional safety and reliability spending with updates more likely later in 2021. *Although ATO's system performed well during the storm, there could be additional investments on this front.*

ATO F3Q21 Earnings Walk: Miss and Reaffirm

We forecast F3Q21 adjusted EPS of $0.74, slightly below $0.75 Street and representing a modest contraction YoY from $0.75 2Q20. On the fiscal 2Q call management indicated that they would be at the upper-end of the $4.90-$5.10 guidance range, consistent with BofA $5.07/Street $5.09. **Based upon the revenue cadence after the winter, management should have a high degree of visibility in FY21 and the main question will be the degree to which O&M is executed to derisk future periods.**

- **Key Drivers:** Utility rate relief (+$0.20), customer growth (+$0.03), and rate implementation at pipeline and storage (+$0.05). These are more than offset by higher D&A (-$0.09), higher O&M (-$0.05), other/tax (-$0.11), and dilution (-$0.05).
- **Swing factors:** Some O&M was deferred from calendar 1H21 due to covid safety concerns which will lead to more of a drag. Customer growth has been strong of late and we could see that continue into this quarter. There is low visibility into the reversal of favorable tax timing from 1H21 over the remaining two quarters.

Exhibit 4: ATO F3Q21 Earnings Walk
We see modest miss

ATO Fiscal 3Q21 Earnings Walk	**EPS**
ATO Fiscal 3Q20 EPS	$0.79
Utilities	**$0.09**
Weather - normalize from Fiscal 2Q20	$0.00
Weather- Fiscal 2Q21	$0.00
Rate implementation:	
Riders and GRC	0.20
D&A	-0.08
O&M	-0.04
Customer Growth	0.03
Covid/Volume impact	-0.02
Pipeline & Storage	**$0.03**
Rate implementation:	
APT GRIP	0.05
D&A	-0.01
O&M	-0.01
Other	**-$0.17**
Interest expense	-0.01

Other		-0.11
Dilution		-0.05
BofAe Fiscal 3Q21 EPS		**$0.74**
Consensus		0.75
BofAe 2021 EPS	**5.07**	
Guidance		**4.90-5.10**
2021 Consensus		5.09
ATO Fiscal 3Q21 Shares Outstanding		131
ATO Fiscal 3Q20 Shares Outstanding		123

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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EPS estimates unchanged

We still see the LT CAGR near the mid-point of management's 6-8% range with our estimates at 7.0% from '20-'24 (at the midpoint of 6-8% LT EPS guidance).

Exhibit 5: ATO EPS Estimates
EPS estimates remain unchanged

		2019A	2020A	2021E	2022E	2023E	2024E	2025E
Distribution		**2.80**	**3.22**	**3.38**	**3.68**	**3.97**	**4.28**	**4.60**
Guidance (midpoint)		**2.81**	**3.18**	**3.22-3.41**				
Mid-Tex				*1.83*	*2.01*	*2.19*	*2.39*	*2.58*
West Texas				*0.32*	*0.35*	*0.38*	*0.41*	*0.44*
Louisiana				*0.35*	*0.38*	*0.40*	*0.43*	*0.46*
Mississippi				*0.27*	*0.29*	*0.31*	*0.34*	*0.36*
Kentucky/Mid-States				*0.23*	*0.24*	*0.24*	*0.26*	*0.27*
Tennessee				*0.20*	*0.22*	*0.23*	*0.24*	*0.26*
Kansas				*0.10*	*0.10*	*0.10*	*0.11*	*0.11*
Colorado				*0.07*	*0.08*	*0.08*	*0.09*	*0.09*
Virginia				*0.02*	*0.02*	*0.02*	*0.02*	*0.02*
Pipeline & Storage		**1.55**	**1.50**	**1.68**	**1.73**	**1.80**	**1.90**	**1.99**
Guidance (midpoint)		**1.49**	**1.48**	**1.56-1.71**				
Consolidated EPS		**4.35**	**4.72**	**5.07**	**5.41**	**5.77**	**6.18**	**6.59**
Guidance		**4.25-4.35**	**4.58-4.73**	**4.90-5.10**		**5.40-5.80**	**5.90-6.30**	**6.30-6.70**
Prior Estimate				**5.07**	**5.41**	**5.77**	**6.18**	**6.59**
Mgmt. Guidance 6-8% Annual Growth	*High End*		*4.73*	*5.10*	*5.51*	*5.95*	*6.42*	*6.94*
	Mid Point		*4.66*	*5.00*	*5.35*	*5.73*	*6.13*	*6.56*
	Low End		*4.58*	*4.90*	*5.19*	*5.51*	*5.84*	*6.19*
Consensus EPS Estimates			***4.71***	***5.09***	***5.41***	***5.79***	***6.18***	***6.60***
BofAe '20-24 CAGR		**7.0%**						

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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ATO Recent Research	**Primary Author**	**Date Published**
Atmos Energy Corporation: Back to the premium low following Uri? No Reason not after state supports (https://rsch.baml.com/r?q=hjACtfzaHUujuWxe-UnnlA)	Julien Dumoulin-Smith	07 June 2021
US Electric Utilities & IPPs: AGA Conference Takes Day 2: Don't Even Worry About Inflation Here? Pos 2Q Setup (https://rsch.baml.com/r?q=Jrlpsgna0sF-Q9Efpv-xBw)	Julien Dumoulin-Smith	21 May 2021
Atmos Energy Corporation: Revisiting Shares Post-1Q; Remain Neutral as Uri Overhang Continues (https://rsch.baml.com/r?q=Mw4khgpwQg4Voy1mS1-gAA)	Julien Dumoulin-Smith	13 May 2021

Valuation; PO to $102; reiterate Neutral

We move our PO to $102 (from $106) driven entirely by reflecting our latest mark-to-market using the latest Gas LDC multiple of 15.7x (from 16.7x) with estimates unchanged. We continue to add a +1.0x premium for the TX distribution territories given our view that Uri storm recovery is largely de-risked post-securitization legislation.

With earnings more derisked, the key debate is if ATO can return to a larger relative premium to peers over time. Some positive re-rating is possible but we continue to see a balanced risk/reward here. That said, we see 5.4% total return potential with a 17.7x implied P/E multiple (2x implied premium to peers).

Exhibit 6: ATO SOTP Analysis
Our PO moves to $102 (from $106) on our latest MtM

	Metric		P/E Multiple			Equity Value								
Atmos Energy	**2023E**		**Low**	**Peer**	**Prem/Disc**	**Base**	**High**					**Low**	**Base**	**High**
Gas				**15.7x**										
Group EPS '19-'23 CAGR - Gas				*5.0%*										
Assigned Multiple				**16.5x**										
Distribution	**EPS**													
Mid-Tex	*$2.19*		16.5x	16.5x	*1.0x*	17.5x	18.5x					$36	$38	$41
West Texas	*$0.38*		16.5x	16.5x	*1.0x*	17.5x	18.5x					$6	$7	$7
Louisiana	*$0.40*		17.5x	16.5x	*2.0x*	18.5x	19.5x					$7	$7	$8
Mississippi	*$0.31*		17.5x	16.5x	*2.0x*	18.5x	19.5x					$5	$6	$6
Kentucky/Mid-States	*$0.24*		17.5x	16.5x	*2.0x*	18.5x	19.5x					$4	$5	$5
Tennessee	*$0.23*		17.5x	16.5x	*2.0x*	18.5x	19.5x					$4	$4	$4
Kansas	*$0.10*		15.5x	16.5x	*0.0x*	16.5x	17.5x					$2	$2	$2
Colorado	*$0.08*		17.5x	16.5x	*2.0x*	18.5x	19.5x					$1	$2	$2
Virginia	*$0.02*		17.5x	16.5x	*2.0x*	18.5x	19.5x					$0	$0	$0
Total Distribution	***$3.97***											**$67**	**$71**	**$75**
Pipeline & Storage	**EPS**	*EBITDA ($Mn)*	**Low**	**Peer EV/EBITDA**	*Prem/Disc*	**Base**	**High**	**Enterprise Value**			**Net Debt**	**Low**	**Base**	**High**
Total Pipeline & Storage	*$1.80*	**553**	10.0x	**9.0x**	*2.0x*	11.0x	12.0x	**$5,529**	**$6,082**	**$6,635**	**($1,653)**	**$27**	**$31**	**$35**
Total Equity Value	**$5.77**											**$94.00**	**$102.00**	**$110.00**
Shares O/S													*141*	

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Implied Consolidated P/E	*17.7x*
Current Price	$98.95
Dividend Yield	2.3%
Total Return Potential	**5.4%**

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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NiSource (NI)

NI: Shoulder gas Q with eyes on renewables additions

We reiterate Buy as we see the potential for an extended high-growth runway based on the Northern Indiana Public Service Company (NIPSCO) Electric 2021 IRP and the recently issued RFP for 400-650 MW of generation capacity in 2024-2026. We see the potential for an accelerated retirement of NI's last remaining coal plant, Michigan City, given the state's move toward renewables and the timing of the IRP vs current stated retirement date of 2028. As a reminder, NI's LT EPS growth rate guidance range is 5-7% from FY21-FY23 and 7-9% from FY21-FY24 with the delta driven by renewables investment in '22 and '23 being rolled into rates in '24. The increasing visibility on renewables development could lead to the 7-9% EPS CAGR further extended depending on how much NIPSCO will own vs PPA.

Key Call Topics: Renewables additions, ongoing RFP & upcoming IRP, rate cases

Incremental renewables investments could sustain a higher growth trajectory

Expect management to discuss latest on renewables strategy ahead of the 2021 IRP that will be filed in the fall as well as the 400-650MW RFP that was recently issued. It is too early in the process for management to adjust the plan ahead of asset and regulatory clarity: size, generation type, ownership percentage, etc. are still to be determined. The RFP results should come in mid-late-August and with the most important update coming deeper into the process when NI files with the Indiana Utility Regulatory Commission (IURC) on the proposed ownership split.

What would the investment opportunity look like? It comes down to the amount of generation that NI would be able to own. We see the opportunity for NI to own more than 50% of the generation given the makeup of the 2018 IRP project portfolio and utilities propensity to own the generation in their portfolio. We also see bias to the top-half of the 400-650 MW solicitation range because of the size of Michigan City (455 MW coal plant that we believe could retire earlier than its current 2028 date) and the fact that utilities commonly procure more in renewables capacity than the fossil asset they are replacing to account for the intermittent nature. *It is difficult to compare ownership splits between IRPs given different resource types and capacity values ascribed but we would expect ~60%+ ownership/~40% PPA as a base case. See our note for more detail and potential capex and EPS impact from the RFP -* NiSource Inc: Reiterating Buy; More Renewables, Longer Runway at a Particularly Attractive Val 25 May 2021 (https://rsch.baml.com/r?q=dr5v9HH0otsjufcWEk7cTQ)

Project regulatory approvals highly likely at this point

Management will provide the latest on where it stands with regulatory approvals for the projects that have been announced. As a reminder, NI has received approval of ~80% of the projects so far and recent filings have been going through the approval process with ease as the projects were stipulated in NI's 2018 IRP.

Rate cases in progress: PA and OH have the scale to matter

Rate cases will be a secondary focus to renewables and the IRP through the remainder of the year but we do expect a regulatory update from management on the call. NI is in four rate cases at this time in PA, OH, KY, and MD. The previous PA rate case process was somewhat contentious in 2020/early 2021 given the timing around the pandemic and a negative ALJ proposal. Following peer rate cases in the state (UGI and EXC) we do not expect this following PA case to be as contentious. Watch the recently filed OH rate case as it is the first base rate case for the utility since 2008, and we note Commissioners have been interested in looking at the construct and whether more frequent cost of capital updates are needed**.** NI is working through rate cases in both KY and MD, but we note these utilities are relatively small vs OH and PA and therefore outcomes are less impactful to consolidated financial results.

NI 2Q21 Earnings Walk: Beat and Reaffirm though perceive latitude to revise higher later this year

2Q21 $0.15 is a large percentage beat vs $0.12 Street but 2Q21 is a less meaningful **Our FY21 EPS estimate remains at the top-end of management's revised guidance range ($1.36 BofA vs $1.28-$1.36 Street and $1.31 Consensus) and we see the ability for management to revise higher as NI's assumptions on load and economic recovery seem conservative in our view.**

- **Key Drivers:** We forecast an increase in EPS YoY driven by new rates in PA (+$0.02), other/COVID load and volume impact reversal (+$0.06), and lower interest expense of (+$0.01). This is partially offset by loss of CMA (-$0.04), higher O&M (-$0.03), and higher D&A (-$0.02).
- **Swing factors:** Load and volumes as the economy rebounds are variables going into the quarter. We will be watching how O&M is trending as well.

Exhibit 7: NI 2Q21 Earnings Walk
We see a beat on reversal of COVID impacts from last year

NI 2Q21 Earnings Walk	**EPS**
NI 2Q20 EPS	**0.13**
Weather - normalize from 2Q20 (excluded from Non-GAAP)	0.00
Weather - 2Q21 (excluded from Non-GAAP)	0.00
CMA sale closing - full quarter without CMA	-0.04
Gas Utilities	**0.00**
Rate/Rider Implementation:	
NIPSCO Gas	0.00
Columbia Gas of OH	0.01
Columbia Gas of PA	0.02
Columbia Gas of VA	0.00
Columbia Gas of MD	0.00
Columbia Gas of KY	0.00
D&A	-0.01
O&M	-0.02
Electric Utility	**0.00**
Rate Implementation:	
NIPSCO Electric	0.01
D&A	-0.01
O&M	-0.01
Parent & Other	**0.07**
Interest expense	0.01

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Pension expense (some favorability)	0.01
Dilution	-0.01
Other/COVID impact	0.06
2Q21 BofAe Adjusted EPS	**0.15**
Consensus	0.12
BofAe 2021 EPS	1.36
Guidance	1.28-1.36
2021 Consensus	1.31
Shares Outstanding (2Q21)	432
Shares Outstanding (2Q20)	384

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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EPS estimates; modestly lower in outer years, top of range

We maintain our FY21-FY25 EPS estimates and see BofAe 2023/2024 as 3-4% above Street. We do not believe Consensus is appropriately reflecting the meaningfully de-risked backdrop after the 2021 financings. **We see this as among the most important 'show me' stories in the space considering the need for management to simply execute against the plan after years of minimal EPS growth post Merrimack Valley.** We see EPS CAGR at the top-end of management's guidance range through '24 (9%). Look for yet further opportunities in the 2025+ outlook with a further NIPSCO Electric IRP/RFP to be articulated later this year too - potentially enabling a further extension of 5-year outlook at sustained EPS CAGR. We stress this angle is likely the next focus to shares - albeit remains cheap even on our near-term outlook.

Exhibit 8: NI EPS Estimates
Our EPS estimates remain unchanged and we continue to see EPS CAGR at the top of mgmt.'s guidance range

NI EPS Estimates		**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Gas		1.04	1.03	1.07	1.13	1.23	1.23	1.28
Electric		0.59	0.55	0.54	0.55	0.63	0.79	0.84
Electric Renewables - BOTs from RFP 1 & 2 (incl. in Electric EPS)					0.00	0.08	0.15	0.14
Parent/Other		-0.33	-0.33	-0.30	-0.28	-0.28	-0.25	-0.25
BofA EPS		**1.32**	**1.32**	**1.36**	**1.40**	**1.58**	**1.76**	**1.88**
Previous EPS		1.32	1.32	1.36	1.40	1.58	1.76	1.88
Guidance		**1.27-1.33**		**1.32-1.36**				
Consensus		1.30	1.31	1.35	1.42	1.53	1.69	
BofA '21-'24 EPS CAGR	9.0%							
Guidance '21-24 EPS CAGR	7-9%							
Consensus '21-'24 EPS CAGR	7.9%							
BofA '21-'23 EPS CAGR	7.9%							
Near Term Guidance '21-'23 EPS CAGR	5-7%							
Consensus '21-'23 EPS CAGR	6.5%							
Implied EPS Guidance by Yr given New +7-9% EPS CAGR ('21-'24)	High End			1.36	1.48	1.62	1.76	1.92
	Mid-Point			1.34	1.45	1.56	1.69	1.83
	Low End			1.32	1.41	1.51	1.62	1.73
BofA DPS		**0.83**	**0.88**	**0.94**	**0.99**	**1.05**	**1.12**	**1.18**
Share Count (mn shares)		**376**	**384**	**426**	**447**	**456**	**495**	**502**

Source: BofA Global Research estimates, company report, Bloomberg

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Valuation; PO to $28

Our PO moves to $28 (from $29) based on our FY23E mark-to-market P/E multiples for peer group of 15.7x for gas (from 16.1x) and 17.6x for electric (from 17.8x), with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24.

We remain conservative and continue to base our PO on a '23 base year, even though we think investors are likely to increasingly focus on '24 EPS valuation as the baseline year given the issuance and timing of renewables contribution to EPS - which looks ever more appealing even with adjusted multiples. We see our SOTP as fundamentally conservative given the meaningful uptick in '24 tied to renewables growth. Reiterate Buy.

Exhibit 9: NI SOTP Analysis
PO to $28 (from $29) on latest MtM

NI SOTP Valuation

	Metric	**P/E Multiple**								
	2023E EPS	Low	Peer	Prem/ Discount	Base	High		Low	Base	High
Group Peer Multiple - Gas	-	-	**15.7x**	-	-	-	-	-	-	-
Group EPS '19-'23 CAGR - Gas	-	-	**5.00%**	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Gas Utilities		- -	**16.5x**	-	-	-	-	-	-	-
Columbia Gas of OH	$0.56	15.5x	16.5x	**0.0x**	16.5x	17.5x		$8.64	$9.19	$9.75
Columbia Gas of PA	$0.28	15.5x	16.5x	**0.0x**	16.5x	17.5x		$4.37	$4.65	$4.93
NIPSCO Gas	$0.23	15.5x	16.5x	**0.0x**	16.5x	17.5x		$3.61	$3.84	$4.07
Columbia Gas of VA	$0.09	15.5x	16.5x	**0.0x**	16.5x	17.5x		$1.34	$1.43	$1.52
Columbia Gas of KY	$0.05	15.5x	16.5x	**0.0x**	16.5x	17.5x		$0.75	$0.80	$0.85
Columbia Gas of MD	$0.02	15.5x	16.5x	**0.0x**	16.5x	17.5x		$0.30	$0.32	$0.34
Group Peer Multiple - Electric			**17.6x**							
Group EPS '18-'22 CAGR - Electric			**5.00%**							
Electric Utilities			**18.5x**							
NIPSCO Electric	$0.63	19.5x	18.5x	**2.0x**	20.5x	21.5x		$12.34	$12.97	$13.61
Total Utility	**$1.86**	*16.8x*			*17.8x*	*18.8x*		**$31.34**	**$33.20**	**$35.06**
-Parent EPS Drag (ex-Interest Expense)	-$0.12	16.8x	0.0x		17.2x	18.2x		-$2.03	-$2.07	-$2.19
Total EPS *(incl. debt drag)*	**$1.58**									
Midpoint of 5-7% EPS	*$1.56*									
Holdco Debt @ Parent, *not* allocated to Utilities										
(50% Netting out parent debt + assumed converts)				-$1,600	50%			-$800	-$800	-$800
(50% P/E multiple on Interest Exp)				5.6%	50%			-$596	-$632	-$667
Grand Total Equity Value								**$26.25**	**$27.99**	**$29.65**

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Shares Outstanding 2023E	456
Total Equity Value	**$26.00 $28.00 $30.00**
Implied Consolidated P/E	
Current Price	$25.75
Dividend Yield (2020E)	3.4%
Total Return Potential	**12.2%**

Source: BofA Global Research estimates, company report, Bloomberg

BofA GLOBAL RESEARCH

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
NiSource Inc: Reiterating Buy; More Renewables, Longer Runway at a Particularly Attractive Val (https://rsch.baml.com/r?q=dr5v9HH0otsjufcWEk7cTQ)	Julien Dumoulin-Smith	25 May 2021
NiSource Inc: Healthy Raise in Midpoint of Guidance; Underappreciated LT Growth (https://rsch.baml.com/r?q=bzvvDnHXQNWdVy8bJ1atBQ)	Julien Dumoulin-Smith	06 May 2021

New Jersey Resources (NJR)

NJR: Execution still a concern at CEV; NJNG rate case

We reiterate our Underperform as we believe that 1) the NJNG rate case will prove difficult; and 2) execution at Clean Energy Ventures (CEV) is uncertain due to the limited track record from management on the path for the business outlined during the investor Day. For example, shortly after the Investor Day, management pushed CEV capex from '21 to '22 driven by permitting delays from the pandemic. The top question for FQ 3Q call is around the global supply chain issues in solar and how that is impacting NJR. We see the smaller developers like NJR as more at risk than the larger developers like NEE and AES. We are also cautious on the upcoming vote on the Solar Successor program on July 28. NJNG rate case is also a risk given the magnitude but management has had constructive outcomes in recent proceedings and we model authorized ROEs in the 9.6% range already. Southern Reliability Link pipeline overruns could be an intervenor focus.

Key Call Topics: Clean Energy Ventures, solar successor), NJNG rate case

Clean Energy Ventures likely to receive increased attention around supply chain

Clean Energy Ventures (CEV) is a major focus of management's LT plan and is critical to the valuation, but we view execution of the plan outlined during the Investor Day as a risk. As a reminder, the capital plan shifted as certain in-service dates for CEV's projects moved to FY22 given permitting and production delays related to the pandemic. Management expects to spend $96M-$118M FY21 down from ~$165Mn prior expectation. While impacts of the pandemic are hard to foresee, we find it troubling that management will only be deploying ~65% of its original plan that was set during a particularly virulent wave of the virus in Nov. 2020. Supply chain and logistics issues are another factor that could drive inability to execute on the plan,

Management will likely state that nothing fundamental has changed with the business, but we are cautious about the potential longer-term impacts of this dynamic for a smaller developer like NJR. While other utilities leave opportunity for upside or incremental spending in certain areas, it is the opposite for CEV in our view - there is potential difficulty with even hitting the announced, aggressive, target of ~$850M over the next four years. In addition to volume deployment concerns, we look to see if there is compression on returns from inflationary pressures that a smaller developer will face more acutely.

Solar incentives coming down in NJ? Quite possible; watch vote next week

The solar successor program is set to be voted on by the NJ Board of Public Utilities (BPU) on July 28. We find this as somewhat worrying given the level of reduction in solar incentive values proposed. The straw proposal outlines an incentive value of $85/MWh for net metered resi and non-resi, $70/MWh for community solar non-low-and-moderate income (LMI) and $90/MWh for community solar LMI vs the current transition renewable energy credit (TREC) of $152/MWh with other, lower incentives for different market segments. This risk of incentive cuts is somewhat mitigated by CEV expanding outside of NJ. In F2Q, CEV completed a solar project in CT and 1/3 of the FY21 & FY22 project pipeline capacity is expected by management to be out-of-state. Management sees out-of-state returns through PPAs that are similar to those of NJ's Transition Renewable Energy Certificate (TREC) program, so likely more favorable than if the straw proposal was adopted. *We will continue to watch how this trends as any CEV is still relatively unproven outside of NJ.*

Recent NJ rate proceedings have been constructive but always a risk

The NJNG rate case is also a risk to estimates in our view though we already assume a 9.6% authorized ROE (commiserate with South Jersey Gas and Elizabethtown Gas' most recent rate cases). Inability to earn a fair return as a result of the rate case outcome would drive down estimates. *The largest driver in the rate case is recovery of the Southern Reliability Link (SRL) pipeline which has experienced notable cost overruns that could lead to a more contentious proceeding than recent cases.*

NJR F3Q21 Earnings Walk: Miss and Reaffirm

Fiscal 3Q results are not overly meaningful with NJR historically losing money in the shoulder period. We forecast 3Q21 adjusted net financial earnings (loss) per share of ($0.12) down from loss compared to 2Q20 ($0.06) and slightly worse than Street ($0.08) and consensus estimates of -$0.14. Our FY21 EPS estimate remain slightly below the midpoint of management revised guidance range which was increased multiple times on the strength of weather.

- **Key Drivers:** We forecast a decrease in EPS YoY driven by trackers at NJNG (+$0.02), customer growth (+$0.01), improvement in CEV (+$0.08). This is more than offset by higher O&M (-$0.05), higher D&A (-$0.05), higher costs at energy services (-$0.02), and interest expense (-$0.04)

- **Swing Factors:** Non-utility remains somewhat of a swing factor, albeit minor. O&M could be a swing factor as well.

Exhibit 10: NJR F3Q21 Earnings Walk
3Q shoulder period is not overly insightful

NJR Fiscal 3Q21 Earnings Walk	**EPS**
NJR Fiscal 3Q20 Adjusted EPS	($0.06)
Weather - normalize from Fiscal 3Q20	$0.00
Weather- Fiscal 3Q21	$0.00
Utilities	**-$0.07**
Rate implementation and/or trackers:	
NJNG	0.02
D&A	-0.05
O&M/Pension/IT	-0.05
Customer Growth	0.01
COVID/Bad Debt Impact	0.00
Non-regulated	**$0.06**
Energy Services	-0.02
Storage & Transportation (formerly Midstream)	0.00
CEV	0.08
Home Services & Other	0.00
Other	**-$0.04**
Interest expense	-0.04
Other	0.00
Dilution	0.00

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NJR Fiscal 1Q21 Adj. EPS (BofAe)	**-$0.12**
Fiscal 3Q21 Consensus	-0.08
Fiscal 2021 Adj. EPS (BofAe)	**$2.09**
2021 Consensus	2.11
Mgmt. Guidance Range	**2.05-2.15**
Fiscal 3Q21 Shares Outstanding	97
Fiscal 3Q20 Shares Outstanding	96

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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EPS estimates; unchanged

We maintain our FY21-FY25 EPS estimates. As a reminder, we recently lowered our FY23-FY25 EPS estimates on assumed earned ROEs at NJNG. We model an improvement in earned ROEs starting in 2022 driven by new rates from the pending rate case and approved infrastructure and energy efficiency programs. FY23 should have additional lag driven by utility IT spending without accelerated recovery although give credit for new rates in FY24. **We remain meaningfully below Street in FY23/FY24.**

Exhibit 11: NJR EPS Estimates
Our EPS estimates remain unchanged

EPS Estimates	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
New Jersey Natural Gas (NJNG)	$0.87	$1.33	$1.15	$1.46	$1.54	$1.74	$1.85
Midstream	$0.16	$0.19	$0.18	$0.25	$0.31	$0.32	$0.33
Clean Energy Ventures (CEV)	$0.86	$0.56	$0.25	$0.37	$0.34	$0.38	$0.38
Energy Services (ES)	$0.03	($0.08)	$0.50	$0.14	$0.13	$0.13	$0.13
Home Services & Other (HS&O)	$0.02	$0.06	$0.01	$0.01	$0.01	$0.01	$0.01
TOTAL Consolidated EPS	**$1.95**	**$2.07**	**$2.09**	**$2.24**	**$2.33**	**$2.58**	**$2.69**
Guidance Low			$2.05	$2.05	$2.17	$2.30	$2.44
Guidance High			$2.15	$2.15	$2.37	$2.60	$2.86
Guidance Mid			$2.10	$2.10	$2.27	$2.45	$2.65
Guidance - EPS Growth Rate - Long Term					*6-10%*		
Shares O/S	*89.62*	*95.11*	*96.51*	*97.06*	*97.60*	*98.15*	*98.69*
Prior Estimate		2.07	2.09	2.24	2.33	2.58	2.69
Consensus	**1.97**	**2.08**	**2.11**	**2.26**	**2.42**	**2.92**	**2.85**
BofA CAGR 2022-2025	**7.8%**						
Guidance	***6-10%***						

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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BofA Global Research Reports

New Jersey Resources	**Primary Author**	**Date Published**
New Jersey Resources Corp: D/G to Underperform; cloudy skies on solar segment, rate case could be challenging (https://rsch.baml.com/r?q=e3bMwO1d6PKFdIMxZ0YzIA)	Julien Dumoulin-Smith	25 June 2021
New Jersey Resources Corp: A Very Busy Summer at the Jersey Shore: PennEast, Solar Reform & Key Rate Case (https://rsch.baml.com/r?q=JkBFnuQDGmUBFuKuX6bkzw)	Julien Dumoulin-Smith	18 June 2021

Valuation; PO unchanged

Our PO remains at $39 as we mark to market (MtM) to latest peer gas utility FY23 P/E multiple at 15.7x (from 15.8x). Though we see some upside from a total return perspective, we see more downside risk than upside to estimates if NJNG is unable to improve earned ROEs, solar supply chain issues are more impactful than we foresee, and/or the outcome on pricing of the Solar Successor program is worse than our expectations.

We stress our valuation yields a cautious setup for shares even without applying a discount to the utility given outsized rate case ask. We appreciate the above industry norm EPS growth contemplated, but see execution challenges therein still.

Risks to the upside remain a further acceleration of renewable efforts - and raising of targets, likely tied to solar project development outside of NJ. We could still see this, but see challenges in executing against targets already on CEV as indicating this is less likely.

Exhibit 12: NJR SOTP Analysis
Our PO remains unchanged at $39 on latest mark

NJR	**2023E**		**Low**	**Peer**	**Prem/ Discount**	**Base**	**High**		**Low**	**Base**	**High**
Gas		-	-	**15.7x**	-	-	-	-	-	-	-
Group EPS '19-'23 CAGR - Gas				**5.0%**							
		-	-		-	-	-	-	-	-	-
		-	-	**16.5x**	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
New Jersey Natural Gas (NJNG) -> Utility Portion	**$1.54**		**15.5x**	**16.5x**	**0.0x**	**16.5x**	**17.5x**		**$24**	**$25**	**$27**
% Regulated Utility EPS	*69%*										
Non-Reg Components			*Low*	*Peer*	*Prem/ Discount*	*Base*	*High*				
Energy Services	$0.13		12.0x	**12.0x**	**1.0x**	13.0x	14.0x		$2	$2	$2
Home Services	$0.01		11.0x	12.0x	**0.0x**	12.0x	13.0x		$0	$0	$0
Total NJR Value Per Share									**$25**	**$27**	**$29**
Midstream	**Metric**				**EV/EBITDA**					**Equity Value**	
	FY23 EBITDA	*EBITDA % Contribution*	*Low*	*Peer*	*Prem/ Discount*	*Base*	*High*	_	*Low*	*Base*	*High*
Midstream - Pipeline, Strorage & Marketing		-	-	**9.5x**							
Midstream (*Ex-*Penn East)	$62	86%	8.5x	9.5x	**0.0x**	9.5x	10.5x		$529	$591	$653
PennEast (Assume no contribution)	$10	14%			*0%*				$0	$0	$0
Total Midstream	$72	100%							**$529**	**$591**	**$653**
Less Net Debt									($476)	($476)	($476)

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Add Back 50% PennEast Debt								$0	$0	$0
Total Midstream								**$53**	**$115**	**$177**
Net Midstream Value Per Share								**$0.5**	**$1.2**	**$1.8**
Clean Energy Ventures		**Metric**							**Equity Value**	
		NPV Values (Unlevered)								
	Commercial-Grid	**Comm-NEM**	**Resi-NEM**			**Total Equity Value ($mn)**			**Equity Value ($/sh)**	
Power (NPV of remaining unlevered CFs)	$335	$84	$193			$613			**$6.31**	
Discount Rate Assumed on Cash Flows	4.5%									
		Levered NPV Values ($mn) - Discounted			**Levered NPV ($/sh)**					
	Commercial-Grid	**Comm-NEM**	**Resi-NEM**	**Commercial-Grid**	**Comm-NEM**	**Resi-NEM**			**Equity Value ($/sh)**	
DevCo 2021: NPV	$9	$6	$7	$0.09	$0.06	$0.07			**$0.23**	
DevCo 2022: NPV	$59	$10	$7	$0.61	$0.10	$0.07			**$0.78**	
DevCo 2023: NPV	$73	$12	$7	$0.75	$0.12	$0.07			**$0.94**	
DevCo 2024: NPV	$66	$15	$7	$0.68	$0.16	$0.07			**$0.91**	
DevCo 2025: NPV	$65	$15	$6	$0.66	$0.15	$0.07			**$0.88**	
Total DevCo Value									**$3.74**	
Assumed Discount Rate on DevCo NPVs		**11.0%**								
SREC Inventory Balance as of	**# of SRECs**	**Pricng Assume ($/SREC)**	**Total Value $Mn**						**Equity Value ($/sh)**	
Fiscal 4Q20E	**44,281**	**$226**	**$10**						**$0.10**	
		Levered NPV Values ($mn) - Discounted			**Levered NPV ($/sh)**					
Post '26+ Value + Terminal Value	**Commercial-Grid**	**Comm-NEM**	**Resi-NEM**	**Commercial-Grid**	**Comm-NEM**	**Resi-NEM**				
DevCo 2026: NPV	$65	$16	$6	$0.67	$0.16	$0.06				
DevCo 2027: NPV	$65	$17	$6	$0.67	$0.17	$0.06				
DevCo 2028: NPV	$65	$18	$6	$0.67	$0.18	$0.06				
DevCo 2029: NPV	$43	$12	$4	$0.44	$0.13	$0.05				
Terminal Value Multiple	**5.0x**	**5.0x**	**5.0x**							
									Equity Value ($/sh)	
	$213	$62	$22	$2.19	$0.64	$0.23				
Total Post '26+ Value (Assuming 3-Yr ITC Extension) + Terminal Value				**$4.64**	**$1.29**	**$0.46**	**Weighting** 75%		**$4.80**	
Total CEV Value Per Share									**$14.96**	
			$ Mn		Weight					
HoldCo Debt 2023E			$1,352		*50%*			($676)	($676)	($676)
Parent Interest Exp 2023E			$33	16.5x	*50%*			$273	$273	$273
Total Parent								**($403)**	**($403)**	**($403)**
$/share basis								($4)	($4)	($4)
Grand Total Equity Value Per Share								**$37**	**$39**	**$41**
Shares Outstanding 2023E									97	
Total Equity Value								**$37.00**	**$39.00**	**$41.00**
Current Price									$39.22	
NTM Dividend Yield									3.4%	
Total Return Potential									**2.8%**	

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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Northwest Natural (NWN)

NWN: RNG is intriguing but still unable to justify multiple

We continue to view NWN as expensive with the ~3x premium a contrast to gas LDC peers despite relatively low EPS growth of 3-5%. We reiterate our Underperform rating and continue to watch for more detail around water/RNG.

Key Call Topics: RNG, water business, WA rate case settlement

Mgmt. still includes minor investments in RNG relative to budget under SB98

Investing in RNG is still a new undertaking for NWN under Oregon SB98 so management continues to be conservative on what is included in plan. NWN only includes projects where there is both line of sight and knowledge of how internal IRP process (i.e. Tyson projects). We expect management will update us on the progress of the Tyson projects, but we believe they are still in the development phase. As a reminder, under SB98, NWN could deploy 5% of the annual revenue, or $200M-$250M, but securing contracts for RNG offtake for NWN's system will count towards the budget. We think management will use a higher percentage of the cap on direct investment given prior commentary.

More work needs to be done on prospecting and development before management puts any additional capital into their projections, and we do not foresee management announcing any additional RNG projects during this update as they work through the projects with Tyson.

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Water growth aspirations represents an area of upside

We expect management to update progress on the water business and pending and upcoming regulatory proceedings. We could see activity on M&A accelerate as the country recovers from the pandemic, and, as a reminder, acquisitions need to be accretive in the first year and need to maintain a 50/50 capital structure. *While disclosures around the potential earnings outlook have still yet to materialize, we see short-term upside risk to valuation from a SOTP perspective given the relative spread of water vs gas if management can continue to scale the water biz and provide more concrete earnings guidance.*

Continuing to work toward settlement in WA multi-year rate case

NWN and intervenors in the WA rate case continue to work towards a settlement which we find positive vs the fully litigated route. As a reminder, NWN filed a multi-year rate plan (MYRP) with the first increase of $6.3mn (8%) expected by management in Nov '21 and the second of $3.2mn (3.7%) in '22 based on a 49% equity cap and 9.4% ROE. The company is also looking to offset rates by $2.2mn (3%) in the first year through the suspension of the amortization of a regulatory asset associated with energy efficiency programs and the sale of property in OR that would offset the rate increase by another 5%, essentially equating to a flat customer bills in year 1. *Given 1) WA represents ~10% of NWN's rate base, 2) parties are active in settlement negotiations, and 3) the creative solution to offset the customer rate impact, we are less concerned on the margin.*

NWN 2Q21 Earnings Walk: Beat and Reaffirm

Fiscal 2Q results are not overly meaningful with NJR historically losing money in the shoulder period. We forecast 2Q21 adjusted loss per share of ($0.11) compared to 2Q20 loss of ($0.17) and Consensus estimates of ($0.14). Our FY21 EPS estimate remains toward the top-end of management guidance range.

- **Key Drivers:** New rates in OR (+$0.20), reversal of COVID impact ($5M pre-tax; +$0.12), and minor improvement at the water utilities (+$0.01). This is more than offset by higher O&M (-$0.17), higher D&A (-$0.06), and taxes (-$0.02).
- **Swing factors:** Non-utility remains somewhat of a uncertainty, albeit minor. O&M could be a swing factor as well.

Exhibit 13: NWN 2Q21 Earnings Walk
We forecast a beat and FY21 EPS toward the top-end of management's guidance range

NWN 2Q21 Earnings Walk	**EPS**
NWN 2Q20 EPS	(0.17)
Utilities	**0.08**
Weather - normalize from 2Q20	0.00
Weather - 2Q21	0.00
Rate implementation/rate base growth:	
Gas LDCs:	
OR	0.20
WA	0.00
Water Utilities	0.01
D&A	(0.06)
OR O&M (Headquarters and IT)	(0.10)
O&M	(0.07)
General Taxes	(0.02)
Customer Growth	0.00
Other/COVID impact	0.12
Non-Utility	**0.00**
Gas Storage	0.00
Asset Mgmt.	0.00
Retail Appliance	0.00
Other	**(0.02)**
Interest expense	(0.02)
Other	0.00
Dilution	0.00
NWN 2Q BofA Adjusted EPS	**(0.11)**
Consensus	(0.14)
BofA 2021 EPS	**2.55**
Guidance	**2.40-2.60**
2021 Consensus	2.54
NWN 2Q21 Shares Outstanding	31.3
NWN 2Q20 Shares Outstanding	30.5

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

EPS estimates; unchanged

We maintain our FY21-FY25 EPS estimates. We continue to see ~5% growth through our forecast period off of the '20 midpoint of $2.35 - the top-end of management LT EPS growth guidance range of 3-5% which is largely consistent with Street forecasting.

Exhibit 14: NWN EPS Estimates
Our EPS estimates remain unchanged and we continue to forecast growth at the top-end of mgmt. guidance range

Earnings Per Share	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Natural Gas Distribution	$1.99	$2.04	**$2.31**	**$2.39**	**$2.48**	**$2.63**	**$2.74**	**$2.84**
Other (NW Natural) - Appliance, Gas Storage, Asset mgmt.	$0.37	$0.27	**$0.23**	**$0.21**	**$0.19**	**$0.18**	**$0.17**	**$0.16**
Other (NW Holdings) - Water Utility & Corp.	-$0.03	-$0.12	**-$0.08**	**-$0.06**	**-$0.04**	**-$0.02**	**$0.00**	**$0.03**
Total NW Holdings Operating EPS	**$2.33**	**$2.41**	**$2.30**	**$2.55**	**$2.63**	**$2.79**	**$2.91**	**$3.00**
BofA YoY Growth		3%	-5%	11%	3%	6%	4%	3%
BofAe CAGR ('20-25)								**5.0%**
Prior EPS estimates		2.41	2.30	2.55	2.63	2.79	2.91	3.00
Mgmt CAGR Guidance								
Guidance - low		**2.25**	**2.25**	**2.40**	**2.49**	**2.57**	**2.64**	**2.72**
Guidance - high		**2.45**	**2.45**	**2.60**	**2.59**	**2.72**	**2.86**	**3.00**
Guidance - midpoint		**2.35**	**2.35**	**2.50**	**2.54**	**2.64**	**2.75**	**2.86**
+3-5% growth (2020 base year mdpt of $2.35)								

BofA SECURITIES
BofA GLOBAL RESEARCH

Consensus EPS estimates			**2.30**	**2.54**	**2.63**	**2.78**	**2.95**	
DPS	1.89	1.90	1.91	1.93	1.95	1.97	1.99	2.01
DPS growth (% Y/Y)		0.5%	0.6%	1.0%	1.0%	1.0%	1.0%	1.0%
Payout Ratio	**81%**	**79%**	**83%**	**76%**	**74%**	**70%**	**68%**	**67%**

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

Valuation; PO to $49

Our PO moves to $49 (from $51) based on our latest estimates and mark-to-market gas utility peer FY23E multiple of 15.7x (from 16.5x) and water utility peer FY23 multiple of 28.6x (from 27.4x). We continue to view the relative premium as unjustified for the growth profile considering relatively lower growth and the sharp focus on energy transition in its core states (even when accounting for & reflecting elevated multiple for water exposed assets).

Exhibit 15: NWN SOTP Analysis
Our PO moves to $49 (from $51) on latest MtM

NWN Sum-of-the- Parts Valuation (SOTP) Bank of America Securities

	Metric			**Multiple**					**Equity Value**	
	P/E	**EBITDA**								
NW Natural Holding Co.	*2023E*		*Low*	*Peer P/E*	*Prem/ Discount*	*Base*	*High*	*Low*	*Base*	*High*
Gas Utility Group Multiple				**15.7x**						
Group EPS '19-'23 CAGR - Gas				**5%**						
NWN Utility Multiple				16.5x						
NW Natural										
Oregon - Utilities (Gas)	$2.14		16.5x	16.5x	**1.0x**	17.5x	18.5x	**$35.31**	**$37.46**	**$39.60**
Washington - Utilities (Gas)	$0.31		16.5x	16.5x	**1.0x**	17.5x	18.5x	**$5.19**	**$5.51**	**$5.82**
North Mist - Storage Facility	$0.17		16.5x	16.5x	**1.0x**	17.5x	18.5x	**$2.87**	**$3.04**	**$3.21**
Total Natural Gas Distribution	**$2.63**							**$43.37**	**$46.00**	**$48.63**
EV/EBITDA Multiple			*Low*	*Peer EV/EBITDA*	*Prem/ Discount*	*Base*	*High*			
Other (NW Natural) - Gas Storage, Appliance, Asset mgmt	$0.18	$10	9.0x	**10.0x**	**0.0x**	10.0x	11.0x	86	96	105
Less: Net Debt								(25)	(25)	(25)
Implied Equity Value								62	71	81
Equity Value Per Share								**$1.90**	**$2.20**	**$2.50**
Total NW Natural	**$2.81**							**$45.28**	**$48.20**	**$51.13**
			Low	*Peer P/E*	*Prem/ Discount*	*Base*	*High*			
Water Utility Group Multiple				**28.6x**						
Group EPS '19-'23 CAGR - Water				**7%**						
NWN Water Utility Multiple				30.6x						
Water Utility Operations	$0.07		29.6x	30.6x	**0.0x**	30.6x	31.6x	**$2.13**	**$2.21**	**$2.28**
				Weighted Avg.						
Corporate & Other	-$0.09		17.1x	**18.1x**	**0.0x**	18.1x	19.1x	-$1.51	-$1.60	-$1.69
Grand Total Equity Value	**$2.79**							**$46.00**	**$49.00**	**$52.00**
2023E S/O									32	
Implied Consolidated P/E									*17.5x*	
Current Price									$52.29	
NTM Dividend Yield									3.66%	
Total Return Potential									**-2.6%**	

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

BofA Global Research Reports

Northwest Natural Holdings	**Primary Author**	**Date Published**
US Electric Utilities & IPPs: AGA Conference Takes Day 2: Don't Even Worry About Inflation Here? Pos 2Q Setup (https://rsch.baml.com/r?q=Jrlpsgna0sF-Q9Efpv-xBw)	Julien Dumoulin-Smith	21 May 2021
Northwest Natural Holdings: Beat as Tuck-In Water Acquisitions Continue; Eye on RNG (https://rsch.baml.com/r?q=5BNKtq3kOX1jjQOaBHjbg)	Julien Dumoulin-Smith	10 May 2021

ONE Gas (OGS)

OGS: Quiet Q outside of securitization, OK rate case

We see this update as being relatively quiet outside of two regulatory proceedings: 1) filing of a financing order to securitize the costs related to Winter Storm Uri and 2) the OK rate case. RNG is likely more of a supply opportunity rather than an investment opportunity at this point, but we will be curious to see if there has been any updates on management's views on market potential since American Gas Association (AGA) Financial Conference. We note this will be new CEO Sid McAnnally's first earnings call at the helm - we will be watching for any change in messaging, but are not expecting any given his long operations tenure with the company. We reiterate Underperform on the premium valuation in shares despite regulatory risk in the OK rate case.

Key Call Topics: Securitization, OK rate case, RNG?

BofA SECURITIES

BofA GLOBAL RESEARCH

Mgmt. still includes minor investments in RNG relative to budget under SB98

Uri securitization will likely be <u>the</u> topic of interest during the call given the magnitude. The process is significantly derisked after passage of securitization legislation and the respective Commissions general supportive comments/actions. In TX, The Railroad Commission (RRC) will have 90 days to review the prudency of ~$295Mn costs before the Texas Public Finance Authority (TPFA) starts the process of issuing the bonds. We will be watching the recovery timeframe and duration closely where we expect 20+ years with the longer-term frame helping mitigate the customer bill impact. Similarly, in OK, the Oklahoma Corporation Commission (OCC) will have 180 days to review the prudency of the costs before the OK Development Finance Authority issues the bonds (costs stand at $1.3B).

We will be watching the recovery timeframe closely, and given the bonds are issued by the state, we think the amortization period could be 20+ years because the debt would be off the utility balance sheet. We are less concerned on bill impacts, and therefore are not concerned about the capital plan being shifted. OGS is working through the process in KS (costs stand at $381M). Securitized bonds are issued at the company level in KS, so we think the recovery timeframe may be shorter than OK and TX, and capital structure could be scrutinized more closely. With securitization in play, our attention shifts to the regulatory process for issuance of a financing order,

OK rate case will likely get attention

OGS filed a rate case in OK at the end of May and is still in the very early stages. As a reminder, OGS is seeking a +$29Mn revenue based on a rate base of $1.72B, 9.95% ROE and an equity layer of 58.55%. *This rate case is key to watch as it is OGS' first rate case in the state since the company split from ONEOK in 2014.*

RNG dialogue likely to stay focused on integrating into system

OGS is exploring RNG with its partnership announcement with Vanguard Renewables. The alliance is currently assessing both the supply-side (i.e., dairy farms in OGS territory) and the demand-side. <u>While we are bullish on RNG in general, we do not get the sense that management is seeking any unregulated investment at this time</u>; rather the only incremental investment would be for interconnections with producers and spending to integrate the fuel into the system. *OGS demand is heavily weighted toward residential, so there is less opportunity to provide large volumes of RNG to C&I (commercial & industrial) customers. This stance on unregulated RNG investment may change as the market develops, but we do not expect an announcement on any development projects in the near term.*

OGS 2Q21 Earnings Walk: Miss and Reaffirm

2Q21 BofA adjusted EPS $0.49 is -6% below $0.52 Street and approximately flat YoY.

- **Key Drivers:** We forecast an increase in EPS YoY driven by new rates in all jurisdictions (+$0.07) and customer growth (+$0.02). This is partially offset by higher O&M (-$0.01), higher D&A (-$0.03), and bad debt (-$0.03)
- **Swing factors:** O&M and customer growth are the largest swing factors in our view. Specifically bad debt could be more of favorable comparison than we forecast.

Exhibit 16: OGS 2Q21 Earnings Walk
We see a slight miss on the quarter

OGS 2Q21 Earnings Walk	**EPS**
OGS 2Q20 EPS	0.48
Utilities	**0.02**
Weather - normalize from 2Q20	0.00
Weather- 2Q21	0.00
Rate implementation/rate base growth:	
OK	0.02
TX	0.03
KS	0.02
D&A	(0.03)
O&M	(0.01)
Customer Growth	0.02
Bad Debt	(0.03)
Pension	0.00
Parent	**(0.01)**
Interest expense	0.00
Other	0.00
Dilution	(0.01)
OGS 2Q21 BofA Adjusted EPS	**0.49**
Consensus	0.52
BofA 2021 EPS	**3.82**
Guidance	**3.68-3.92**
2021 Consensus	3.81
OGS 2Q21 Shares Outstanding	54.0
OGS 2Q20 Shares Outstanding	53.3

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

EPS estimates unchanged. Still +1% above Street '22-'23

BofA EPS estimates remain unchanged and continue to align with ~5.9% through 2025. ~1% EPS upside compared with Street exists in 2022/2023.

Exhibit 17: OGS EPS Estimates
Our EPS estimates remain unchanged; forecast 5.9% growth through '25

EPS Estimates	**2017A**	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
<u>One Gas - Utilities</u>									
Kansas				$0.86	$0.90	$0.94	$0.98	$1.04	$1.09
Oklahoma				$1.62	$1.59	$1.74	$1.83	$1.90	$1.98
Texas				$1.21	$1.33	$1.47	$1.59	$1.72	$1.84
Consolidated	**$3.08**	**$3.25**	**$3.51**	**$3.69**	**$3.82**	**$4.14**	**$4.40**	**$4.66**	**$4.91**
YoY EPS Growth (%)				5.1%	3.5%	8.5%	6.3%	5.8%	
Guidance Low			$3.49	$3.66	$3.68				
Guidance High			$3.53	$3.70	$3.92				
<u>Implied Guidance</u>									
Guidance Low			$3.49	$3.66	$3.68	$4.06	$4.26	$4.47	$4.70
Guidance High			$3.53	$3.70	$3.92	$4.21	$4.51	$4.82	$5.16
Guidance Midpoint (off 2020 midpoint)			$3.51	$3.68	$3.80	$4.14	$4.38	$4.65	$4.93
<u>Previous EPS</u>				***3.68***	***3.82***	***4.14***			
Consensus			**3.51**	**3.66**	**3.81**	**4.11**	**4.36**		
BofA EPS CAGR '20-'25			**5.9%**						

OGS EPS CAGR '20-'25 Guidance	5-7%

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

Valuation; PO to $73

Our PO moves to $73 (from $74) on our latest mark-to-market of the gas peer multiple of 15.7x (from 16.5x). While our PO implies a modest 1.8% return potential, we remain Underperform given potential downside from regulatory proceedings.

Exhibit 18: OGS SOTP Analysis
Our PO moves to $73 (from $74) on latest MtM

	Metric		P/E Multiple						Equity Value		
One Gas	*2023E*		*Low*	*Peer*	*Prem/ Discount*	*Base*	*High*		*Low*	*Base*	*High*
Gas		-	-	**15.7x**	-	-	-	-	-	-	-
Group EPS '19-'23 CAGR - Gas		-	-	**5.0%**	-	-	-	-	-	-	-
		-	-	**16.5x**	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
Kansas	$0.98		15.5x	16.5x	**0.0x**	16.5x	17.5x		$15	$16	$17
Oklahoma	$1.83		15.5x	16.5x	**0.0x**	16.5x	17.5x		$28	$30	$32
Texas	$1.59		15.5x	16.5x	**0.0x**	16.5x	17.5x		$25	$26	$28
Total OGS Utilities	**$4.40**		*15.5x*			*16.5x*	*17.5x*		**$68**	**$73**	**$77**
Grand Total Equity Value									**$68.00**	**$73.00**	**$77.00**
Shares Outstanding 2023E										56	
Total Equity Value									**$68.00**	**$73.00**	**$77.00**
Implied Consolidated P/E										*16.6x*	
Current Price										$73.64	
NTM Dividend Yield										2.7%	
Total Return Potential										**1.8%**	

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

BofA Global Research Reports

ONE Gas	**Primary Author**	**Date Published**
US Electric Utilities & IPPs: AGA Conference Takes Day 2: Don't Even Worry About Inflation Here? Pos 2Q Setup (https://rsch.baml.com/r?q=Jrlpsgna0sF-Q9Efpv-xBw)	Julien Dumoulin-Smith	21 May 2021
ONE Gas, Inc.: The Uri Overhang on Rates: Reiterate Underperform (https://rsch.baml.com/r?q=YtSuGgEuL!5v6Aa9lCaQdQ)	Julien Dumoulin-Smith	05 May 2021

South Jersey Industries (SJI)

SJI: Execution mode post 1Q investor day

We reiterate Buy as we see the positive revision to shares as SJI begins to execute on the plan that was outlined during its robust 1Q investor day update. Look for commentary on the progress for the still ongoing South Jersey Gas (SJG) Infrastructure Investment Program (IIP) filing. The recently announced acquisition of a 5MW fuel cell in NY nearly satisfies the $50M in capex on fuel cells/solar for the year, impressively investing ahead of plan. We are also keen to hear any updates on the progress with RNG, but believe that comments will be light at this preliminary stage of their plan. LNG redundancy should pick up more steam following IIP conclusion. Watch NJ RNG bill into the fall ahead of the gubernatorial election.

Key Call Topics: Renewables (fuel cell/RNG), IIP, ETG rate case, NJ RNG bill

Mgmt. already executing on new plan with fuel cell announcement; RNG update?

Management's strategy on fuel cells (& solar to a lesser extent), RNG, and blocking-and-tackle utility capex (with a healthy percentage of which earning accelerated recovery) proves our positive thesis for shares. To that end, SJI mostly fulfilled its $50M annual capital budget for fuel cells/solar with the acquisition of a 5 MW fuel cell in NY. SJI did not disclose cost, but we forecast it was ~$45M. The remaining ~$5M will likely be spent on solar facilities on company buildings or landfills. *While the investment in fuel cells is somewhat unorthodox for utilities under our coverage, we note the returns are superior to solar, and the delta will likely widen going forward as the Solar Successor program is implemented.*

Regulatory items still to watch; RNG bill could pick up steam in the fall

The New Jersey Board of Public Utilities (BPU) recently issued an order approving South Jersey Gas' motion to suspend the procedural schedule in its IIP filing to allow for further settlement discussions. Parties will work to develop a revised procedural schedule within the next few weeks. As a reminder, the schedule was modified in May to make way for more settlement discussion. SJG's IIP request is for a five-year program totaling $742.5M in investment. *While the process is taking additional time, we see continued settlement discussions as positive.*

Watch for Elizabeth Town Gas (ETG) to file a rate case around the YE21 based on historical timing where we watch for the there is opportunity to boost the equity layer to SJG levels. It is unclear if management will be in a position to file for increased the equity layer in this application, but see opportunity over the course of the plan.

We believe NJ legislation that would establish a RNG program and allow utilities to rate base RNG investments (S3562 and A5655) will pick up steam in the fall when legislators return. RNG is fairly bipartisan, so it could be an easy win for the Governor who is looking to advance clean energy goals ahead of the election in Nov. *Passage of this bill could shift spending from the unregulated to the utility - while it could receive lower returns, we think it would be valued at a premium by investors given low-risk on returns.*

SJI 2Q21 Earnings Walk: Beat and Reaffirm

Fiscal 2Q results are not overly meaningful with SJI historically losing money or breaking even in the shoulder period. We forecast 2Q21 adjusted EPS of $0.00 compared to 2Q20 EPS of -$0.01 and consensus estimates of -$0.02. Our FY21 EPS estimate is toward the top-end of management guidance range.

- **Key Drivers:** We forecast an increase in EPS YoY driven by new rates at SJG (+$0.04), customer growth (+$0.01), and minor improvement in energy services (+$0.01). This is partially offset by higher O&M (-$0.03) and higher D&A (-$0.03). Note that there is no dilution dispute the higher share count with no underlying net income in the period.

- **Swing factors:** There is not a lot of clarity on performance of SJI's non-regulated segments, therefore, we could see a swing in either direction based on performance (any difference would likely be minor). O&M is also an unknown YoY.

Exhibit 19: SJI 2Q21 Earnings Walk
We see modest beat and FY21 EPS toward the top of management's guidance range

SJI 2Q21 Earnings Walk	**EPS**
SJI 2Q20 EPS	-$0.01
Weather - normalize YoY	$0.00

BofA SECURITIES

BofA GLOBAL RESEARCH

Weather- Current quarter	$0.00
Utilities	**-$0.01**
Rate/Rider implementation:	
ETG	0.00
SJG	0.04
D&A	-0.03
O&M	-0.03
Customer Growth	0.01
Non-regulated	**$0.01**
Midstream	0.00
Energy Group	0.00
Energy Services	0.01
Other	**$0.01**
Interest expense	0.01
Other	0.00
Dilution	0.00
BofAe Adjusted EPS	**$0.00**
Consensus	-0.02
BofAe 2021 EPS	**$1.63**
Guidance	**$1.55-$1.65**
2021 Consensus	1.62
SJI 2Q21 Shares Outstanding	109
SJI 2Q20 Shares Outstanding	94

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

EPS estimates; unchanged

We maintain our EPS estimates from FY21-FY25 and reflect management's recently updated capital spending plan, rate base growth targets, and guidance. Our estimates imply a 6.9% EPS CAGR which is above the midpoint of 5-8% growth. We believe this forecast could be conservative given the RNG market is still in its nascent stages and there could be incremental opportunities to increase investment in the space. RNG bill in NJ could drive incremental spending as well. We forecast consolidated EPS modestly above management's illustrative FY25 guidance of $2.00-$2.10 at $2.12 based on these positive tailwinds.

Exhibit 20: SJI EPS Estimates
Our EPS estimates remain unchanged

EPS Estimates	**2018A**	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
SJI - Utilities								
SJG	$0.98	$0.95	$1.13	$1.08	$1.06	$1.11	$1.09	$1.13
Elizabethtown	$0.00	$0.38	$0.49	$0.53	$0.53	$0.57	$0.58	$0.59
Total Utilities	**$0.98**	**$1.32**	**$1.62**	**$1.61**	**$1.60**	**$1.67**	**$1.68**	**$1.72**
Guidance								
Non-Utility								
SJEG	$0.50	$0.10	$0.25	$0.18	$0.16	$0.16	$0.15	$0.15
SJES	($0.01)	$0.00	$0.02	$0.02	$0.02	$0.02	$0.02	$0.02
SJES - Solar			$0.16	$0.09	$0.08	$0.07	$0.05	$0.04
RNG				$0.10	$0.18	$0.26	$0.33	$0.39
Midstream		$0.05	$0.04	$0.06	$0.06	$0.08	$0.08	$0.07
Total Energy	**$0.50**	**$0.10**	**$0.47**	**$0.45**	**$0.50**	**$0.58**	**$0.62**	**$0.66**
Guidance								
Parent & Other	($1.33)	($0.91)	($0.42)	($0.44)	($0.36)	($0.35)	($0.26)	($0.26)
Guidance								
Consolidated	**$1.38**	**$1.12**	**$1.68**	**$1.63**	**$1.74**	**$1.90**	**$2.03**	**$2.12**
Prior Estimate			**1.68**	**1.63**	**1.74**	**1.90**	**2.03**	**2.12**
Consensus		**1.11**	**1.58**	**1.62**	**1.69**	**1.78**	**1.89**	
Consensus '21-24 CAGR		***3.0%***						
BofA CAGR '21-25		**6.9%**						

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

Valuation; PO remains at $27

Our PO remains unchanged at $27 as we mark-to-market our most recent FY23 peer utility P/E multiple of 15.7x (from 16.5x) and now apply a 1x premium to the NJ utilities to account for likely constructive IIP result driven by continued settlement discussion as well as the potential for incremental spending. Our assumed ROE for RNG remains at 21.5% based on SJI's math - $7M in capex, assume 50/50 capital structure, and net income of $0.75M equals ROE of 21.5%. Our implied EV/EBITDA for RNG remains at ~12x. We continue to model phase one of PennEast and maintain the probability of completion at 50% given the favorable SCOTUS decision.

Exhibit 21: SJI SOTP Analysis
PO remains at $27 on latest tweaks

South Jersey Industries (SJI)	**Metric**			**P/E Multiple**						**Equity Value**	
South Jersey Industries (SJI)	*2023E EPS*		*Low*	*Peer*	*Prem/ Discount*	*Base*	*High*	-	*Low*	*Base*	*High*
Gas	-	-	-	**15.7x**	-	-	-	-	-	-	-
Group EPS '19-'23 CAGR - Gas	-	-	-	**5.0%**	-	-	-	-	-	-	-
	-	-	-	**16.5x**	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
South Jersey Gas (SJG)	$1.11	138	16.5x	16.5x	**1.0x**	17.5x	18.5x		$18.3	$19.4	$20.5
Elizabethtown Gas (ETG)	$0.57	71	16.5x	16.5x	**1.0x**	17.5x	18.5x		$9.3	$9.9	$10.5
Total SJI Utilities	**$1.67**		*16.5x*			*17.5x*	*18.5x*		**$27.6**	**$29.3**	**$31.0**
				Peer	*Prem/ Discount*	*Base*	*High*	-	*Low*	*Base*	*High*
				12.0x							
	2023E EPS										
Energy Group	$0.16		11.0x		**0.0x**	12.0x	13.0x		$1.8	$1.9	$2.1
Energy Services	$0.02		11.0x		**0.0x**	12.0x	13.0x		$0.2	$0.2	$0.2
Solar	$0.07										
	NPV										
Solar NPV of tax credits @ 4.5% discount rate	$99								$0.8	$0.8	$0.8

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	2023E EBITDA			*EV/EBITDA*			*Discount Rate*		*NPV of Cash Flows*	
RNG	$45	**Implied Multiple -- -->**		12.0x			7.4%		$541.4	
Total SJI Energy Group and Services	**$0.25**		*28.7x*			*29.5x*	*30.2x*	**$7.08**	**$7.26**	**$7.44**
SJI Midstream	**Metric**				**EV/EBITDA**				**Equity Value**	
	EBITDA		*Low*	*Peer*	*Prem/ Discount*	*Base*	*High*	*Low*	*Base*	*High*
		-	-	**9.5x**						
		-	8.5x	9.5x	**0.0x**	9.5x	10.5x			
Midstream - Penn East	$21		Probability		*50%*			$90	$100	$111
Less Net Debt								($38)	($38)	($38)
Total Midstream	**$21**							**$51**	**$62**	**$72**
Net Midstream Value Per Share								**$0.4**	**$0.5**	**$0.6**
		($Mn)			*Weight*					
Parent Net Debt		$2,072			*50%*			($1,036)	($1,036)	($1,036)
Add back: Parent Interest Exp	$0.35	$43	16.5x	17.5x	*50%*	17.5x	18.5x	$379	$379	$379
Parent SG&A drag	-$0.28	($35)	16.5x	17.5x	*100%*	17.5x	18.5x	($608)	($608)	($608)
Total Parent								**($1,265)**	**($1,265)**	**($1,265)**
Grand Total Equity Value								**$25.0**	**$27.0**	**$29.0**
Shares Outstanding 2023E									125	
Total Equity Value								**$25.00**	**$27.00**	**$29.00**
Current Price									$25.24	
NTM Dividend Yield									4.7%	
Total Return Potential									**11.7%**	

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

BofA Global Research Reports

South Jersey Industries	**Primary Author**	**Date Published**
US Electric Utilities & IPPs: AGA Conference Takes: Affirming Demand Upside; Hold the Inflation Concerns (https://rsch.baml.com/r?q=0zH8VrGvKd4j4YgTvzUVDQ)	Julien Dumoulin-Smith	20 May 2021
South Jersey Industries: LT Plan Outlined with Robust RNG Spend... Now we Turn to Execution (https://rsch.baml.com/r?q=YcDXM5qOl3SdJkVUlGhOug)	Julien Dumoulin-Smith	07 May 2021
South Jersey Industries: Upgrade to Buy: Analyst Day Reboot Should Highlight NJ's RNG Angle & More (https://rsch.baml.com/r?q=ugn6kbCUeTcuqxPK1GG2PQ)	Julien Dumoulin-Smith	28 April 2021

Spire (SR)

SR: A good platform to tout STL pipeline benefits

We expect management to dedicate a significant portion of the call to address the recent DC Circuit Court decision to vacate and remand the FERC certificate for STL pipeline, and tout the benefits of supply diversity (much like they did in front of the Missouri Public Service Commission [MoPSC] recently). SR could file for rehearing by the call and we expect that they would argue to include data since the pipeline has been online. The MO rate case is ongoing and hearings will start prior to the call where we continue to see the potential for at least a partial settlement. Though STL will likely be an overhang on shares for now, we reiterate Buy on a 12-month horizon as we could still see positive Street EPS revisions and rate case de-risking in MO re-rating shares higher on balance, further supported by incremental opportunities as management rolls out its RNG strategy.

Key Call Topics: STL Pipeline; MO rate case

STL pipeline has a cloudy path ahead; management will likely pitch the benefits

Management will likely spend time addressing the DC Circuit Court of Appeals opinion vacating the certificate of public convenience and necessity (CPCN) for SR's STL Pipeline and remanding the case back to FERC for further proceedings. SR must file for rehearing with the DC Circuit Court by Aug. 6, and we believe the company will file prior to that date to provide an opportunity to discuss the filing, the case, and the benefits that the pipe has provided since it was placed in service on their F3Q21 earnings call on Aug. 5. The debate will remain whether new facts are considered in appellate venue.

There are two paths on the Court's decision on rehearing, 1) the Court accepts SR's request and the stay remains in effect (i.e. the pipeline remains operational), or 2) the court rejects the request and the vactaur takes effect after seven days and the pipeline would have to cease operations. In the event of the latter, SR would have to file for an emergency certificate from FERC to keep the pipeline open. Based upon FERC Chairman Glick's public comments on natural gas pipelines, that will be a difficult venue.

We find that it will be critical for SR to build a coalition of supporters to show FERC that there is need for the pipe as evidenced by SR's recent presentation on the benefits and criticality of the pipe. SR continues to tout the diversity of supply that the pipe brings to the region and the support that it provided the system during the Feb. winter freeze. The MoPSC could be a strong advocate which could lead to support from FERC. We continue to believe that historical opposition from Chair Glick that the affiliate/need issues will be addressed prospectively rather than via STL given the more disruptive implications of shutting an operating pipeline. STL shutdown remains a risk but we emphasize the relatively low contribution vs consolidated (see below).

MO rate case is the other key watch item and is more important to the outlook

We continue to believe that there is an opportunity for settlement in SR's MO rate case, or partial settlement, ahead of hearings that start next Monday, July 26. The bid/ask on ROE and cap structure between SR's request and Staff/Office of Public Counsel's position is narrow. Staff recommends a 9.37% ROE and 54.25% equity layer while the OPC recommends a 9.25% ROE and 47.37% equity layer (vs ask of 9.95% ROE and 54.25% equity layer). *We find the low delta as supportive of a potential full settlement between parties in time.*

SR F3Q21 Earnings Walk: Miss and Reaffirm

Fiscal 3Q results are not overly meaningful with SR historically losing money or breaking even in the shoulder period. We forecast F3Q21 adjusted loss per share of -$0.02 compared to 2Q20 EPS of $0.07, consensus estimates of $0.01.

- **Key Drivers:** We forecast a decrease in EPS YoY with higher D&A (-$0.11) and the drag from Gas Marketing as management rebuilds reserves from Uri (-$0.05) too large to overcome with utility rate relief in the shoulder period.
- **Swing factors:** Customer growth has been a factor of late especially in the south. Given Winter Storm Uri and SR's monetization of reserves, we expect marketing to be a drag (-$0.05) on the quarter as SR rebuilds its reserves at higher gas prices YoY, but the exact impact is unclear.

Exhibit 22: SR F3Q21 Earnings Walk
We forecast a miss on marketing drag YoY

SR Fiscal 3Q21 Earnings Walk	**EPS**
SR Fiscal 3Q20 EPS	$0.07

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Utilities	**-$0.05**
Weather - normalize from fiscal 1Q20	$0.00
Weather- fiscal 1Q21	$0.00
Rate implementation/rate base growth:	
MO	0.07
AL	0.01
Gulf/MS	0.005
D&A	-0.11
O&M	-0.03
Lost Fees	0.00
Customer Growth	0.01
Taxes & Other	0.00
Storage and Pipeline	**$0.01**
STL Pipeline	0.00
Storage	0.01
Marketing	**-$0.05**
Marketing	-0.05
Parent	**$0.00**
Interest expense	0.00
Equity Units	-0.01
Dilution	0.00
SR Fiscal 3Q21 BofA Adjusted EPS	**-$0.02**
Fiscal 2Q21 Consensus	0.01
BofA 2021 EPS	**$4.42**
Guidance	**4.30-4.50**
2021 Consensus	4.44
SR Fiscal 3Q21 Shares Outstanding	51.9
SR Fiscal 3Q20 Shares Outstanding	51.2

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

EPS estimates unchanged. Street conservative '22-'23

Our EPS estimates remain unchanged as we do not assume that STL pipeline will be taken out of service at this time. This poses downside risk to our estimates at roughly $0.20/year (or -1.7% of our consolidated EPS estimate in '21 assuming worst case scenario it is taken offline in mid-August and ~4.4% and ~4.2% in '22 and '23, respectively). We await further clarity on whether or not the pipe is actually taken out of service, but, again, note that we believe taking supply offline would spark a sharp response from Missouri among other states exposed post winter storm Uri, especially through the winter season where more severe weather could pose increased risks to the system without adequate and diversified supply.

We see growth toward the midpoint of the LT EPS CAGR range of 5-7%, but could see this revised higher through incremental spending opportunities.

Exhibit 23: SR EPS Estimates
Our EPS estimates remain unchanged on our latest tweaks - still see growth near the midpoint

EPS Estimates	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Spire - Utilities							
Spire Missouri			$2.77	$3.11	$3.24	$3.30	$3.35
Spire Alabama			$1.34	$1.41	$1.48	$1.52	$1.57
Spire Gulf			$0.23	$0.24	$0.25	$0.25	$0.26
Spire Mississippi			$0.03	$0.03	$0.03	$0.03	$0.03
Total Utilities	**$3.93**	**$4.16**	**$4.37**	**$4.78**	**$4.99**	**$5.10**	**$5.21**
Spire - Marketing	**$0.38**	**$0.18**	**$0.65**	**$0.36**	**$0.36**	**$0.35**	**$0.33**
Spire - STL Pipeline			$0.20	$0.20	$0.20	$0.19	$0.18
Spire - STL Storage			$0.00	($0.00)	$0.00	$0.00	$0.00
Other Parent			($0.80)	($0.78)	($0.77)	($0.74)	($0.69)
Total Other	**($0.59)**	**($0.58)**	**($0.59)**	**($0.58)**	**($0.57)**	**($0.54)**	**($0.51)**
Consolidated	**$3.73**	**$3.76**	**$4.42**	**$4.56**	**$4.79**	**$4.90**	**$5.03**
Guidance			4.30-4.50				
Previous EPS	***$3.73***	***$3.76***	***$4.42***	***$4.56***			
Implied Mgmt EPS Guidance 5-7% (2019 base)							
Guidance Low (implied off '19)			$4.00	$4.32	$4.53	$4.76	
Guidance High (implied off '19)			$4.20	$4.57	$4.89	$5.23	
Guidance Midpoint			$4.10	$4.44	$4.71	$5.00	
Consensus	**3.75**	**3.74**	**4.44**	**4.43**	**4.68**	**4.92**	
Consensus '19-'24 CAGR	***5.7%***						
BofAe CAGR 2019-2024	**5.6%**						
DPS	**2.37**	**2.49**	**2.61**	**2.74**	**2.88**	**3.02**	**3.18**
Share Count	**51**	**51**	**52**	**53**	**54**	**56**	**58**

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

Valuation; PO to $77

Our PO moves to $77 (from $78) as we mark to market (MtM) '23E peer utility P/E multiples of 15.7x (from 15.9x). We continue to probability weight the STL pipeline by 50% in our valuation on an uncertain path forward. Fully-weighted, STL pipeline accounts for ~$4.24/share in our valuation. We continue to apply a 1x premium on MO to account for growth potential and supportive ISRS recovery partially offset by potential supply risk from STL being offline.

We continue to see attractive 12%+ potential total return on our SOTP analysis following the recent STL-related weakness and reiterate our Buy rating on healthy, low-risk capital spending driving solid rate base and EPS growth.

Exhibit 24: SR SOTP Analysis
Our PO moves to $77 (from $78) on latest MtM

	Metric			**P/E Multiple**						**Equity Value**	
					Prem/						
Spire	*2023E*		*Low*	*Peer*	*Discount*	*Base*	*High*		*Low*	*Base*	*High*
Gas		-	-	**15.7x**	-	-	-	-	-	-	-
Group EPS '19-'23 CAGR - Gas		-	-	**5.0%**	-	-	-	-	-	-	-
		-	-	**16.5x**	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
Spire - MO	$3.24		16.5x	16.5x	**1.0x**	17.5x	18.5x		$53	$57	$60
Spire - AL	$1.48		17.5x	16.5x	**2.0x**	18.5x	19.5x		$26	$27	$29
Spire - MS	$0.25		17.5x	16.5x	**2.0x**	18.5x	19.5x		$4	$5	$5
Spire - Gulf	$0.03		17.5x	16.5x	**2.0x**	18.5x	19.5x		$1	$1	$1

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Total Spire Utilities	**$4.99**		*16.8x*			*17.8x*	*18.8x*	**$84**	**$89**	**$94**
Spire Midstream	**Metric**				**EV/EBITDA**				**Equity Value**	
	EBITDA	*Prob*	*Low*	*Peer*	*Prem/ Discount*	*Base*	*High*	*Low*	*Base*	*High*
Midstream - Pipeline, Storage & Marketing		-	-	**9.5x**						
Spire STL Pipeline	$24	50%	8.5x	9.5x	**0.0x**	9.5x	10.5x	$102	$114	$126
Spire Storage	$3	100%	4.5x	9.5x	**-4.0x**	5.5x	6.5x	$16	$19	$22
Spire Marketing	$24	100%	4.5x	9.5x	**-4.0x**	5.5x	6.5x	$110	$134	$158
Less Net Debt	-							($103)	($103)	($103)
Total Midstream	**$52**							**$124**	**$164**	**$204**
Net Midstream Value Per Share								**$2**	**$3**	**$4**
		($Mn)			*Weight*					
Parent Net Debt		**$637**			*50%*				($319)	
Parent & Other Drag	-$0.77	($41)		17.8x					($738)	-
Add back: Parent Interest Expense	$0.47	$25		17.8x	*50%*				$227	-
Total Parent								**($829)**	**($829)**	**($829)**
Grand Total Equity Value								**$71.00**	**$77.00**	**$83.00**
Shares Outstanding 2023E									54	
Total Equity Value								**$71.00**	**$77.00**	**$83.00**
Current Price									$71.26	
NTM Dividend Yield									3.7%	
Total Return Potential									**11.7%**	

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

BofA Global Research Reports

Spire	**Primary Author**	**Date Published**
Spire: STL Saga: It's early with a lot of hypotheticals out there (https://rsch.baml.com/r?q=8NGGqTRopVSfNjwMRmXLHg)	Julien Dumoulin-Smith	30 June 2021
Spire: DC Circuit vacates STL Pipe certificate; disappointing, path ahead unclear (https://rsch.baml.com/r?q=X7wj8Dk!wTI2H0Agtx3aXQ)	Julien Dumoulin-Smith	23 June 2021
Spire: Emerges as an industry leading LDC thru Feb events; May should de-risk further (https://rsch.baml.com/r?q=ZLIjlZ1Rnk931fY7Zg15wg)	Julien Dumoulin-Smith	10 May 2021

Southwest Gas Holdings (SWX)

SWX: Focus on RDC deal though details sparse until close

We reiterate Neutral based on the recently announced Riggs Distler (RDC) deal and our view that the AZ tracker reconciliation filing will not be as much of a contentious point as we previously thought. Our focus for AZ, SWX's largest jurisdiction, is the upcoming rate case to be filed in late '21 or early '22 and the Commission process to evaluate their treatment of post-test year plant (PTYP). Success could be constructive by reducing utilities' regulatory lag and the frequency of rate cases but the Commission has been too unpredictable to ascribe credit. We expect focus on the call to be centered on the recently announced acquisition of infrastructure services company, RDC, but caution investors from expecting incremental disclosure from what was detailed with deal announcement as they await transaction close.

Key Call Topics: Riggs Distler acquisition, AZ regulatory

Await additional disclosure around the RDC deal, but find

In late June SWX announced the acquisition of Riggs Distler (RDC), an infrastructure services company that serves utilities, for $855M in cash **100% funded by Centuri debt**. Management sees ~$600M in revenue growth at RDC from 2020 to 2024, or 22% CAGR with growth supported at the core by its electric utility transmission and distribution (T&D) work, which has a tailwind in the Northeast and Mid-Atlantic as utilities look to modernize and harden the grid following a number of recent, devastating storm, and has a number of intriguing additional opportunities for growth in 5G and renewables projects, specifically in the burgeoning offshore wind industry. Expect more detail and clarification on the drivers behind the growth assumptions during the call.

We think the deal improves the optionality for a spin or other strategic opportunity. For example it is clear from the modest upside we see in our SOTP that SWX may not be getting full credit for the business in its valuation. That said, we do not see management acting on this in the short-to-medium-term given as the company likely wants to realize some of the benefits of the deal and integrate the company with its legacy infrastructure services company, Centuri, prior to a potential divestiture. *See more details on our assumptions and thoughts in our recent upgrade note* - Southwest Gas Holdings: Move to Neutral: Infra acquisition lowers AZ exposure, increases strategic opps 30 June 2021 (https://rsch.baml.com/r?q=dKs5mq1TNF05mR!29PnjWA)

AZ continues to be key to watch; puts and takes here

At the end of May, SWX filed applications to recover outstanding revenue requirement for both the Customer-Owned Yardline (COYL) Program and Vintage Steel Pipe (VSP) Replacement Program. Staff will file their recommendation in the summer and the Commission will consider both sides before coming to a conclusion (potentially in the ~Oct. timeframe). *We are less concerned on the immediate filing given the capital has already been spent and Staff asked them to defer recovery of the spending during the pandemic to seek recovery of it when it would have less of an impact on customers.*

We note the parallel process initiated by Chairwomen Peterson to look at the Commission's treatment of PTYP and, as a reminder, comments were recently filed and all were to be expected from parties. SWX will be filing another general rate case around the end of the year, initiating a renewed period of uncertainty.

We maintain our caution on the AZ backdrop following latest decisions from the ACC. While rejecting recovery of basic cost recovery rider for energy efficiency for SWX's electric peer APS, we see another difficult year in persuading the commission on merits of trackers, particularly considering the overall bill commitments commented on by the ACC in recent months.

SWX 2Q21 Earnings Walk: Beat and No Guidance

We forecast 2Q21 adjusted EPS of $0.50 -10% vs $0.45 Street and meaningfully lower YoY from 2Q20 EPS $0.68. We note management removed FY21 EPS guidance when they announced the acquisition of RDC as they await details on the impact for the year.

- **Key Drivers:** We forecast a decrease in EPS YoY driven by new rates in all jurisdictions (+$0.13) and customer growth (+$0.05), and lower interest expense of (+$0.01). This is more offset by loss of COLI (-$0.17), higher O&M (-$0.07), and higher D&A (-$0.05).
- **Swing factors:** COLI impact for the quarter is unknown, but going forward, the volatility and change YoY should be reduced based on management move toward more fixed income vs equities.

Exhibit 25: SWX 2Q21 Earnings Walk
See beat but continue to see lower '21 EPS on the RDC deal

SWX 2Q21 Earnings Walk	**EPS**
SWX 2Q20 EPS	0.68
Weather - normalize from 4Q19	$0.00
Weather- 4Q20	$0.00
Utilities	**-$0.11**
Rate implementation:	

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AZ	0.07
NV	0.05
CA	0.01
Riders	0.00
D&A	-0.05
O&M	-0.07
COLI	-0.17
Customer Growth	0.05
Centuri	**-$0.01**
Operating Margin	0.01
NCI	-0.02
Other	**-$0.06**
Interest expense	-0.02
Dilution	-0.04
SWX 2Q BofAe Adjusted EPS	**$0.50**
Consensus	0.45
BofAe 2021 EPS	**3.96**
2021 Guidance	**N/A**
2021 Consensus	4.14
SWX 2Q21 Shares Outstanding	59
SWX 2Q20 Shares Outstanding	56
Tax Rate	22%

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

EPS estimates; modestly higher in outer years

Our EPS estimates increase by the contribution from RDC. Execution on regulatory matters and growth for RDC will be key to EPS estimates going forward. We include RDC into our estimates, but note that we are still awaiting detail on some key assumptions, specifically more detail on the financing, depreciation, capex outlook, etc.). **We see $0.36 of EPS in '22 (or ~9% accretion to our previous estimates) as we model management** assumptions around revenue growth and EBITDA. In the cases where we do not have detail (debt balance and D&A) we use reasonable assumptions based on market rates and use Centuri as a proxy. We await key detail on multiple assumptions that will allow us to fine tune our estimates - expect more clarity in Q3 on deal close. BofA is well below Street in 2021, likely due to timing considerations on the acquisition, but is in-line FY22-23.

Additionally, we stress that timing of the next full rate case filing will also be a key driver to 2022/2023 EPS, although we currently assume new rates into late-2022/2023 based on a ~12 month proceeding following a late 2021 filing.

Exhibit 26: SWX EPS Estimates
Our EPS estimates increase modestly over the forecast period based on improved earned ROEs at AZ vs prior assumption

EPS Estimates	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Southwest Gas Holdings, Inc. (SWX)								
Arizona			1.19	1.37	1.22	1.42	1.50	1.58
Nevada			1.13	1.11	1.10	1.15	1.28	1.33
California			0.27	0.34	0.39	0.44	0.49	0.53
Pauite Pipeline Company			0.15	0.16	0.16	0.16	0.17	0.17
Total Utility (Gas LDC & Pipeline)	**2.81**	**3.00**	**2.84**	**2.97**	**2.86**	**3.18**	**3.43**	**3.61**
Non-Utility (Utility Infrastructure Services)	**0.91**	**0.96**	**1.34**	**1.12**	**1.58**	**1.68**	**1.80**	**1.91**
Other - Corporate & Administrative	**(0.03)**	**(0.03)**	**(0.03)**	**(0.12)**	**(0.10)**	**(0.10)**	**(0.10)**	**(0.11)**
Consolidated EPS	**3.68**	**3.94**	**4.14**	**3.96**	**4.35**	**4.76**	**5.13**	**5.41**
Mgmt EPS Guidance								
Guidance Low		$3.60	$3.75					
Guidance High		$3.80	$4.00					
Guidance Midpoint		$3.70	$3.88					
Prior Estimate			**4.14**	**3.96**	**4.32**			
Consensus			**3.95**	**4.14**	**4.35**	**4.72**		
BofA RB CAGR 2020-2024		**8.1%**						
RB CAGR 2020-2024 Guidance		**+8.6%**						
Consensus '19-'22 EPS CAGR		***3.3%***						
BofA '19-'22 EPS CAGR		**3.4%**						
BofA '20-'23 EPS CAGR		**4.7%**						
BofA '20-'24 EPS CAGR		**5.5%**						

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

Valuation; PO remains at $69

Our PO remains at $69 as we adjust our HoldCo debt assumptions. We see ~$0.36 of EPS from RDC in '22, or 9% accretion to our est. prior to the announcement. We mark-to-market of FY23E peer utility P/E multiples of 15.7x (from 15.9x). We continue to apply a 2.5x discount to AZ as we view the tracker filing as likely less contentious than previously thought though we continue to view the state as one of the most customer-centric, utility-restrictive jurisdictions. We mark our Centuri valuation to peers PWR and MTZ FY23 EV/EBITDA of 8.8x (from 9.2x).

Exhibit 27: SWX SOTP Analysis
Our PO remains at $69 on our latest tweaks

Southwest Gas Holdings, Inc. (SWX)	**Metric**		**P/E Multiple**					**Equity Value**		
	2023E		**Low**	**Peer**	**Prem (Disc)**	**Base**	**High**	**Low**	**Base**	**High**
Gas Utility				**15.7x**						
Group EPS '19-'23 CAGR - Gas				*5.0%*						
Assigned Multiple				**16.5x**						
Natural Gas Operations (Utility)	**EPS**									
Arizona	$ 1.42		13.0x	16.5x	-2.5x	14.0x	15.0x	$18.49	$19.92	$21.34
Nevada	$ 1.15		14.5x	16.5x	-1.0x	15.5x	16.5x	$16.73	$17.88	$19.04
California	$ 0.44		14.5x	16.5x	-1.0x	15.5x	16.5x	$6.36	$6.80	$7.24
Total State Regulated Utilities	**$ 3.02**		**13.8x**			**14.8x**	**15.8x**	**$41.58**	**$44.60**	**$47.62**
			Peer EV/EBITDA							
Pipeline (FERC Regulated)	**EPS**	**EBITDA ($mn)**	Low	**Peer**	Prem (Disc)	Base	High			
Pauite Pipeline Company	$ 0.16	27.9	8.5x	**9.5x**	0.0x	9.5x	10.5x	237	265	293
Less: Net Debt								(71)	(71)	(71)
Implied Equity Value								**166**	**194**	**222**
Implied Equity Value Per Share								**$2.63**	**$3.07**	**$3.51**

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Total Natural Gas Operations	**$ 3.18**							**$44.21**	**$47.67**	**$51.13**
Utility Infrastructure Services (Non-Regulated)		**EBITDA**	Low	**Peer**	Prem (Disc)	Base	High			
Utility Infrastructure Services	$ 1.68	361.2	7.8x	**8.8x**	0.0x	8.8x	9.8x	2,818	3,179	3,540
Less: Net Debt								(1,617)	(1,617)	(1,617)
Implied Equity Value								**1,200**	**1,561**	**1,923**
Infrastructure Equity Value Per Share								**$19.02**	**$24.74**	**$30.47**
Other - Corporate & Admin.										
Other - Corporate & Admin.	$ (0.10)		13.8x	**16.5x**	0.0x	14.8x	15.8x	-$1.41	-$1.51	-$1.62
				Weight						
Parent Net Debt	348.0			*50%*				($2.8)	($2.8)	($2.8)
Parent Interest Exp	$ 0.17			*50%*	15.5x			$1.3	$1.3	$1.3
Total Parent								**-$2.82**	**-$2.92**	**-$3.03**
Shares O/S (mn)									63	
SWX Total Equity Value	$ 4.76							**$60.0**	**$69.0**	**$79.0**
Implied Consolidated P/E									*14.5x*	
Current Price									*$69.42*	
Dividend Yield									3.2%	
Total Return Potential									**2.6%**	

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

BofA Global Research Reports

Southwest Gas Holdings	Primary Author	Date Published
Southwest Gas Holdings: Move to Neutral: Infra acquisition lowers AZ exposure, increases strategic opps (https://rsch.baml.com/r?q=dKs5mq1TNF05mR!29PnjWA)	Julien Dumoulin-Smith	30 June 2021
Southwest Gas Holdings: AZ Overhang Continues; Can The Construct Improve? To Be Seen (https://rsch.baml.com/r?q=Twllc-IEll51wAKHkbm4YA)	Julien Dumoulin-Smith	14 June 2021

UGI Corp (UGI)

UGI: Mild updated following investor day

We are expecting a mild update post-investor day in late-Jun. We will be watching for 1) increased clarity around UGI's renewables pipeline where we see a range of potential avenues for expansion in renewables above the $1B+ target given the numerous end markets UGI operates in domestically and abroad and 2) any additional clarity around ROE assumptions of 10%+. We would like to see more clarity on the segment level contribution to management's growth projections, but understand the difficultly therein. The Mountaineer Gas transaction is progressing through the regulatory process with many parties citing their perceived benefits of the deal - we find this supportive. Reiterate Buy.

Key Call Topics: Renewables, Mountaineer

Renewables are key to the story from here

UGI recently announced a proposed JV with SHV Energy to advance the production and distribution of Renewable Dimethyl Ether (rDME) which is working through formal regulatory process with ~YE21 expected close. *Expect some update on how the regulatory process is proceeding here.* There is good line of sight on the first project of six over the next five years totaling $1B in investment (split 50/50 between partners with the ability for third-party investment as desired), and as the first project starts to crystalize, the other five will gain some clarity. These rDME agreements are typically 1-5 years contracts. On balance, rDME is less sensitive to market dynamics such as RINS credits and appears to produce a potentially better long-term return.

We have seen increased momentum of late and expect this to only accelerate through time, though management has stated it is difficult to pin down the exact timeline for investment. We expect to have more clarity on this in time as UGI gains experience and projects become more predictable. This remains a key question into 2022 and 2023 as we look towards initial project contributions. We also watch the risk profile of renewable investments here too - as management looks towards contracting RNG vs selling more spot on Renewable Identification Numbers (RINS) and Low Carbon Fuel Standard (LCFS) credits.

See our most recent note for more detail on the renewables strategy - UGI Corp.: Upgrading to Buy: Renewable Gas Upsides of All Flavors Drive Highest Growth 23 June 2021 (https://rsch.baml.com/r?q=AMDarYS-iACP9MIvT!OkRA)

Parties are complementary of Mountaineer transaction

Generally supportive testimony was filed in the WV pending UGI-Mountaineer Gas acquisition docket in early July from important parties including the West Virginia Public Service Commission Staff, energy groups, and workers advocates. UGI's ability to attract lower cost capital and accelerate infrastructure replacement spending to support job growth was highlighted in particular. Other parties highlighted that there be no adverse impact to customers from the transaction (i.e. no transaction-related costs be recovered in rates). *The UGI-Mountaineer transaction was viewed as low risk and we are incrementally favorable following better than expected intervenor testimony. We think adding low risk regulated utility earnings to the diversified UGI mix should dampen weather volatility and support broader credit considerations, in addition to earnings accretion.*

UGI F3Q21 Earnings Walk: Miss and Reaffirm

We forecast F3Q21 adjusted EPS of $0.08 compared to F3Q20 EPS of $0.08, consensus estimates of $0.10. Our FY21 EPS estimate remains at the top-end of management's revised guidance range $2.97 BofA/$3.00 Street vs $2.90-$3.00 guidance.

- **Key Drivers:** We forecast flat EPS YoY driven by new rates in PA (+$0.04), other/COVID impact reversal (+$0.07), and improvement in UGI Intl. driven by return to more normal weather (+$0.01). This is completely offset by return to more normal weather at the utilities (-$0.04), higher O&M (-$0.03), and higher D&A (-$0.02).
- **Swing factors:** Where weather will come in will impact our estimates as we forecast mild/normal heating degree days (HDD) for the quarter. Margins at LPG should be slightly better given propane prices, but we feel this will be offset by lower volumes and cylinders with some degree of reopening normalization. We will be watching O&M more generally as well.

Exhibit 28: UGI F3Q21 Earnings Walk
We see a slight miss driven by seasonality of LPG and weather

UGI Fiscal 3Q21 Earnings Walk	EPS
UGI Fiscal 3Q20 EPS	0.08
Weather - normalize from Fiscal 3Q20	-$0.04
Weather- Fiscal 3Q21	$0.00
Utility	**$0.00**
Rate implementation:	
PA	0.04
WV (acquired in fiscal 2Q21)	0.00
Riders	0.00
D&A	-0.02
O&M	-0.03
Customer Growth	0.01

BofA SECURITIES
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Amerigas (US Propane)	**-$0.02**
Operating Income	-0.02
Interest Expense/Other	0.00
UGI International (Intl Propane)	**$0.01**
UGI INTL	0.01
Interest Expense/Other	0.00
Midstream & Marketing	**-$0.02**
Operating Income	-0.02
Interest Expense/Other	0.00
Renewables	**$0.00**
Operating Income	0.00
Interest Expense/Other	0.00
Other	**$0.07**
Interest expense	0.00
Dilution	0.00
Other/COVID	0.07
Fiscal 3Q21 BofAe Adjusted EPS	**$0.08**
Consensus	0.10
BofAe 2021 EPS	**$2.97**
2021 Guidance	**2.90-3.00**
2021 Consensus	3.00
UGI Fiscal 3Q21 Shares Outstanding	126
UGI Fiscal 3Q20 Shares Outstanding	120

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

EPS estimates; unchanged at top of range

Our EPS estimates for FY21-FY25 remain unchanged following our most recent updated post-investor day. We continue to see a ~9.3% EPS CAGR through the FY20-FY25 forecast period using the midpoint of original FY20 EPS guidance of $2.75 vs guidance of +6-10%. We acknowledge that our long-term EPS CAGR is at the high end of guidance, but our estimates include an 11% EPS CAGR (more weighted to the out years) at midstream that is driven by execution at Columbia Midstream Group (CMG) and PennEast and our bullish assumption on growth at the renewables segment.

We stress that ROEs on these renewables investments could see upward bias based on market prices for LCFS credits and RINs. We also still see bias towards higher ROEs given our view that management is being conservative on its pricing assumptions altogether, especially for projects already in the works (Idaho, NY) that conceivably could come online in time to monetize higher-priced credits.

At the utility, we continue to assume LT EPS growth of ~9% given elevated rate base growth with minimal bill inflation. At the propane businesses, we see a 6% LT EPS CAGR at Amerigas and 2% EPS CAGR at UGI International.

Our 9.3% LT EPS CAGR is among the best for any LDC or utility peer out there, we see this underpinned by strong growth at the utility and an aggressive push into renewables.

Exhibit 29: UGI EPS Estimates
Our EPS estimates remain unchanged following our most recent update post-investor day

EPS Estimates	**2019A**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
AmeriGas Propane		$0.74	$0.87	$0.78	$0.76	$0.89	$1.01
UGI International		$0.82	$0.83	$0.85	$0.87	$0.89	$0.91
Midstream & Marketing		$0.44	$0.54	$0.60	$0.67	$0.70	$0.73
UGI Utilities		$0.65	$0.69	$0.75	$0.83	$0.91	$1.01
Renewable Energy Solutions (RNG)			$0.07	$0.20	$0.35	$0.51	$0.66
Corporate & Other		$0.02	($0.02)	($0.02)	($0.02)	($0.02)	($0.02)
TOTAL Consolidated EPS	**$2.28**	**$2.67**	**$2.97**	**$3.15**	**$3.46**	**$3.87**	**$4.30**
Guidance Low		$2.45	$2.90	$3.09	$3.28	$3.50	$3.68
Guidance High		$2.55	$3.00	$3.33	$3.66	$4.00	$4.43
Midpoint			$2.95	$3.21	$3.47	$3.75	$4.05
Guidance - EPS Growth Rate - Long Term				*6-10%*			
Shares O/S	181.1	209.9	212.5	212.5	212.5	212.5	212.5
Prior Estimate		2.67	2.96	3.11	3.37	3.75	4.15
Consensus	**2.34**	**2.48**	**3.00**	**3.23**	**3.42**		
Consensus '20-'23 CAGR	***7.5%***						
BofAe CAGR 2020-2025 (off '20 $2.75 original mid-point)	**9.3%**						
Guidance LT EPS CAGR	6-10%						
DPS	**1.15**	**1.31**	**1.35**	**1.40**	**1.46**	**1.51**	**1.58**
Guidance - DPS Growth Rate - Long Term				4% DPS CAGR Target			
Dividend Pay-out	**50%**	**49%**	**45%**	**44%**	**42%**	**39%**	**37%**
Guidance - Payout				35%-45% Target			

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

Valuation; PO unchanged at $51

Our PO remains at $51 after marking to market the UGI utilities in our SOTP valuation with '23E peer P/E multiples to 15.7x (from 16.4x) for gas and 17.6x (from 17.8x) for electric with a 1x premium on gas given derisked backdrop post rate case and healthy rate base growth.

For US and International propane, we apply an 8.7x EBITDA multiple (unchanged), in line with other propane comps and add a 0.5x premium on International given our view that the push into bioLPG and rDME will assuage broader decarbonization concerns and potentially drive outsized growth. We apply a 9.2x EV/multiple (from 9.5x) on the Midstream segment with premiums depending on the asset and we now include a 1x premium for CMG given management's constructive comments on the investor day. Note that we continue to weight CMG and PennEast at 50% and 50% probability, respectively, given the uncertainty around execution.

For the renewables business, we take the NPV of future cash flows, which implies about a 13+x EV/EBITDA multiple (in line to slightly higher than our valuation to peers such as SJI and the small sample set of publicly-traded RNG). We see the renewables growth as the single largest driver of the story and we see shares rerating higher as UGI integrates the renewables spending into its medium-term EPS guidance and starts to execute on renewables projects.

Exhibit 30: UGI SOTP Analysis
PO remains at $51 on latest tweaks

UGI Corp SOTP Analysis									
UGI Utilities	**Metric**		**P/E Multiple**				**Equity Value**		
-	2023 EPS	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
Gas Utility	-	-	**15.7x**	-	-	-	-	-	-

Group EPS '19-'23 CAGR - Gas				**5%**						
UGI Utilities (Gas LDC)	$0.75		16.5x	**16.5x**	**1.0x**	17.5x	18.5x	**$2,639**	**$2,799**	**$2,959**
Electric Utility				**17.6x**						
Group EPS '19-'23 CAGR - Electric				**5%**						
UGI Utilities (Electric <10% of Utility EPS)	$0.07		17.5x	**18.5x**	**0.0x**	18.5x	19.5x	**$277**	**$293**	**$308**
UGI Utilities - Equity Value Per Share	**$0.83**		16.6x			17.6x	18.6x	**$14**	**$15**	**$15**
Global LPG	**Metric**			**EV/EBITDA**					**Equity Value**	
Amerigas Propane (U.S. Propane)										
	2023 EBITDA		Low	Peer	Prem/ Discount	Base	High	Low	Base	High
				8.7x						
	$651		7.7x	8.7x	**0.0x**	8.7x	9.7x			
AmeriGas Propane - Equity Value								$5,016	$5,668	$6,319
Less: Amerigas Propane Debt								($3,162)	($3,162)	($3,162)
Amerigas Propane - Equity Value								$1,854	$2,506	$3,157
Amerigas Propane - Equity Value Per Share								**$9**	**$12**	**$15**
UGI International (European Propane)										
	2023 EBITDA		Low	Peer	Prem/ Discount	Base	High	Low	Base	High
				8.7x						
	$407		8.2x	8.7x	**0.5x**	9.2x	10.2x			
UGI International								$3,338	$3,745	$4,152
Less: UGI International Debt								($922)	($922)	($922)
UGI International - Equity Value								**$2,417**	**$2,824**	**$3,231**
UGI International - Equity Value per Share								**$11**	**$13**	**$15**
Midstream & Marketing	**Metric**			**EV/EBITDA**					**Equity Value**	
	2023 EBITDA		Low	Peer	Prem/ Discount	Base	High	Low	Base	High
			Midstream Peer Group ->	**9.2x**						
			8.2x	9.2x	**0.0x**	9.2x	10.2x			
Legacy Midstream (Gathering & Processing, Marketing)	$56		9.2x	9.2x	**1.0x**	10.2x	11.2x	$518	$575	$631
Auburn Pipeline	$10		8.2x	9.2x	**0.0x**	9.2x	10.2x	$79	$88	$98
Columbia Midstream Group (CMG - gathering & processing)	$138		9.2x	9.2x	**1.0x**	10.2x	11.2x	$1,270	$1,408	$1,546
Bethlehem LNG (regas facility)	$17		11.2x	9.2x	**3.0x**	12.2x	13.2x	$194	$211	$228
					Probability					
CMG - Expansion	$40				*50%*			$164	$204	$0
Penn East	$24				*50%*			$100	$112	$124
Total Midstream & Marketing	**$286**							**$2,325**	**$2,599**	**$2,628**
Less: UGI Midstream Debt								($953)	($953)	($953)
Total Midstream Equity Value								**$1,372**	**$1,646**	**$1,675**
Midstream - Equity Value per Share								**$6**	**$8**	**$8**
Renewable Energy Solutions	**Metric**				**EV/EBITDA**				**Equity Value**	
	2023 EBITDA						Discount Rate		NPV of Cash Flows	
RNG/Hydrogen/Other	$93	**Implied Multiple ---->**			13.2x		8%	**$1,223**	**$1,223**	**$1,223**
Renewables- Equity Value per Share								**$6**	**$6**	**$6**
Parent	**Metric**			**P/E Multiple**					**Equity Value**	
		($Mn)			*Weight*					
Parent Net Debt		$721			*50%*			($360)	($360)	($360)
Parent Interest Exp	-$0.09	($20)	17.6x	18.6x	*50%*	18.6x	19.6x	($185)	($185)	($185)
Total Parent								**($546)**	**($546)**	**($546)**
Total Parent Equity Value per Share								**($3)**	**($3)**	**($3)**
Grand Total Equity Value								**$9,237**	**$10,744**	**$12,008**
Shares Outstanding 2023E									213	
Total Equity Value								**$43**	**$51**	**$57**
Current UGI Share Price									$45.37	
NTM Dividend Yield									3.0%	
Total Return Potential									15.4%	

Source: BofA Global Research estimates, company report, Bloomberg

BofA GLOBAL RESEARCH

BofA Global Research Reports

UGI	Primary Author	Date Published
UGI Corp.: Upgrading to Buy: Renewable Gas Upsides of All Flavors Drive Highest Growth (https://rsch.baml.com/r?q=AMDarYS-iACP9MIvT!OkRA)	Julien Dumoulin-Smith	23 June 2021
US Electric Utilities & IPPs: AGA Conference Takes Day 2: Don't Even Worry About Inflation Here? Pos 2Q Setup (https://rsch.baml.com/r?q=Jr!psgna0sF-Q9Efpv-xBw)	Julien Dumoulin-Smith	21 May 2021
UGI Corp.: Core Business Healthy as Renewable Gas Strategy Continue to Take Shape (https://rsch.baml.com/r?q=HWjyVp9V8iK2xcgGK3iy!g)	Julien Dumoulin-Smith	10 May 2021
UGI Corp.: Transitioning to Renewables of All Flavors with Execution Top-of-Mind (https://rsch.baml.com/r?q=efFbPwUglwhMbPIGuRMmBw)	Julien Dumoulin-Smith	03 May 2021

Unitil Corp (UTL)

UTL: NH rate cases still key; prem. val. keeps us U/P

We reiterate our Underperform despite continued positive data points in the ongoing rate case given very premium valuation. There seems to be some investor perception of M&A potential; however, we believe a transaction will be challenging at this valuation with regulatory uncertainty. In our view, the fundamentals of the business, 6.5-8.5% rate base growth driving 5-7% EPS growth and slightly above average regulatory jurisdictions, do not screen "top-tier" as the multiple might suggest. UTL is among the single highest valued electric and/or gas name under coverage (+2.5x premium to regulated peers). We continue to see downside to the current valuation as UTL rerates closer to its implied multiple based on our view of the fundamentals.

Key Call Topics: NH rate case, customer growth, decarbonization

UES rate case in NH progressing positively; NU NH details forthcoming

UTL is active with a multi-year rate case ongoing at its NH electric business, Unitil Energy Systems (UES), with new rates expected to be effective in 1H22. An interim rate increase of +$4.45M effective June 1st. Key dates in the UES rate case include Staff/OCA/Intervenor Testimony on Nov. 18, 2021, settlement conferences on Jan. 11 and Jan. 13, 2022, and hearing dates during the month of Feb. 2022. UTL has filed a notice of intent to file at its NH gas sub, Northern Utilities NH (NU NH), for an increase of $7.7M - the notice was silent on ROE, capital structure, etc., and management expects new rates effective in 2H22.

BofA SECURITIES

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We note there has been a positive and complimentary response to the rate case, in particular with the transparency and clarity with all the effort to reduce bill impact. The staff overall seem to feel positive about the case, with no unexpected or contentious on top of the usual technical issues associated with rate base or cost of capital.

Decoupling is the largest driver of the case and we do not view it as a contentious point because the Commission required them to file for the mechanism. When rates are in effect at UES and NU NH, around 80% of UTL meters will be decoupled, and around 75% of UTL's non-growth related capital investments will be recovered over the next three years, either through a tracking mechanism or though multiyear rate plans. There will be more certainty around cash flow and accelerated recovery of capital investments that will drive EPS growth closer to rate base growth. As a reminder, multi-year rate plans are capped at 2.5% increase over prior years.

Customer growth/load trends seem healthy

Expect an update on the trend of a healthier economic backdrop across UTL's service territory. UTL could see a summer influx as their territories are located next to the coast, and new housing permits are strong which is indicative of the broader trend of people moving out of cities to the suburbs. Altogether backdrop reduces risks on more volumetrically sensitive utility.

Decarbonization

Recently, UTL announced to reduce its *direct* greenhouse gas emissions (company buildings, vehicles, and pipelines) by at least 50% from 2019 levels by 2030, and net-zero emissions by 2050 (remember, UTL does not generate electricity). This goal will be achieved in part by RNG blending in its gas distribution system. *We see this as consistent with many peer utilities and gas utilities providing formal targets. We look to understand blending prospects as a piece of this - and how and to what extent the utility will seek to procure these sources of gas.*

UTL 2Q21 Earnings Walk: In-line and Reaffirm

We forecast 2Q21 adjusted EPS of $0.21 compared to 2Q20 EPS of $0.21, consensus estimates of $0.20.

- **Key Drivers:** We forecast flat EPS YoY driven by the implementation of interim rates at UES starting Jun. 1 (+$0.02), other rate relief (+$0.02), reversal of COVID impact (+$0.04), and customer growth (+$0.02). This is offset by higher D&A (-$0.05), higher O&M (-$0.04), and incremental interest expense (-$0.01).
- **Swing factors:** Customer growth and load will be crucial to watch this quarter - our view is that management's commentary on the 1Q call and the continuation of positive trends will be supportive of results.

Exhibit 31: UTL 2Q21 Earnings Walk
We see slight beat driven by customer growth

Unitil Corp 2Q21 Earnings Walk	**EPS**
EPS 2Q20	$0.21
Weather	
Return to normal (2Q20)	$0.01
Current quarter (2Q21)	($0.01)
Rate Changes (Base rates and Capital Trackers)	
Northern Utilities New Hampshire	$0.00
Northern Utilities Maine	$0.01
Unitil Energy	$0.02
Fitchburg Electric	$0.00
Fitchburg Gas	$0.01
Granite Pipeline (ME and NH)	$0.00
Other	
D&A	($0.05)
O&M	($0.04)
COVID Impact	$0.04
Interest & debt issuances	($0.01)
Property tax abatement	$0.00
Customer Growth	$0.02
Dilution	($0.00)
2Q21E Adjusted EPS	**$0.21**
2Q21 Consensus	$0.20
2021 BofA EPS	**$2.32**
2021 Consensus	$2.55
Shares Outstanding 2Q21	15.1
Shares Outstanding 2Q20	14.9

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

EPS estimates; unchanged

We provide our EPS estimates below, which remain unchanged. Continue to see EPS growth of ~6.2% through 2025, See reasonable growth vs peers, but still difficult to warrant the substantial premium. *Consensus estimates are thin with only 1-2 non BofA inputs in most periods.*

Exhibit 32: UTL EPS Estimates
Our EPS estimates remain unchanged

EPS Estimates	**2018A**	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Consolidated EPS	**2.23**	**2.31**	**2.15**	**2.32**	**2.49**	**2.63**	**2.79**	**2.95**
Consensus				*2.55*	*2.71*	*2.84*		
Previous Ests			*2.15*	*2.32*	*2.49*	*2.63*	*2.79*	*2.95*
Y/Y Change in Published Estimates	8%	3%	-7%	8%	7%	5%	6%	6%
BofA CAGR '20-'25						0.069716		
BofA CAGR '21-'25								
UTL CAGR '12-'19 (actual)								
ROE (GAAP)	*9.6%*	*12.1%*	*8.4%*	*8.6%*	*8.7%*	*8.8%*	*9.0%*	*9.1%*
+5-7% LT EPS Growth			2.15	2.28	2.42	2.56	2.71	2.88
Low				2.26	2.37	2.49	2.61	2.74
High				2.30	2.46	2.63	2.82	3.02

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

Valuation; PO to $48

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Our PO moves to $48 (from $49) given our most recent mark-to-market of FY23 peer P/E multiples of 17.6x for electric (from 17.8x) and 15.7x for gas (from 16.3x). We continue to use a 1.0x premium to account for higher confidence in constructive rate case outcomes in NH.

Exhibit 33: UTL SOTP Analysis
Our PO moves to $48 (from $49) on latest MtM

	Net Income	EPS	P/E Multiple					Equity Value ($/Sh)		
			Downside	*Peer*	*Prem/ Discount*	*Base*	*Upside*	*Downside*	*Base*	*Upside*
Consolidated	40.5	$2.63	17.1x	17.1x	**1.0x** 50	**18.1x**	19.1x	$ 45.06	$ 47.68	$ 50.31
Equity Value per Share								**$ 45.00**	**$ 48.00**	**$ 50.00**
UTL Share Price As of Close 07/21/21									$52.12	
Implied Upside (Downside)									*(7.9%)*	
2020E Dividend Yield									2.9%	
Total Return Potential									**-5.0%**	

	2023 P/E	*Ratebase Weighting for Valuation Multiple Purposes*
Group Peer Multiple - Electric	**17.6x**	
Group EPS '19-'23 CAGR - Electric	**5.00%**	
Group Peer Multiple - Gas	**15.7x**	
Group EPS '19-'23 CAGR - Gas	**5.00%**	
Avg. Regulated Electric	18.5x	33.2%
Avg. Gas LDC	16.5x	66.8%
Weighted Average	**17.1x**	**100.0%**

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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BofA Global Research Reports

UTL Recent Research	Primary Author	Date Published
US Electric Utilities & IPPs: AGA Conference Takes: Affirming Demand Upside; Hold the Inflation Concerns (https://rsch.baml.com/r?q=0zH8VrGvKd4j4YgTvzUVDQ)	Julien Dumoulin-Smith	20 May 2021
Unitil Corporation: Downgrading to Underperform on Premium Valuation; NH Rate Cases Key into '22 (https://rsch.baml.com/r?q=Pf2g-zWjlgc781hnzr3OcA)	Julien Dumoulin-Smith	06 May 2021

Exhibit 34: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
ATO	ATO US	Atmos Energy	US$ 97.74	A-2-7
NJR	NJR US	New Jersey Resources	US$ 38.59	B-3-7
NI	NI US	NiSource Inc	US$ 24.86	B-1-7
NWN	NWN US	Northwest Natural	US$ 51.05	B-3-7
OGS	OGS US	ONE Gas, Inc.	US$ 72.4	A-3-7
SJI	SJI US	South Jersey	US$ 25	B-1-7
SWX	SWX US	Southwest Gas	US$ 69.41	B-2-7
SR	SR US	Spire	US$ 68.78	A-1-7
UGI	UGI US	UGI Corp.	US$ 45.37	B-1-7
UTL	UTL US	Unitil Corp	US$ 51.86	B-3-7

Source: BofA Global Research

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Price Objective Basis & Risk

Atmos Energy Corporation (ATO)

Our $102 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group multiple of 15.7x.

Our gas peer P/E multiple is grossed up to reflect the group's 5% CAGR (2019-23E) to reflect capital appreciation across the sector. We then apply a 1x premium to the TX gas distribution utilities and 2x premium (aside from KS) to the other base gas LDC multiple to reflect the high-quality nature of the assets given a sustainable runway for capex/EPS underpinned by constructive regulatory mechanisms and jurisdictions.

For the Pipeline & Storage segment we apply a 9x EV/EBITDA multiple as a base to our '23E EBITDA. We then apply a 2x premium to the assets given their fully regulated nature and unique ability for APT to benefit from the spread differentials.

Upside risks: 1) improving regulatory relationships, 2) decrease in interest rates, 3) incremental capital spending, 4) constructive rate case outcomes, 5) less equity needs.

Downside risks: 1) deteriorating regulatory relationship, 2) increase in interest rates, 3) less or deferred capital spending, 4) poor rate case outcomes, 5) more equity needs.

New Jersey Resources Corp (NJR)

Our $39 PO is off our 2023E SOTP, based on gas peers of 15.7x. For non-reg biz, we apply a 12.0x multiple plus a 1.0x premium to account for the derisked nature of the AMAs. For Midstream, we capitalize EBITDA at 9.5x while weighting PennEast by 0% given uncertainty on full project execution (as mgmt. has removed this from its outlook). For CEV, we value CEV PowerCo for existing assets and DevCo assets to be deployed separately. We separately value DevCo assets to be deployed for '21 through '25 at NPV of unlevered FCF including upfront system install cost and ITC value for new

deployment. We also value SREC balance that CEV has yet to monetize. We apply a 4.5% unlevered discount rate to project level CFs in-line with our discount rate for resi solar service providers. We incl. three additional years of DevCo NPV ('26-'29) with terminal value based on post-ITC step-down trough volumes/economics in '29 and maintain our 5x terminal value. We also attribute a 75% weighting for the full value of DevCo NPV for '24+. We assume 75% based on a likelihood of some action on ITCs. For parent, we apply a 50/50 weighting for holdco debt/interest expense for re-capitalization purposes.

Upside risks: Constructive regulatory outcomes, decrease in interest rates, incremental capex opportunities, extension of subsidies and further

Upside risks: Constructive regulatory outcomes, decrease in interest rates, incremental capex opportunities, extension of subsidies and further renewables acceleration

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Downside risks: Poor regulatory outcomes, increase in interest rates, and lower capex.

NiSource Inc (NI)
Our $28 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples that are marked-to-market to the lates peer utility multiples of 15.7x for gas and 17.6x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, higher natural gas prices, and inability to execute on renewables additions.

Northwest Natural Holdings (NWN)
Our $49 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group '23 P/E multiple of 15.7x applied to WA and OR natural gas distribution and regulated storage assets. We further gross up the gas LDC multiple by 5% to reflect capital appreciation across the group. We use a 1x premium in OR to capture upside from RNG and benefits from decoupling, although we believe the long-term outlook is more uncertain. For NWN's gas storage (unregulated), appliance, and asset management business, we apply a 10x EV/EBITDA multiple, in line with comparable asset class, and net out debt. We apply a water utility peer P/E multiple of 28.6x to NWN's water earnings and then net out corporate & other drag (largely SG&A) using a weighted average multiple of 18.1x on '23.

Downside risks to our PO: higher interest rate environment that makes new capital more expensive, contraction of utility valuations, slower economic recovery, and a sustained economic downturn preventing customer growth, de-carbonization efforts, lower capex, poor regulatory outcomes.
Upside risks to our PO: faster economic recovery contributing to customer growth, lower interest rates, constructive regulatory outcomes, and increased capex.

ONE Gas, Inc. (OGS)
We use a sum-of-the-parts analysis to calculate our $73 for OGS, applying a FY23E Gas LDC peer multiple of 15.7x (grossed up by 5% to reflect capital appreciation across the space). We use in-line multiple for TX and KS given uncertainty with the recovery timeframe for substantial gas purchase costs and impacts to the balance sheet.

Upside risks: lower interest rates, constructive regulatory outcomes, increased capital expenditure opportunities.
Downside risks: higher interest rates, unconstructive regulatory outcomes, decreased capex spending, ban on fracking, decarbonization efforts.

South Jersey Industries (SJI)
Our $27 PO is premised upon our SOTP analysis where we utilize a 15.7x peer Gas LDC utility P/E to SJG and ETG on '23E EPS. We apply a 1x to the NJ utilities based on our view that SJI will continue to receive constructive regulatory treatment and upside to spending on RNG. We apply a 12x P/E to SJEG/SJES non-regulated earnings stream given variability and limited transparency. For the solar investments we utilize a NPV of investment tax credits at a 4.5% discount rate (in line with peers) to capture the transitory nature and eventual roll-off. We apply a 9x EV/EBITDA to PennEast and assume full project economics in our EPS assumptions, although net out 50% weighting. We utilized a DCF for RNG with NPV of cash flows at 7.4% discount rate. For parent debt we net out 50/50 weighting for re-capitalization and add back 50% of parent interest expense.

Downside risks: Interest rates move higher, poor regulatory outcomes, lower capex levels.
Upside risks: Interest rates move lower, constructive regulatory outcomes, incremental capex opportunities, further credit latitude.

Southwest Gas Holdings (SWX)
Our $69 PO is based on our 2023E Sum-of-the-parts (SOTP) analysis. We apply a 15.7x peer Gas LDC utility P/E to the utility EPS across the company's three major jurisdictions, which include Arizona, Nevada and California. We gross this peer multiple up by 5% to reflect capital appreciation across the sector. For AZ, we apply a 2.5x discount to the jurisdiction given lack of fwd looking rate treatment/alternative rate making mechanisms. We apply a 1.0x discount to NV and CA as we take a more negative view on the jurisdictions' LT viability. Additionally, we value the FERC regulated Pauite Pipeline separately on a midstream peer group average EV/EBITDA multiple of 9.5x and net out associated debt. For the infrastructure services segment, Centuri, we apply 8.8x EV/EBITDA multiple, which is in-line with the business' closest industrial comps given Centuri's relatively insulated utility customers. Lastly, for parent debt in the Corp & Other segment, we net out 50/50 weighting for re-capitalization and add back 50% of parent interest expense.

Upside risks: higher than expected infrastructure services earnings growth, increasing construction project margins, better than expected rate case results.

Downside risks: Unfavorable regulatory outcomes and increased volatility at Centuri, disproportionately high foreclosure rates in SWX's territories, timing and execution of rate cases, rate base growth, underperformance at Centuri and expansion or contraction of sector valuations.

Spire (SR)
Our $77 PO for SR is based on a sum-of-the-parts analysis, applying a Gas LDC multiple of 15.7x on '23E with a 1x premium for Missouri and a 2x premium for Mississippi/Gulf and AL assets given their location and de-risked nature. For the midstream assets, we use a base 9.5x EV/EBITDA multiple with a 4x discount for storage given uncertainty, and a 4x discount for marketing due to volatility. We weight STL pipeline as 50% in our valuation given uncertainty with the pipe's future.

Upside risks: 1) improving regulatory relationships, 2) decrease in interest rates, 3) incremental capital spending, 4) constructive rate case outcomes, 5) less equity needs. Downside risks: 1) deteriorating regulatory relationship, 2) increase in interest rates, 3) less or deferred capital spending, 4) poor rate case outcomes, 5) more equity needs.

UGI Corp. (UGI)
Our $51 PO is derived from our SOTP analysis, applying specific multiples and premiums to assets. For the gas utility, we utilize a 23E 15.7x P/E multiple +1x premium given its de-risked backdrop, and an in-line electric multiple of 17.6x. For U.S./international propane, we utilize an 8.7x EBITDA, in line with other publicly traded comps. We use a 9.2x EBITDA multiple at midstream w/ a premium/discount depending on the asset & CMG expansion/PennEast both weighted at 50%, respectively, given uncertainty associated with expansion opportunities/project execution. We take the NPV of future renewable solutions cash flows, implying a 13+x EV/EBITDA multiple (in line to slightly higher than our valuation to peers biz mix, such as SJI). Lastly, for parent debt in the Corp & Other segment, we net out 50/50 weighting for recapitalization and add back 50% of parent interest expense.

Downside risk: unfavorable weather, propane logistics issues and shortages domestically or in Europe, reduced conversion rates or slower new home construction within PA, and unfavorable currency exchange rates. Macroeconomic concerns are rising interest rates, volatile and rising natural gas prices, and a general economic slowdown.

Unitil Corporation (UTL)
We value UTL at a $48 PO based on a 2023e forward P/E basis using a utility group multiple of 17.6x for electric and 15.7x for gas. Also, we apply a 1x premium to our weighted peer multiples to align with MA comps and capture electrification upside. Both electric and gas peer P/E multiples are grossed up for a year to 2023 by 5% each to reflect capital appreciation across the sector.
Risks to our price objective on the upside are capex updates around MA gas pipeline replacement, regulatory asks around ROEs, and M&A. On the downside, risks are interest rate risk which could reduce the appetite for M&A, regulatory challenges and mild weather.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

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NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
NEUTRAL				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

Analyst Certification

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I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Disclosures

Trending

Report

The Flow Show
(https://rsch.baml.com/r?
q=vOAfjZYSf2ATI1z8yB99Pw&e=cturnure%40ni

Feel the Yield in Me
Michael Hartnett 2021-Jul-22

Report

BofA on USA
(https://rsch.baml.com/r?
q=XxS0yAbh&i=5RA8yB99Pw&e=cturnure%40nisource.cor

The World Tour: not quite yet
Michelle Meyer 2021-Jul-22

Timestamp: 22 July 2021 04:30PM EDT

prd - amrs - node2 - dxp

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US Electric Utilities & IPPs

PowerPoints: PNW/SWX AZ, FE OH, PPL KY, NI IN, AMRC, EXC, ESG

Industry Overview | 22 October 2021 | Equity | United States | Electric Utilities

Key takeaways

- AZ Chair Marquez Peterson proposes multi-year reduction plan for PNW - EPS risk given O&M; Icahn quote positive for SWX
- FE OH text message headlines; PPL IRP coal retirements as expected; NI IRP meetings constructive on 7-9% trajectory
- AMRC contracts with EIX on 500 MW storage ($600-650m capex est); EXC technicals; ESG

ACC: Arizona Corporation Commission, or Commission
APS: Arizona Public Service

kWh: Kilowatt hour

MYP: Multi-Year Plan

O&M: Operations & Maintenance

IRP: Integrated Resource Plan

FE Court case is (Employees Retirement System of the City of St. Louis, et al v Charles Jones et al 2:20-cv-4813)

PNW/SWX: ACC Chair Márquez Peterson Proposes MYP

In the latest twist in Arizona, Arizona Corporation Commission (ACC) Chairwoman Márquez Peterson proposed a multi-year rate reduction plan for Pinnacle West (PNW) Arizona Public Service (APS) subsidiary to achieve a $0.09/kwh retail rate by 2030 versus $0.1172/kWh in 2020. As we show on Page 2, this will likely be significantly challenging to achieve. Approximately half of revenues are fuel/power, depreciation/amortization, and other taxes. Over the past three years O&M has represented 26% of revenue.

Our initial takeaway is that this amendment represents a further risk to earnings and cash flows for PNW. We intend to follow-up with a deeper analysis, and highlight next week's Commission meeting as critical for PNW. Maintain Underperform on PNW ahead of the expected earnings reset with challenging regulatory backdrop.

In the Chairwoman's proposed amendment we also note an interesting quote: "Lastly, this amendment gives APS an opportunity to improve its relationship with the Commission and restore the public's trust and confidence in the Company. As billionaire investor, Carl Icahn, recently stated in an open letter to the Board of Directors of Southwest Gas, "Loss of trust with regulators is extremely damaging to both shareholders and ratepayers." *This is an interesting datapoint for SWX, and indicates the Commission is following the activist campaign. Maintain Neutral on SWX due to uncertainty into the business mix and earnings outlook.*

FE: Unflattering OH headlines continue but thesis intact

In response to a subpoena to FirstEnergy, new text messages were released between former FE CEO Chuck Jones, other FE employees, and former Public Utilities Commission of Ohio Chair Sam Randazzo. The subpoena arose from efforts by the Ohio Consumers' Counsel, which is a party to multiple regulatory dockets. The communications broadly reflect the parties in an unflattering light but the only novel disclosure, according to the texts, was that Randazzo assisted in "burning" an updated distribution modernization report (DMR) audit.

In a separate but related proceeding, the US District Court Southern District of Ohio Eastern Division denied a motion for a stay in litigation against Chuck Jones. The primary justification given for denying the stay was the long passage of time and "allowing defendants to investigate themselves under the auspices of an Independent Review Committee. Defendants cannot have thought this committee to be a valid substitute for a Special Litigation Committee (SLC), which must be independent and disinterested. The Court cannot conceive of any reasonable explanation why this committee proceeded in lieu of naming new board members and setting up the SLC." The secondary rationale for denying the motion for a stay was that there are already multiple investigations and discovery requests so this case does not impose an undue burden.

The headlines are negative for FE, but we ultimately do not believe they likely change the prospects for a settlement of the pending Ohio regulatory proceedings. The updates could reduce willingness to settle to a degree but the potential to deliver immediate rate reductions to customers is a compelling proposal, in our view. Maintain Buy.

Please see the full note for more on PNW, PPL, NI, EXC, AMRC, and ESG.

PNW continued: Limited O&M cut latitude

Assuming APS's 2020 average retail rate of 11.72c/kWh persists in 2021, the company would need to compound annual reductions of ~3% in order to reach Commissioner Marquez Peterson's 2030 target of 9c/kWh. APS also assumes healthy sales growth in the near term at 1-2% through 2023 - assuming the low end of this holds through the end of the decade, PNW's revenue would be set to decline by a CAGR of ~1% from 2020 levels. Offsetting this through fuel and O&M reductions poses a challenge - as shown below, the two items account for over 50% of revenues in recent years. Mgmt. has indicated that latitude for near term O&M reductions is limited given the company is already operating at top quartile levels. Fuel savings from the Cholla retirement will flow through later in the decade, but it remains unclear if the savings will be enough to provide a full offset.

Exhibit 1: Arizona Public Service 2018-2020 Income Statement
O&M represents 26% of revenue versus 29% fuel and 17% for depreciation & amortization

Year Ended December 31,	2020	% of Rev	2019	% of Rev	2018	% of Rev
OPERATING REVENUES	3,586,982	100%	3,471,209	100%	3,688,342	100%
OPERATING EXPENSES						
Fuel and purchased power	**993,419**	**28%**	**1,042,237**	**30%**	**1,094,020**	**30%**
Operations and maintenance	**945,181**	**26%**	**926,716**	**27%**	**969,227**	**26%**
Depreciation and amortization	**614,293**	**17%**	**590,844**	**17%**	**580,694**	**16%**
Taxes other than income taxes	224,790	6%	218,540	6%	212,136	6%
Other expense	7,288	0%	5,888	0%	2,497	0%

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Total	2,784,971	78%	2,784,225	80%	2,858,574	78%
OPERATING INCOME	802,011	22%	686,984	20%	829,768	22%
OTHER INCOME (DEDUCTIONS)						
Allowance for equity funds used during construction	33,776	1%	31,431	1%	52,319	1%
Pension and other postretirement non-service credits - net	57,359	2%	24,529	1%	51,242	1%
Other income	51,755	1%	46,884	1%	22,746	1%
Other expense	(53,694)	-1%	(12,990)	0%	(15,292)	0%
Total	89,196	2%	89,854	3%	111,015	3%
INTEREST EXPENSE						
Interest charges	233,452	7%	220,174	6%	231,391	6%
Allowance for borrowed funds used during construction	(18,530)	-1%	(18,528)	-1%	(25,180)	-1%
Total	214,922	6%	201,646	6%	206,211	6%
INCOME BEFORE INCOME TAXES	676,285	19%	575,192	17%	734,572	20%
INCOME TAXES	88,764	2%	(9,572)	0%	144,814	4%
NET INCOME	587,521	16%	584,764	17%	589,758	16%
Less: Net income attributable to noncontrolling interests	19,493	1%	19,493	1%	19,493	1%
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDER	568,028	16%	565,271	16%	570,265	15%

Source: Company Filings & BofA Global Research

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PPL KY IRP: Generation needs protracted despite upcoming retirements

PPL's KY Utilities filed their latest IRP this week - with retirements of coal plants in line with what was disclosed with the earlier rate case. Even with Mill Creek's planned retirement in 2024, reserve margins appear adequate with no generation needs in the near term. Through 2030, the base least cost resource plan contemplates potential for 500MW of solar and ~440MW simple cycle gas plants primarily for the winter. While ability to own the generation is admittedly unclear following the recent 125MW renewable RFP awarded to BrightNight, we stress the bulk of the need in the jurisdiction is not until the next decade. That said, recall the recent announcement by Ford to build a large battery plant in its service territory which wasn't taken into account in the base case: we stress this as boding well for economic advancement and load trends in the service territory.

Overall, we do not see any particularly positive surprises out of the latest IRP, with more limited organic investment opportunities likely for KY in the nearer term. Our model already incorporates $600Mn of spend above the plan through 2025 in KY and most opportunities for new gen appear protracted in the 2030s. Regardless of M&A or a more aggressive approach to buyback, we see downside risk to PPL's estimates vs. Street. We maintain our Neutral rating on shares, seeing a balanced risk/reward at the current valuation.

NI: NIPSCO IRP highlights flexibility in generation additions, range of capex

Northern Indiana Public Service Company (NIPSCO), the electric utility subsidiary of NiSource (NI), held the final stakeholder meeting in its 2021 integrated resource plan (IRP) process where the team outlined the preferred future generation portfolio. With existing assets, NIPSCO will be retiring Michigan City (the last remaining coal plant) in 2026-2028 (previously 2028) as well as Schahfer 16AB (a natural gas peaker) in the same time period. NIPSCO's preferred future portfolios are portfolio F (Local gas peaker, plus solar and storage), and Portfolio I (new H2-enabled peaker plus solar and storage, plus Sugar Creek conversion to H2).

We see the update as supportive to our view that mgmt. has the ability to extend the higher EPS growth of 7-9% for longer (through 2026e), but note the flexibility gained by pointing to two portfolios makes it more difficult to pin down an exact capex figure. In our recent note (Fireside Chat; confidence in an extension of growth runway, avenues for growth), we outline capex for Portfolio F and Portfolio I of $430M and $800M, respectively with the delta between the two being 200 MW of wind, and upsized solar and storage - see our note above for more detail. Remember, NIPSCO will file its next IRP in 2024, and by then, we would expect some projects to already be underway through the regulatory process. We currently do not assume ***any*** *capex from the IRP in future periods - more precise timing will be key to understand before we add our capex assumptions to our forecasts. We expect further discussion of the impact on the capital plan and growth profile when mgmt. unveils a longer-term growth strategy, potentially in May/June '22 during an analyst day. Maintain Buy on NI as we continue to view the discount as too large for strong business fundamentals.*

AMRC: Secures large CA storage project

Ameresco (AMRC) announced a contract with Edison International (EIX) subsidiary Southern California Edison (SCE) to develop, permit and interconnect three grid scale battery energy storage systems (BESSs) at SCE's existing substations. The four-hour 537.5MW systems (2,150 MWh) have an accelerated August 2022 target COD. AMRC indicated the contract was signed in 4Q21 so will not have an impact on 3Q financial results. An update on 4Q earnings will come with the 3Q results.

The storage investment is consistent with Governor Newsom, California Public Utilities Commission (CPUC), and the other California agencies prioritizing the rapid deployment of new clean energy and storage projects. Following a challenging supply/demand backdrop due to high demand (weather and covid) and low supply (hydro, wildfire impact on transmission, and generator outages), the outlook for 2022 is better, in our view, but is still perilously close to a 0% reserve margin without extreme assumptions.

The project is potentially significant for Ameresco. Using initial assumption of $300/kWh capex implies $600-$650Mn capital expenditures. This would be considerably higher than our current average growth capex spend estimates of ~$250m/ year from 2022 through 2025. We reiterate our Neutral rating despite growth prospects, given an already robust market valuation.

Exelon (EXC): Big base above 50-51 with upside to 67-72

We share our colleagues' recent work below highlighting Exelon. Please see the full report here: Thematic Stock Charts: Ten technically attractive stocks with digital asset exposure 22 October 2021 (https://rsch.baml.com/r?q=Qwjg5aEkYDY-S-w8M86pwQ)

EXC is an Electric Utilities stock with the potential to confirm an early 2019 into late 2021 big base on a sustained breakout above 50-51. This pattern would favor longer-term upside to big base counts at 67.50 and 72. Until then, holding support at 47.50-46.00 would maintain our bullish conviction. Rising 13, 26 and 40-week MAs from 49.01 to 45.64 underpin this support.

Although EXC has a challenging long-term downtrend relative to the SPX, there are some signs of stability off of the 2020 lows. Staying above the 13, 26 and 40-week MAs vs the SPX would make a case for a bullish turn vs the SPX.

Chart 1: Exelon (EXC) (top) and relative to the S&P 500 Index (bottom): Weekly chart with moving averages
EXC has the potential to confirm an early 2019 into late 2021 big base on a sustained breakout above 50-51. This pattern would favor longer-term upside to big base counts at 67.50 and 72. Until then, holding support at 47.50-46.00 would maintain our bullish conviction. Rising 13, 26 and 40-week MAs from 49.01 to 45.64 underpin this support. Although EXC has a challenging long-term downtrend relative to the SPX, there are some signs of stability off of the 2020 lows.

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Source: BofA Global Research, Bloomberg

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We maintain Buy on Exelon due to favorable valuations for both the utilities and unregulated subsidiaries.

ESG: European investors are overweight utilities

Consistent with our focus on ESG trading dynamics, we recap the work of our colleague analyzing ESG funds. A few notable datapoints

- ESG funds are growing 3x faster than non-ESG funds with 30% of every inflow into equities in 2021 going to ESG oriented funds
- **European ESG funds are the most overweight utilities by a wide margin** (~1.8 index vs 1.0 equal weight) with energy the most underweight (0.5 index). This large overweight is after net outflows from March-September
- Per InfluenceMap, 55% of "climate-themed" funds and 70% of ESG funds are not in alignment with the Paris Agreement objectives
- Sustainable Finance Disclosure Regulation (SFDR) definitions and guidelines on sustainability could lead to enhanced disclosures regarding screening/methodology for inclusions
- Relative premium for the top quintile over the bottom quintile on MSCI rankings has declined to 25% from 56% in 2019.
- 90% of S&P 500 companies now publish corporate sustainability reports, up from only 20% in 2019. Unfortunately there is no correlation between the number of documents published and weighting in funds.

Enhanced regulatory and investor focus on ESG funds represents a risk to the utilities sector, in our view, particularly for companies that are well-owned by those funds. We continue to believe that US utilities generally are underrepresented by US ESG funds as they exhibit strong rates of change on environmental qualities.

For additional details, please see the report here

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
ESG Matters: What qualifies as a Sustainable Investment? (https://rsch.baml.com/r?q=sZ-XVEGnJY8kb6mVQiskTA)	Savita Subramanian	21 October 2021

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
NextEra Energy: Upside to earnings prior to the novel pivots into water, hydrogen (https://rsch.baml.com/r?q=eBVLMpMAUhrml--XpaLg6A)	Julien Dumoulin-Smith	22 October 2021
US Alternative Energy: Solar Flash: Continued Rise in PPA Prices, Solar Panel Standstill (https://rsch.baml.com/r?q=0lGqy6YWdlS9JGXG97o4wA)	Julien Dumoulin-Smith	22 October 2021
US Electric Utilities & IPPs: PowerPoints: Fed Legislation, AGR NECEC, LNG contracts, EXC Hydrogen, AWK, & UGI (https://rsch.baml.com/r?q=oD7iXqEliwKakh8oM9gnCQ)	Julien Dumoulin-Smith	21 October 2021

Exhibit 2: Stocks mentioned
Prices and ratings for primary stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
PNW	PNW US	Pinnacle West Capit	US$ 67.34	B-3-7
SWX	SWX US	Southwest Gas	US$ 68.29	B-2-7
FE	FE US	FirstEnergy	US$ 37.23	B-1-8
PPL	PPL US	PPL Corp.	US$ 29.01	B-2-8
NI	NI US	NiSource Inc	US$ 24.9	B-1-7
AMRC	AMRC US	Ameresco	US$ 68.05	B-2-9
EXC	EXC US	Exelon Corp	US$ 51.07	B-1-7

Source: BofA Global Research

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Click for important disclosures. Analyst Certification. Price Objective Basis & Risk.

Price Objective Basis & Risk

Ameresco (AMRC)

Our $74 Price Objective is based on a '23E SOTP methodology, with EBITDA multiples for each business segment driven by peer group valuations.

We value the Projects segment at a 10% discount relative to sustainable infrastructure E&C (to adjust for TTEK's implied water premium). We apply an avg 19x EBITDA multiple for the Energy Assets business, with a 15x multiple for solar and storage, and a 12x multiple for LFG. Both of these multiples are 2x premium to peers, justified we think given their higher growth prospects vs peers and exposure to distributed generation.

Within the Energy Assets biz, we value RNG on a DCF methodology with a 7.5% discount rate, and apply a 12x exit multiple to the post-2030 terminal

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FCFE.

For the O&M business, we apply a 21x multiple in line with similar Energy Assets business segments, given similar revenue and margin profiles. For the Other segment, we apply a 21x multiple, in line with the overall business.

Downside risks are construction delays, revenue concentration, as c.75% of revenues from from federal, state and local govt entities, govt contract risk, regulatory risks, merchant exposure and rising interest rates.

Exelon (EXC)
Our $56 PO is based on an SOTP valuation.
Utility: Our base electric peer P/E multiple of 16.0x for '24 is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply an in-line multiple for BGE and a 1x prem to PECO. We apply an in-line multiple to ComEd and a 1x discount to PHI.

Our Generation valuation is based on a 2023E SOTP. We start with our EBITDA estimates at each segment and subtract out maintenance capex. We then capitalize this at a 7.0x base multiple (based on the long-term average forward EV/FCF in the sector) to which we apply a premium/discount based on our views of the specific region and portfolio while we apply a DCF for nuclear and Mystic.

Risks: 1) the company may or may not experience adverse regulatory rulings in its future rate cases, 2) Rate making mechanisms may or may not change in the future, 3) the company may or may not experience an increase in the price of key inputs such as natural gas and coal 4) the company may or may not experience a decrease in wholesale power prices 5) the company may or may not have to deal with stricter environmental or safety regulations 6) the company may or may not be able to access capital markets, 7) the company's operations could be materially impacted by weather events.

FirstEnergy (FE)
Our PO of $41 is based on a sum-of-the-parts valuation. Multiples are driven by relative P/E premiums/discounts to the 2024E regulated peer multiple. Electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector. As for premiums/discounts, we view NJ as at a slight premium +1x given a generally constructive commission and asset sale potential, PA at -2x as we view our more punitive estimates already account for industrial load sensitivity including O&G royalties, and others as in line to small discounts. In OH, we apply a -2x P/E discount multiple to account for rate review risk. Finally, we apply a +1x P/E premium to peers 2024E multiple to the Transmission business given potential for sale of a non-controlling stake. We subtract out the holding co debt given the high parent leverage.

Downside risks include but are not limited to: 1) Unfavorable regulatory outcomes, 2) larger than expected penalties, fine, litigation, refunds, and other outcomes from the Ohio investigations, 3) inability to earn the allowed ROEs and/or other deterioration of regulatory earnings, 4) increasing pension liabilities, 5) further negative investigation revelations, 6) large equity needs than forecasted.

NiSource Inc (NI)
Our $28 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2024 forward P/E multiples that are marked-to-market to the lates peer utility multiples of 13.6x for gas and 16.0x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, higher natural gas prices, and inability to execute on renewables additions.

Pinnacle West (PNW)
Our price objective of $62 is based on a peer utility P/E multiple of 16.6x on our 2023E EPS of $4.62 with a -3.5x discount to account for future rate case risk, uncertain recovery of clean generation spend, resource adequacy concerns in the state, and general below-average regulatory environment in Arizona, PNW's sole jurisdiction. We also include a 50% prob-weighted SCR scrubber disallowance by applying a multiple to the estimated $45m earnings reduction from disallowance. Electric and gas peer P/E multiple is grossed up for a year to 2022 by 5% to reflect capital appreciation across the sector, for an effective multiple of 15.3x.

Upside risks: 1) Regulatory relationships/outcomes could improve, 2) load growth in territory above expectations 3) Riders and capital trackers could help achieve ROE 4) positive weather 5) interest rate risk changes cost of capital 6) Consumer advocates or utility staff could become focused on issues that improve ROE Downside risks: 1) Regulatory relationships/outcomes could decline, including changes at the elected commission 2) load growth in territory below expectations 3) Riders and capital trackers could hurt ROE 4) negative weather hurts earnings 5) interest rate risk changes cost of capital - higher rates could worsen 6) Consumer advocates or utility staff could become focused on issues that hurt ROE 7) Solar advocates in the state have engaged in public confrontations with the utility, which could change public relations in the future.

PPL Corporation (PPL)
Our $28 price objective is based on a sum of the parts methodology applying respective premium/discounts to the 2024E peer group multiple of 15.7x. Electric peer P/E multiple is grossed up by 5% to reflect capital appreciation across the sector. We apply discounted valuations to the PA and KY segments for below average rate base growth profiles.

Risks to our Price Objective include but are not limited to: 1) Integration of Rhode Island assets, 2) regulatory/political/legislative changes, 3) capital markets, 4) ability to earn the regulatory allowed return on equity, 5) uncertainty into use of proceeds from UK divesture, 6) capital expenditures forecasts, 7) natural disasters.

Southwest Gas Holdings (SWX)
Our $73 PO is based on our 2023E Sum-of-the-parts (SOTP) analysis. We apply a 15.9x peer Gas LDC utility P/E to the utility EPS across the company's three major jurisdictions, which include Arizona, Nevada and California. We gross this peer multiple up by 5% to reflect capital appreciation across the sector. For AZ, we apply a 1.5x discount to the jurisdiction given lack of forward looking rate treatment/alternative rate making mechanisms. We apply a 1.0x discount to NV and CA as we take a more negative view on the jurisdictions' LT viability. Additionally, we value the FERC regulated Pauite Pipeline separately on a midstream peer group average EV/EBITDA multiple of 9.5x and net out associated debt. For the infrastructure services segment, Centuri, we apply 8.8x EV/EBITDA multiple, which is in-line with the business' closest industrial comps given Centuri's relatively insulated utility customers. Lastly, for parent debt in the Corp & Other segment, we net out 50/50 weighting for re-capitalization and add back 50% of parent interest expense.

Risks are: 1) M&A, 2) Activist shareholders, 3) infrastructure services performance, 4) construction margins, 5) regulatory outcomes, 6) ability to earn regulatory rates of return, 7) capital markets access, 8) rating agency actions.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith

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	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
NEUTRAL				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	ReNew Power	RNW	RNW US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith

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ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
TPI Composites	TPIC	TPIC US	Adhok Bellurkar
Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith

Analyst Certification

We, Julien Dumoulin-Smith and Stephen Suttmeier, CFA, CMT, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Disclosures

Trending

Report

Equity Strategy Theme Screens (https://rsch.baml.com/r?q=wcUa!uC6bjwTI1z8yB99Pw&e=cturnure%40ni

Six themes, twenty screens
Savita Subramanian 2021-Oct-26

Report

US Equity Strategy in Pictures (https://rsch.baml.com/r?q=sJRKRcyAlN4T-I0z8yB99Pw&e=cturnure%40nisource.con

Investing for 4Q and beyond
Savita Subramanian 2021-Oct-25

Timestamp: 22 October 2021 01:31PM EDT

prd - amrs - node2 - dxp

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US Electric Utilities & IPPs

Power Points: DUK IRP, Freeport LNG, EXC IL rate case, NI OH rate case,

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Key takeaways

- Parties in NC file motion for hearing on DUK IRP, SC rejected the IRP and is requiring modification, not a surprise following
- D's IRP earlier this year; Freeport LNG could contract for train 4 by YE, positive read for Cheniere; ICC approves modest
- rate hike for ComEd, focus remains on the future for FRP; NI OH files first rate case since 2008, proposes addl. mechanisms

DUK: IRP developments are key to renewables ambitions

Environmental justice non-profit NC WARN and The Center for Biological Diversity (The Center or CBD) filed a motion for the North Carolina Utilities Commission to schedule an evidentiary hearing to address matters in Duke Energy Carolinas (DEC) and Duke Energy Progress (DEP)'s 2020 Integrated Resource Plans (IRPs). NC Warn and The Center assert several issues with the IRPs that they believe warrant an evidentiary hearing including principally the necessity of natural gas generation relative to battery storage.

Separately, on June 29th the SC PSC rejected the Duke's DEC/DEP IRP (2019-224-E and 2019-225-E) and required a response within 60 days. While a negative headline, we don't see this as a surprise, following the similar rejection of Dominion SC's IRP earlier in 2021. In fact, the details of the rejection represent a positive because the Commission requested a series of revisions that could lead to additional solar investment. For example the Commission requested solar/storage power purchase agreement (PPA) cost assumption revisions (presumably lower) and update associated capacity benefits (likely higher).

The IRPs have been contentious due to the natural tensions between broad stakeholder support for renewables and related cost pressures. The SC Commission requested modifications are a prime example of this pressure. We continue to monitor progress on NC HB951 that builds-off the IRP and would support accelerated coal retirement, step-function increase in utility-owned renewables, and favorable regulatory reforms.

Freeport LNG could have contracts for Train 4 by YE-21

Gulf Coast developer Freeport LNG management commented that they could have enough long-term contracts by year-end to FID (Final Investment Decision) on a fourth train at their export facility. Train 4 would need at least 75% of its 5mtpa capacity to FID and if contracts were signed by YE21, they could FID by summer 2022. The increase in expectations follows renewed customer conversations following the improvement in LNG prices. The company has not yet announced any firm contracts associated with Train 4, aside from the preliminary agreement signed in 2018 with Sumitomo for 2.2mtpa, which expired last year.

We see this commentary as a positive read-through for Cheniere, given the positive contracting environment for Corpus Christi Stage 3 growth project, for which they are also working on securing sufficient contracts to FID.

EXC: ICC backs small rate hike for ComEd

The Illinois Commerce Commission (ICC) staff has recommended (Docket 21-0367) a $31.6mn (+1.1%) revenue requirement increase which includes a $23.1mn filing year increase on a 7.36% ROE (48.7% equity) and a $38.4mn downward adjustment using a 7.29% ROE prior year reconciliation. Overall, the proceeding is not expected to be controversial given the formulaic nature of the process, particularly the ROE (12-month avg 30-year Treasury yield plus proceeding is not expected to be controversial given the formulaic nature of the process, particularly the ROE (12-month avg 30-year Treasury yield plus 580 bps premium). Although we note the proposed -7bp 'performance metrics penalty', albeit small, introduces a degree of uncertainty. The ICC is expected to issue a decision in Dec '21, with new rates taking effect in Jan '22.

Investor focus is on future ComEd earnings profile in various legislative scenarios regarding a potential FRP extension. If the FRP is not extended, we see potential for an improvement in the allowed ROE based on the 9.1% 2020 average allowed. For reference, ComEd's latest earned regulatory ROE is 6.88%.

NI: Columbia Gas of OH files rate case

Columbia Gas of OH filed a general rate case with proposed +$221Mn revenue requirement premised on a 10.95% ROE and 50.6% equity ratio. The filing was agreed to in Columbia Gas' 2017 rider update and is the first rate case since 2008. We note that the Public Utility Commission of OH (PUCO) recently hosted a forum to cost of capital considerations.

Aside from the earnings drivers, notable rate construct proposals include (1) increasing volumetric breakpoint between rate classes to minimize class switching; (2) establishing a monthly delivery charge for certain classes; (3) proposed Federal/State Tax Reform Rider; and (4) establishment of a voluntary $5/month Carbon Reduction Rider to fund the purchase of carbon offsets.

Ohio has historically been a constructive electric and gas jurisdiction but we expect an elevated focus given the 10+ years since the prior case and the magnitude of the request. Ultimately we see a constructive outcome as likely based on precedent.

Exhibit 1: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
LNG	LNG US	Cheniere Energy Inc	US$ 87.05	B-1-9
DUK	DUK US	Duke Energy	US$ 99.71	B-2-7
EXC	EXC US	Exelon Corp	US$ 45.00	B-1-7
NI	NI US	NiSource Inc	US$ 24.90	B-1-7

Source: BofA Global Research

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Click for important disclosures. Analyst Certification. Price Objective Basis & Risk.

Price Objective Basis & Risk

Cheniere Energy Inc (LNG)

Our $90/sh PO is based on an SOTP in which we value LNG's stake in CQP using a fundamental DCF valuation of its ownership stake in Sabine Pass. We provide separate value to LNG's marketing business assuming excess capacity of SP 1-5 and CC 1-3 is marketed with a $2.35/MMBtu realized margin, applying a 9.0x multiple to corresponding EBITDA. We value CC 1-3 on a DCF basis, valuing the initial 20-year contract term at 100% and the 10-yr extension at 100% (risk reflecting in pricing assumptions). We discount cash flows at an 7% rate during the contracted period given the difference in risk profile. For CC3 we again assume initial 20-year contract term, given the asset is largely contracted we assume full value, again weighing the contract extension at 100%, same discount rates as for CC1&2. We ascribe 75% likelihood to the CCS3 expansion and 100% likelihood to the SP-6 expansion. We also attribute value for after-tax GP distributions using DCF approach at an 7% discount rate.

Downside risks are counterparty credit risk, construction delays, changes in trade policy limiting exports, and changes in commodities.

Duke Energy (DUK)

Our $105 PO is derived from a sum-of-the-parts valuation. We value the Electric and Gas utilities using peer 2023E P/E multiples. We apply a 3.0x multiple premium to Duke's operations in FL and 2x in IN to reflect more favorable regulatory environments (and recent sale valuation marker). We apply a 2x multiple to the Carolinas given upside to spending in improving regulatory construct combined with latest IRP & wider legislative reforms into 2021. We value the other regulated electric utilities at 18.2x and the gas utilities at peer group multiples of 16.7x 2023E P/E, respectively. Both electric and gas peer P/E multiples are grossed up by 5% for the groups CAGR to reflect capital appreciation across the sector. The commercial midstream, and transmission are valued on a 2023E EV/EBITDA basis. We use a 9.0x multiple for midstream and transmission segment. We add the net present value of renewable segment using an 8% discount rate. We subtract out the impact of commercial debt, and add back for the renewable debt.

Upside risks: constructive rate case results, higher capital expenditure additions vs our assumptions, lower interest rates. Downside risks: poor rate case results, operating errors, and negative changes in the regulatory environment, Macro risks: Increases in interest rates and decreases in equity market valuations.

Exelon (EXC)

Our $52 PO is based on an SOTP valuation.

Utility: Our base electric peer P/E multiple of 18.1x for '23 is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply an in-line multiple for BGE and a 1x prem to PECO. We apply an in-line multiple to ComEd and a 1x discount to PHI.

Our Generation valuation is based on a 2022E SOTP. We start with our EBITDA estimates at each segment and subtract out maintenance capex. We

then capitalize this at a 7.0x base multiple (based on the long-term average forward EV/FCF in the sector) to which we apply a premium/discount based on our views of the specific region and portfolio while we apply a DCF for nuclear and Mystic.

Risks: 1) the company may or may not experience adverse regulatory rulings in its future rate cases, 2) Rate making mechanisms may or may not change in the future, 3) the company may or may not experience an increase in the price of key inputs such as natural gas and coal 4) the company may or may not experience a decrease in wholesale power prices 5) the company may or may not have to deal with stricter environmental or safety regulations 6) the company may or may not be able to access capital markets, 7) the company's operations could be materially impacted by weather events.

NiSource Inc (NI)

Our $29 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples that are marked-to-market to the lates peer utility multiples of 16.1x for gas (from 16.3) and 17.8x (unchanged) for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith

Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
Dominion Energy	D	D US	Julien Dumoulin-Smith
Edison International	EIX	EIX US	Julien Dumoulin-Smith
Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
Enphase Energy	ENPH	ENPH US	Aric Li
Entergy	ETR	ETR US	Julien Dumoulin-Smith
Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
Exelon	EXC	EXC US	Julien Dumoulin-Smith
First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
FirstEnergy	FE	FE US	Julien Dumoulin-Smith
Hydro One	YH	H CN	Dariusz Lozny, CFA
MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
NiSource Inc	NI	NI US	Julien Dumoulin-Smith
NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith

	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
NEUTRAL				
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith

Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
Vistra Energy	VST	VST US	Julien Dumoulin-Smith
Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith

UNDERPERFORM

Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
Avangrid	AGR	AGR US	Julien Dumoulin-Smith
Avista	AVA	AVA US	Julien Dumoulin-Smith
DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

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Disclosures

Disclosures

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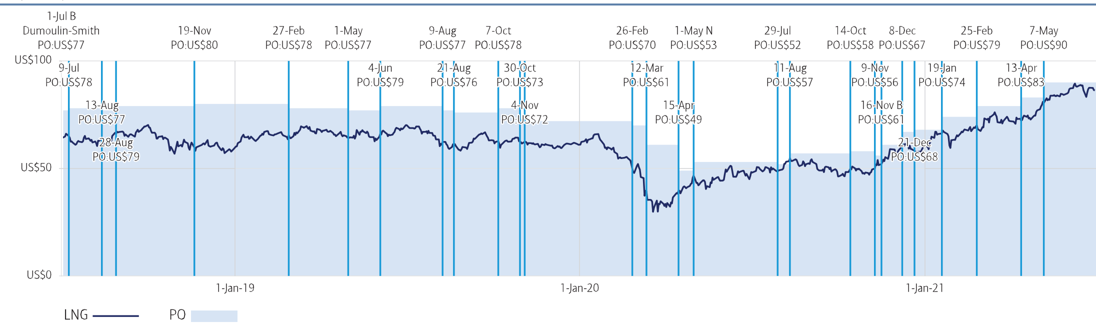
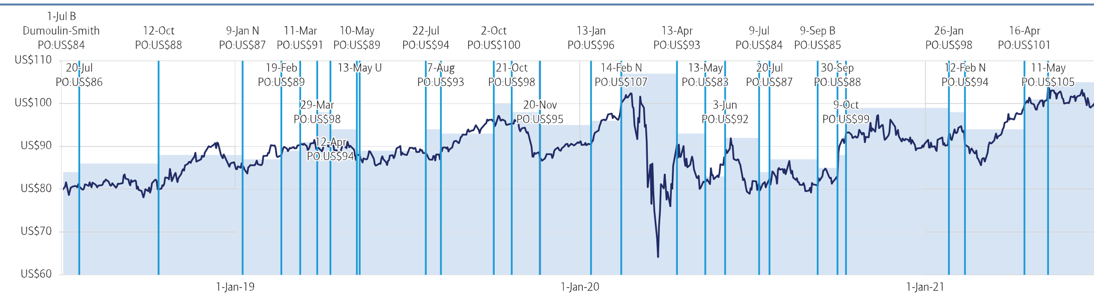
Cheniere Energy Inc (LNG) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Duke Energy (DUK) Price Chart



DUK —— Restricted ▬ PO ▬

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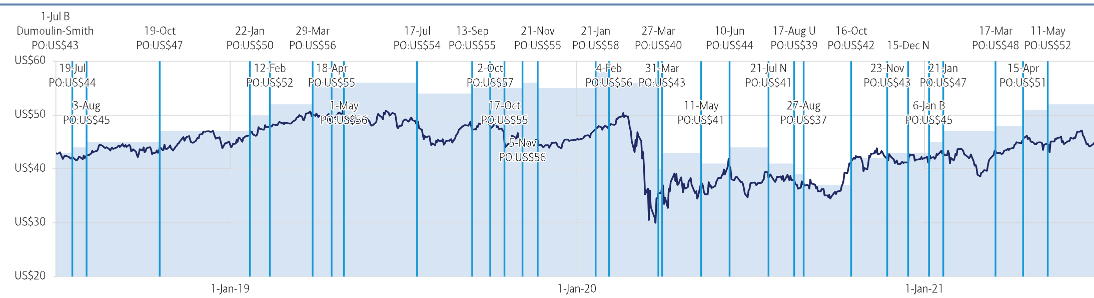
Exelon Corp (EXC) Price Chart



EXC —— PO ▬

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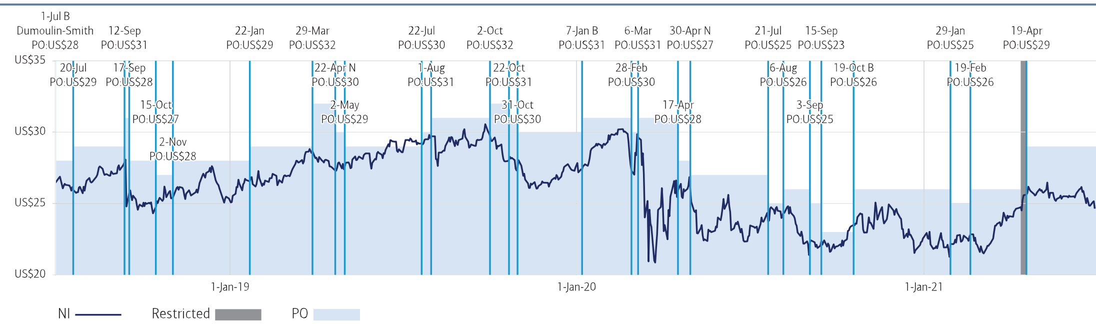
NiSource Inc (NI) Price Chart



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Equity Investment Rating Distribution: Energy Group (as of 30 Jun 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	77	60.63%	Buy	57	74.03%
Hold	27	21.26%	Hold	15	55.56%
Sell	23	18.11%	Sell	13	56.52%

Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	77	49.68%	Buy	53	68.83%
Hold	39	25.16%	Hold	29	74.36%
Sell	39	25.16%	Sell	24	61.54%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1947	60.07%	Buy	1252	64.30%

Hold	637	19.65%	Hold	395	62.01%
Sell	657	20.27%	Sell	340	51.75%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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US Electric Utilities & IPPs

Utility Bills Are Likely Going Up. What utilities have exposure? Who may profit?

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Industry Overview | 05 October 2021 | Equity | United States | Electric Utilities

Key takeaways

- Sharp rise in gas and power commodity costs is a sector risk due to regulatory/political intervention.

- Less gas exposure, below avg bills, high reliability, above-average per capita incomes, and strong balance sheets key traits
- Eversource (ES) and Avangrid (AGR) two with challenged positioning plus NWE, & UTL. XEL, PEG, NEE, & EXC standout positively.

CL&P: Connecticut Light & Power
PSEG: Public Service Enterprise Group
LDC: Natural gas local distribution company

Distilling the rate storms: Identifying key attributes

In 2021 there has been significant increases in a wide range of commodities with key energy costs spiking higher in September. For example, New England wholesale natural gas forwards have increased +31% over the past month and +63% in the past six months. For regulated utilities commodity costs are a *'pass-through'* to customers without a profit margin but there are indirect implications. Higher bills reduces the bill headroom or "wallet share" available for utilities to invest in rate base that generates earnings. Additionally, a sharp increase in customer bills can lead to adverse regulatory or political actions. The energy price topic is multifaceted so we start by trying to decompose into the core elements: **(1)** where/for who are bills increasing the most for commodity costs; **(2)** where are bills already high and/or poised to increase before the latest commodity spikes: **(3)** what customer bases can better absorb a price shock; **(4)** who has quality service that makes increases more palatable; and **(5)** who was the strongest balance sheet to absorb any cash flow delays from customers. Please see Page 2 for analysis summary metrics and Page 4 for ratings rationales for stocks mentioned.

What utilities have the most exposure? ES, AGR, & UTL

Eversource Energy (ES) rated Neutral appears to have a large exposure for a potential rate shock. Eversource has above-average bills electric and gas), examples of extended customer outages, and below-average customer satisfaction. A favorable offset is high per capita income, although that fact did not prevent the 'Take Back Our Grid Act' from being enacted in Connecticut. Eversource's balance sheet is above average at Baa1 but Moody's has a negative outlook which weakens financial flexibility. Although Eversource recently reached a settlement with parties in its CL&P interim rate decrease docket (further details are available in our note here (https://rsch.baml.com/r?q=Sarlg6sG9FbHuxe6gEqxTw)), there are risks elsewhere in Connecticut (Yankee Gas) as well as the other Northeast utilities. Neighboring peer Avangrid (AGR) also similarly screens poorly on key metrics. Other companies relatively weakly positioned include **UTL, ETR, NWE, AQN, DUK, PNW, and FE.**

'All weather' utilities include XEL, PEG, NEE, and EXC

Xcel Energy (XEL Neutral) is a clear positive standout from the analysis with relatively low average bills (electric and gas) coupled with above-average reliability, state per capita incomes, and Moody's credit rating. Another company enjoying strong attributes is **PSEG (PEG)** that has generally high per capita income and credit rating coupled with below-average outage durations to insulate the company. We also highlight **Exelon (EXC)** as its outage statistics are

favorable and it enjoys at least average demographics. Exelon is unique with its unregulated Constellation nuclear-oriented subsidiary a prime beneficiary of the power increases. Other companies that screen well include **NEE, AVA, IDA, and ATO**. Lastly we would be remiss to not highlight **American Water Works (AWK - Underperform)'s** favorable attribute of supplying water rather than gas.

Not all LDCs the same: Limited exposure to New England

As we show, the thesis is not as simple as being negative on LDCs for a variety of reasons but the primary factor is public companies not having Northeast concentration.

What are the investment implications?

Rising input costs impacts all companies but different utilities and companies have unique attributes that can present opportunities and risk. We present key takeaways below.

- ***Where are bills high today?*** Residential revenue per customer - electric and gas.
- ***Whose customers face the longest outages?*** *EIA statistics on outage durations*
- ***How do customers rate their utilities?*** *J.D. Power customer satisfaction surveys*
- ***What customer bases can afford bill increases?*** US per capita income stats
- ***What utilities can handle delayed cash flows?*** Moody's credit ratings

Exhibit 1: Distilling key characteristics across the electric & gas universe
Below-average bills & customer outages plus above-average customer satisfaction, per capita income, and credit ratings are important attributes to withstand bill spikes

Electric Revenue per Customer				Gas Revenue per Customer			
Low		High		Low		High	
ALE	NWE	HE	ES	SRE	PCG	UTL	AGR
XEL	AVA	CPK	EMA	MDU	CNP	ES	NJR
MDU	AGR	SO	AQN	ATO	XEL	ED	SJI
		D	NEE				
		PNW					

Electric Outage Duration

Low		High	
BKH	NEE	ES	ETR
EXC	XEL	AEP	DUK
PEG	EVRG	FE	

Customer Satisfaction

High		Low	
NEE	SO	AQN	ES
IDA	PPL	CNP	AGR
ETR		PCG	NWE
		BKH	

Per Capita Income

High		Low	
ES	EIX	ETR	DTE
ED	AVA	DUK	CMS
PEG	XEL	SO	NWE
PCG	EXC	AEP	PNW

Moody's Credit Rating

High		Low	
ATO	ALE	PCG	EVRG
PNW	XEL	FE	UTL
OGS	WEC	EIX	AGR
POR	AEE	FTS	ETR
PEG	NEE	EMA	NWE

Source: BofA Global Research

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As discussed on Page 1, we see key common attributes that recur across certain utilities. Companies with a mix of high bills and low service quality face more regulatory/political risk than similar companies facing the same rate increases with lower starting rates.

The analysis is more nuanced than simply having a negative disposition to natural gas LDCs. These companies tend to have lower overall bills than electrics, stronger balance sheets (see ATO/OGS), and unregulated operations than can benefit from market volatility (see NJR).

In general we think that the electric utilities are better positioned due to more diverse operations, the fact that gas prices have increased more than electric prices, and a larger mix of gas versus electric supply costs in the average bill. As a result we are incrementally cautious on the natural gas LDCs but it is important to not paint all companies with the same brush. The electric wholesale supply stack includes renewables, nuclear, and coal that dampens the impact from increasing natural gas prices - although we have seen input cost inflation for coal and nuclear as well.

The analysis starts by being cognizant of the relative mixes for companies. The pure-play natural gas LDCs have more exposure to the thesis as natural gas utilities clearly do not have a diversified supply mix. Electric utilities benefit from diversification with many utilities power sources including coal, hydro, nuclear, and renewables - all of which except coal have generally stable or zero fuel costs. The dynamics of gas-to-coal switching we have recently observed and detailed is naturally not an option for a natural gas utility.

We present a high level overview of natural gas utility business mix for companies in our earlier note here: Just How 'Gassy' are Utilities? 18 September 2020

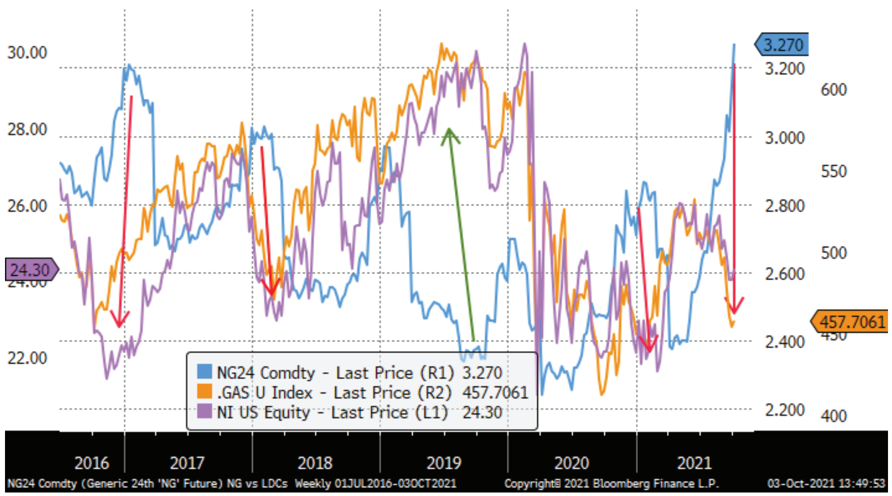
LDCs: Increasing gas prices represent a risk

We examine the apparent relationship between the performance of the gas local distribution companies (LDC) with movements in forward natural gas rates. We continue to receive daily investor questions about the opportunities and risks related to the gas price rally.

With natural gas prices significantly increasing in 2H21 (see blue line below as an example) we are incrementally cautious on the natural gas LDC sector as increasing commodity prices will reduce customer rate headroom. Even if the outcomes for utilities are benign, the perception of risk could lead to sub-sector underperformance. This is the latest example of macro factors potentially spilling into regulatory proceedings.

Exhibit 3: Natural Gas 24-Month Forward Pricing (Blue - Right) versus NiSource (NI Pink - Left) and Natural Gas LDCs (Orange - Right)

We show inverse correlations between natural gas and LDCs in late 2016, early 2018, most of 2019, and seemingly now in late 2021.



Source: Bloomberg and BofA Global Research

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Exhibit 3: Primary Stocks Mentioned in this Report

Prices, Ratings, and Rationale for Ratings for Primary Stocks Mentioned in This Report

BofA Ticker	BB ticker	Company name	Rationale of Rating	Price US$	Rating
AEP	AEP US	American Elec Power	Maintain Buy on AEP with favorable valuation and catalysts that over shadows inflationary concerns	83.04	B-1-7

AGR	AGR US	Avangrid	Maintain Underperform on AGR due to uncertainty in achieving long-term earnings guidance	US$ 49.55	A-3-7
AQN	AQN US	Algonquin Power	Maintain Underperform on AQN based on upon execution concerns for targeted growth	US$ 14.85	B-3-8
ATO	ATO US	Atmos Energy	Maintain Neutral on ATO with balanced risk/return profile with rate concerns balanced by above-average growth	US$ 90.55	A-2-7
AVA	AVA US	Avista Corp	Maintain Underperform on AVA due to questions on achieving stated return profile in Washington state.	US$ 39.9	B-3-7
AWK	AWK US	American Water	Maintain Underperform on AWK based primarily on valuation considerations that outweigh potential positives.	US$ 170.91	B-3-7
BKH	BKH US	Black Hills	Maintain Buy on BKH with an above average growth profile at attractive valuation.	US$ 64.45	B-1-7
CNP	CNP US	CenterPoint Energy	Maintain Buy on CNP with one of the highest EPS growth rates at attractive valuation.	US$ 25.49	B-1-7
DUK	DUK US	Duke Energy	Maintain Neutral on DUK due to balanced risk/reward profile at current pricing.	US$ 100.76	A-2-7
EIX	EIX US	Edison Intl	Maintain Neutral on EIX due to balanced risk/reward profile at current pricing.	US$ 56.23	B-2-7
ES	ES US	Eversource Energy	Maintain Neutral on ES due to elevated regulatory uncertainties and rate concerns that balance valuation.	US$ 84.92	A-2-7
ETR	ETR US	Entergy Corp.	Maintain Buy on ETR due to above-average valuation that outweighs balance sheet and other risks.	US$ 101.38	B-1-7
EVRG	EVRG US	Evergy	Maintain Neutral on EVRG due to balanced risk/reward profile after recent re-rating.	US$ 62.62	B-2-7
EXC	EXC US	Exelon Corp	Maintain Buy on EXC with favorable valuations at the regulated and unregulated segments.	US$ 48.35	B-1-7
FE	FE US	FirstEnergy	Maintain Buy on FE with attractive valuation and positive catalysts expected in the next 12 months.	US$ 36.01	B-1-8
IDA	IDA US	Idacorp	Maintain Neutral on IDA with above-average valuation balanced against attractive low-risk profile.	US$ 105	B-2-7
NEE	NEE US	NextEra Energy	Maintain Buy on NEE with long track record of utility and renewable development growth successes.	US$ 79.36	B-1-7
NWE	NWE US	NorthWestern Corp	Maintain Neutral on NWE due to balanced risk/reward profile at current pricing.	US$ 58.92	B-2-7
OGE	OGE US	OGE Energy Corp	Maintain Buy on OGE with reasonable valuation as transition to pure-play regulated utility.	US$ 33.64	B-1-7
OGS	OGS US	ONE Gas Inc	Maintain Underperform on OGS due primarily to valuation considerations but also inflation risks	US$ 67.37	A-3-7

PCG	PCG US	PG&E Corp.	Maintain Buy on PCG due to deeply discounted valuation and positive catalysts in early 2022.	US$ 9.82	C-1-9
PEG	PEG US	Public Service	Maintain Buy on PEG following fossil generation divestitures with attractive risk/return profile pro-forma.	US$ 61.15	B-1-7
PNW	PNW US	Pinnacle West Capit	Maintain Underperform on PNW with risk to long term earnings power in challenging Arizona jurisdiction.	US$ 73.97	B-3-7
SO	SO US	Southern Company	Maintain Buy on SO as construction of Vogtle nuclear plant draws to completion at attractive valuation.	US$ 62.43	A-1-7
SRE	SRE US	Sempra Energy	Maintain Neutral on EIX due to balanced risk/reward profile at current pricing.	US$ 126.52	B-2-7
UTL	UTL US	Unitil Corp	Maintain Underperform on UTL due primarily to valuation considerations but also inflation risks.	US$ 44.29	B-3-7
WEC	WEC US	WEC Energy Group Inc	Maintain Underperform on WEC due primarily to valuation considerations.	US$ 89.37	A-3-7
XEL	XEL US	Xcel Energy	Maintain Neutral on XEL with favorable inflationary metrics balanced by premium valuation.	US$ 63.9	A-2-7

Source: BofA Global Research

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Setting the stage: Looking at commodities

We start by 'level setting' showing the key wholesale power and natural gas inputs. Over the last six months **every major 2022 forward power hub has increased 45%+ and natural gas hubs are even stronger at 65%+.** This sets the stage for material bill increases in the upcoming winter and balance of 2022, a headwind for the sector.

Exhibit 4: Power, Natural Gas, Oil, and Other Energy Datapoint Performance Metrics
We highlight >25% (yellow), >50% (orange), and >75% (green) movements

Ticker	Name	Price	%1M	%3M	%6M	%1YR
2022 Power Hubs						
FNERY 22	NEPOOL FV ATC Yr	$68.14	23.2	**49.5**	**84.3**	**93.4**
FPWAY 22	PJM West DA ATC Yr	$44.32	17.1	**36.9**	**57.2**	**60.9**
FPGAY 22	PJM PSEG Zn DA ATC Yr	$41.82	19.8	**42.9**	**58.2**	**65.0**
FNIRY 22	NI Hub FV ATC Year	$40.46	17.4	**40.6**	**64.1**	**68.5**
FMIRY 22	MISO Ind DA ATC Yr	$42.41	10.5	**28.3**	**44.9**	**48.0**
FDAAY 22	AEP Dayton DA ATC Yr	$41.88	13.1	**32.4**	**52.9**	**57.2**

FNGRY 22	NY Zn G FV ATC Yr	$53.29	17.2	**31.8**	**62.2**	**77.1**
FSPRY 22	SP15 ATC FV Year	$70.40	24.0	**40.5**	**56.1**	**94.7**
FHLRY 22	ERCOT Hous Ld Zn RT ATC Yr	$48.16	9.3	16.1	**55.6**	**58.5**
2023 Power Hubs						
FNERY 23	NEPOOL FV ATC Yr	$50.06	8.6	17.9	**35.6**	**37.4**
FPWAY 23	PJM West DA ATC Yr	$35.41	9.2	19.0	**30.7**	**28.9**
FPGAY 23	PJM PSEG Zn DA ATC Yr	$33.32	10.5	20.3	**31.6**	**29.6**
FNIRY 23	NI Hub FV ATC Year	$32.85	11.6	24.6	**38.8**	**40.1**
FMIRY 23	MISO Ind DA ATC Yr	$36.15	6.4	14.7	**25.7**	**28.0**
FDAAY 23	AEP Dayton DA ATC Yr	$33.77	7.3	16.6	**28.7**	**27.9**
FNGRY 23	NY Zn G FV ATC Yr	$41.37	6.6	7.9	24.3	**31.6**
FSPRY 23	SP15 ATC FV Year	$52.51	15.5	24.9	**31.6**	**49.7**
FHLRY 23	ERCOT Hous Ld Zn RT ATC Yr	$37.76	5.2	11.4	**28.0**	24.1
2022 Gas Hubs						
FFANY 22	Algonquin FV Fixed Year	$8.08	**31.3**	**63.1**	**118.2**	**118.5**
FFTMY 22	TETM3IF Fixed Year	$4.61	20.3	**44.0**	**76.4**	**71.5**
FFCHY 22	Chicago Fixed Fair Val Year	$4.38	13.8	**41.0**	**68.8**	**73.0**
FFCTY 22	TCO Fixed Fair Value Year	$3.68	16.0	**47.1**	**73.2**	**66.3**
FFT6Y 22	TRANZ6IF Fixed Year	$5.00	18.5	**42.6**	**66.9**	**63.0**
FFSCY 22	SoCal CG Fixed FV Year	$8.20	**27.1**	**61.4**	**112.9**	**145.7**
FFWAY 22	Waha Fixed FV Year	$4.02	13.7	**44.1**	**66.2**	**73.8**
FSNGY 22	Fair Value Nymex Natgas Swap	$4.31	13.8	**37.5**	**63.3**	**66.0**
2023 Gas Hubs						
FFANY 23	Algonquin FV Fixed Year	$5.67	15.8	**29.8**	**55.6**	**55.7**
FFTMY 23	TETM3IF Fixed Year	$3.69	16.1	**31.9**	**48.8**	**45.3**
FFCHY 23	Chicago Fixed Fair Val Year	$3.50	12.2	**26.3**	**38.9**	**43.4**
FFCTY 23	TCO Fixed Fair Value Year	$2.88	14.6	**30.1**	**41.9**	**37.7**
FFT6Y 23	TRANZ6IF Fixed Year	$3.93	12.0	**25.8**	**33.6**	**36.1**
FFSCY 23	SoCal CG Fixed FV Year	$5.90	20.6	**37.2**	**65.3**	**85.1**
FFWAY 23	Waha Fixed FV Year	$2.98	13.2	**37.3**	**37.8**	**36.4**
FSNGY 23	Fair Value Nymex Natgas Swap	$3.46	12.3	24.2	**35.9**	**40.0**
Oil & Gas						
CL1	Generic 1st 'CL' Future	$75.88	11.1	5.3	23.5	**96.0**
CL12	Generic 12th 'CL' Future	$69.82	8.8	6.8	20.8	**66.8**
NG1	Generic 1st 'NG' Future	$5.62	20.5	**53.3**	**112.9**	**122.4**
NG12	Generic 12th 'NG' Future	$3.88	10.2	**31.3**	**55.9**	**38.1**
NG24	Generic 24th 'NG' Future	$3.27	12.8	22.4	**37.2**	**32.6**

FSNGY 21	Fair Value Nymex Natgas Swap	$5.62	19.7	**53.3**	**102.9**	**96.5**
FSNGY 22	Fair Value Nymex Natgas Swap	$4.31	13.8	**37.5**	**63.3**	**66.0**
FSNGY 23	Fair Value Nymex Natgas Swap	$3.46	12.3	24.2	**35.9**	**40.0**
Other Energy Datapoints						
NRG	NRG ENERGY	$40.66	(10.5)	(1.8)	8.5	**30.9**
VST	VISTRA CORP	$16.85	(11.8)	(11.5)	(4.9)	(6.3)
XLU	SPDR-UTIL SELECT	$63.88	(8.1)	(0.2)	(0.2)	5.3
XOP	SPDR OIL&GAS EXP	$99.24	17.1	2.1	16.0	**138.4**
AMLP	ALERIAN MLP ETF	$33.79	1.0	(8.6)	8.5	**68.4**
SPY	SPDR S&P 500 ETF	$434.24	(4.2)	0.1	8.4	**30.1**

Source: Bloomberg

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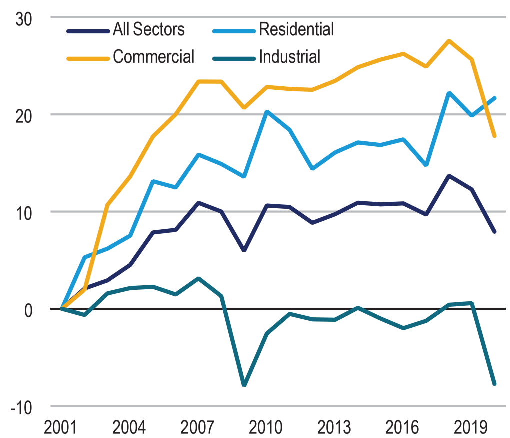
EIA Sales Data

For reference the U.S. Energy Information Administration (EIA) data for June 2021 shows the split of residential, commercial, industrial, transportation, and blended rates. Residential customers typically pay <u>premium</u> rates with higher margin in contrast to industrial customers that are less profitable for utilities in isolation.

- Residential: 13.85¢/kwh Transportation: 10.38¢/kwh
- Commercial: 11.34¢/kwh Industrial: 7.27¢/kwh
- Blended: 11.30¢/kwh

Overall US electric retail sales have been largely stagnant with ~0.5% CAGR from 2001-2019/2020 with 1% residential, ~1% commercial, and slightly negative for industrial. The primary driver has been improving energy efficiency that has caused a decoupling between GDP growth and electrical usage. 2020 showed the impact of covid with a sharp decline in C&I partially offset by higher residential consumption due to work-from-home dynamics. Prospectively most utilities forecast sales growth of +50bp with many companies closer to flat and a few outliers at 100bp or greater.

Exhibit 5: Retail sales of electricity United States annual (Indexed to 2001 as percent)
Overall electric consumption has been stagnant



Source: U.S. Energy Information Administration

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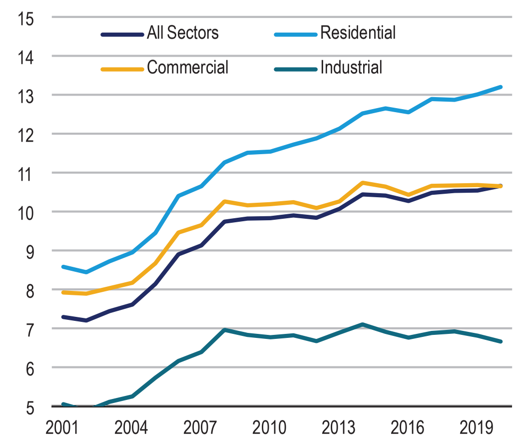
Exhibit 6: Average Retail Price of Electricity (cents per kilowatt hour)
Residential rates have far outpaced C&I



Source: U.S. Energy Information Administration

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What is in your bill? A mix of supply and delivery charges

We use Eversource (ES) useful sample electric and gas bills to provide high-level datapoints. Note that the information is from an April 2019 sample which understates the peak impact in July/August for Electric and January/February for Gas. The effect is far more pronounced for natural gas with consumption that is 2.5x higher in the winter than early Spring and negligible in the Summer.

Electric: Out of the company's $129 April 2019 sample bill 54% ($71) related to delivery charges with $58 related to supply. Holding the other variables constant and increasing the consumption +20% to the sample for August would increase the bill to $145, or +12%

Gas: Out of the company's $114 April 2019 sample bill 55% ($62) related to delivery charges while $52 related to supply (i.e. natural gas) charges. As mentioned the usage in the April period (65d cf) is much lower than March (128 dcf) and February (174 dcf). Holding the other variables constant and increasing the consumption +267% to the sample for February would increase the by 139%

Exhibit 7: Eversource Sample April 2019 Gas Bill
Gas bills are significantly higher in the winter

Sample Gas Bill	April 2019	March 2019	February 2019
Delivery Charges			
Customer	**$15**	$15	$15
Consumption	65	128	174
Rate	$0.72	$0.72	$0.72
Total Delivery Charge	**$62.06**	**$92.67**	**$125.98**
Supply Charge			
Consumption	65	128	174
Rate	$0.80	$0.80	$0.80
Total Supply Charge	**$52.20**	**$102.79**	**$139.74**
Total Bill	**$114.26**	**$195.47**	**$265.71**
Delivery Mix	54.3%	47.4%	47.4%
Supply Mix	45.7%	52.6%	52.6%
Increasing Supply Rate Scenario			
Base	$0.80	$0.80	$0.80
Assumed Increase	**10%**	10%	10%
New Supply Rate	$0.88	$0.88	$0.88
Prior Bill	$114.26	$195.47	$265.71
New Bill	**$119.48**	**$220.75**	**$294.68**
Increase (%)	**4.6%**	**12.9%**	**10.9%**
Increase ($)	**$5.22**	**$25.28**	**$28.97**

Source: Eversource Company Filings and BofA Global Research

Exhibit 8: Eversource Sample April 2019 Electric Bill
Approximately half of the bill is delivery based

Sample Electric Bill	April '19	July 2019	August 2019
Delivery Charges			
Customer	**$9**	$9	$9
Consumption	575	617	694
Rate	$0.11	$0.11	$0.11
Total Delivery Charge	**$71.02**	**$66.32**	**$74.60**
Supply Charge			
Consumption	575	617	694
Rate	$0.10	$0.10	$0.10
Total Supply Charge	**$58.32**	**$62.58**	**$70.39**
Total Bill	**$129.34**	**$128.90**	**$144.99**
Delivery Mix	54.9%	51.5%	51.5%
Supply Mix	45.1%	48.5%	48.5%
Increasing Supply Rate Scenario			
Base	$0.10	$0.10	$0.10
Assumed Increase	**10%**	10%	10%
New Supply Rate	$0.11	$0.11	$0.11
Prior Bill	$129.34	$128.90	$144.99
New Bill	**$135.17**	**$144.37**	**$161.24**
Increase (%)	**4.5%**	**12.0%**	**11.2%**
Increase ($)	**$5.83**	**$15.47**	**$16.25**

Source: Eversource Company Filings and BofA Global Research

Source: Eversource Company Filings and BofA Global Research

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Source: Eversource Company Filings and BofA Global Research

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For both electric and gas above we illustratively show the impact of a 10% increase in the supply cost which would increase the peak August electric bill by +$16 and peak February gas bill by +$29. Using recent data for ISO-New England NEPOOL 2022 power prices +90% and Algonquin 2022 natural gas prices +155% in the last year, there is a risk for much more significant customer bill increase. **If we include the +90%/+115% commodity price increases in an illustrative peak bill there would be +$63 electric and +$161 gas peak month increases.**

As another real-life example, Unitil (UTL) recently filed to increase its New Hampshire standard electric rate to $0.175/kWh versus $0.093/kWh Winter 2019/2020 and $0.071/kWh currently. Eversource's comparable filing is expected in December for new rates in the following February based on historical precedent.

We highlight Idacorp (IDA) as unique with its Power Cost Adjustment Mechanism (PCAM) where rates being fixed until June 1, 2022 if any adjustment is necessary.

Where are bills already high?

Utilizing 2019 EIA data for investor owned utilities we present the highest and lowest **electric residential** revenue per customer.

Exhibit 9: 2019 Electric Residential Sales Statistics for Investor Owned Utilities - Excluding Hawaii. Top 25 highest and bottom 25 lowest

Many utilities in the Southern states (AL, SC, FL, MS) have relatively high revenues per customer - this relates to high consumption

Entity	State	Ticker	Sales (MWh)	Revenues ($ Thousands)	Average Price (cents/kWh)	Customers (Count)	Revenue per Customer	Consumption per Customer
Alabama Power Co	AL	SO	18,264,230	2,448,683	13.41	1,280,955	**1,912**	14,258
Duke Energy Progress - (NC)	SC	DUK	2,106,868	259,951	12.34	137,456	**1,891**	15,328
Dominion Energy SC, Inc	SC	D	8,253,672	1,180,691	14.31	640,443	**1,844**	12,887
Kentucky Power Co	KY	AEP	2,051,369	246,422	12.01	133,978	**1,839**	15,311
Virginia Electric & Power Co	NC	D	1,609,927	188,944	11.74	103,458	**1,826**	15,561
Rockland Electric Co	NJ	ED	665,078	108,775	16.36	60,501	**1,798**	10,993
Gulf Power Co	FL	NEE	5,519,757	731,604	13.25	407,435	**1,796**	13,548
Mississippi Power Co	MS	SO	2,062,382	276,379	13.40	154,014	**1,795**	13,391

Connecticut Light & Power Co	CT	ES	7,260,093	1,540,706	21.22	875,898	**1,759**	8,289
Empire District Electric Co	MO	AQN	1,708,220	229,756	13.45	131,232	**1,751**	13,017
Duke Energy Florida, LLC	FL	DUK	20,775,080	2,830,526	13.62	1,626,117	**1,741**	12,776
South. Indiana Gas & Elec Co	IN	CNP	1,409,212	216,149	15.34	124,590	**1,735**	11,311
Delmarva Power	MD	EXC	1,837,555	264,479	14.39	156,528	**1,690**	11,739
Appalachian Power Co	WV	AEP	5,059,375	592,670	11.71	353,017	**1,679**	14,332
United Illuminating Co	CT	AGR	1,377,863	347,574	25.23	214,360	**1,621**	6,428
Empire District Electric Co	KS	AQN	108,797	13,162	12.10	8,154	**1,614**	13,343
Virginia Electric & Power Co	VA	D	29,829,089	3,596,332	12.06	2,245,174	**1,602**	13,286
Arizona Public Service Co	AZ	PNW	13,189,233	1,793,584	13.60	1,123,829	**1,596**	11,736
Kentucky Utilities Co	VA	PPL	343,346	36,394	10.60	23,142	**1,573**	14,836
Potomac Electric Power Co	MD	EXC	4,568,893	671,825	14.70	427,744	**1,571**	10,681
Duke Energy Progress - (NC)	NC	DUK	16,135,938	1,909,185	11.83	1,221,129	**1,563**	13,214
Massachusetts Electric Co	MA	NG	4,388,013	1,045,766	23.83	670,255	**1,560**	6,547
SW Electric Power Co	LA	AEP	2,945,155	318,089	10.80	204,070	**1,559**	14,432
The Potomac Edison Company	WV	EXC	1,907,937	191,833	10.05	124,233	**1,544**	15,358
Tampa Electric Co	FL	EMA	9,584,236	1,047,720	10.93	685,122	**1,529**	13,989
Oklahoma Gas & Electric Co	AR	OGE	738,753	61,307	8.30	56,263	**1,090**	13,130
Avista Corp	WA	AVA	2,534,229	249,947	9.86	230,749	**1,083**	10,983
Duke Energy Kentucky	KY	DUK	1,507,639	138,630	9.20	128,049	**1,083**	11,774
Ameren Illinois Company	IL	AEE	4,875,758	459,465	9.42	435,634	**1,055**	11,192
Montana-Dakota Utilities Co	ND	MDU	782,110	82,851	10.59	78,685	**1,053**	9,940
NorthWestern Energy								

LLC	MT	NWE	2,579,209	309,861	12.01	303,039	**1,023**	8,511
Avista Corp	ID	AVA	1,231,607	119,136	9.67	117,354	**1,015**	10,495
Madison Gas & Electric Co	WI	MGEE	833,646	138,021	16.56	135,967	**1,015**	6,131
Northern States Power Co	MN	XEL	8,552,013	1,165,203	13.62	1,159,579	**1,005**	7,375
Montana-Dakota Utilities Co	MT	MDU	184,427	19,846	10.76	19,839	**1,000**	9,296
Rochester Gas & Electric Corp	NY	AGR	2,293,322	294,696	12.85	296,612	**994**	7,732
Southwest. Electric Power Co	AR	AEP	1,175,211	101,365	8.63	102,627	**988**	11,451
Potomac Electric Power Co	DC	EXC	1,952,924	237,686	12.17	241,098	**986**	8,100
New York State Elec & Gas Co	NY	AGR	5,588,259	636,293	11.39	649,945	**979**	8,598
Northern States Power Co	ND	XEL	782,124	78,594	10.05	81,223	**968**	9,629
UNS Electric, Inc	AZ	FTS	898,002	83,561	9.31	86,869	**962**	10,337
Wisconsin Public Service Corp	WI	WEC	2,868,978	370,938	12.93	393,167	**943**	7,297
Niagara Mohawk Power Corp.	NY	NG	9,632,256	1,208,158	12.54	1,285,489	**940**	7,493
ALLETE, Inc.	MN	ALE	1,042,353	115,500	11.08	122,926	**940**	8,480
Commonwealth Edison Co	IL	EXC	17,616,341	2,343,491	13.30	2,520,161	**930**	6,990
Public Service Co of NM	NM	AGR	3,227,338	427,883	13.26	471,935	**907**	6,839
Cleveland Electric Illum Co	OH	FE	1,269,762	158,101	12.45	175,716	**900**	7,226
Liberty Utilities	CA	AQN	286,633	38,477	13.42	43,032	**894**	6,661
Superior Water and Light Co	WI	ALE	88,154	10,792	12.24	12,728	**848**	6,926
Public Service Co of Colorado	CO	XEL	9,446,626	1,047,994	11.09	1,281,850	**818**	7,370

Source: Energy Information Administration and BofA Global Research

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We aggregate the data above by utility holding company to show overall stock exposure. Hawaiian Electric (HE) is a clear outlier with its oil-fired mix driving a materially higher rate. In general we are less concerned for companies with sub-$1,200 annual revenue per customer (~$100 per month) but spikes are a clear risk as well. The focus is on high consumption and high rates with rates in the $0.15/kWh or higher range representing more risk. ED and ES are examples of high rates ($0.20+/kWh) coupled with high rates, a contrast from high rate California PCG and SRE that have well below average consumption.

Exhibit 10: 2019 Electric Residential Sales Statistics
Consistent with the exhibit above, there is a logical correlation between revenue per customer and consumption

Ticker	Sales (MWh)	Revenues (Thousands Dollars)	Average Price (cents/kWh)	Customers (Count)	Revenue per Customer	Consumption per Customer
HE	2,439,272	791,398	32.44	409,148	**1,934**	5,962
CPK	306,446	45,405	14.82	24,573	**1,848**	12,471
CNP	1,409,212	216,149	15.34	124,590	**1,735**	11,311
SO	48,527,692	6,136,593	12.65	3,673,118	**1,671**	13,212
D	39,692,688	4,965,966	12.51	2,989,075	**1,661**	13,279
PNW	13,189,233	1,793,584	13.60	1,123,829	**1,596**	11,736
ES	13,602,040	2,904,361	21.35	1,848,188	**1,571**	7,360
EMA	9,584,236	1,047,720	10.93	685,122	**1,529**	13,989
AQN	2,364,715	328,369	13.89	215,950	**1,521**	10,950
NEE	65,858,730	7,387,080	11.22	4,886,791	**1,512**	13,477
DUK	81,620,288	9,620,151	11.79	6,376,329	**1,509**	12,801
AEP	45,238,300	5,137,502	11.36	3,619,484	**1,419**	12,499
PCG	14,429,648	3,224,897	22.35	2,277,864	**1,416**	6,335
PPL	21,480,729	2,779,661	12.94	1,979,976	**1,404**	10,849
ETR	36,093,634	3,456,692	9.58	2,494,920	**1,385**	14,467
UTL	540,305	107,801	19.95	78,159	**1,379**	6,913
EVRG	15,492,427	1,899,249	12.26	1,402,526	**1,354**	11,046
LNT	7,206,677	1,094,351	15.19	819,473	**1,335**	8,794
OTTR	1,303,317	131,962	10.13	103,329	**1,277**	12,613
AES	7,953,235	880,558	11.07	692,063	**1,272**	11,492
FE	33,858,049	4,394,721	12.98	3,506,345	**1,253**	9,656
AEE	18,393,575	1,862,354	10.13	1,501,669	**1,240**	12,249
CMS	12,484,700	1,978,868	15.85	1,611,320	**1,228**	7,748

OGE	9,722,352	891,067	9.17	729,158	**1,222**	13,334
DTE	15,065,768	2,426,890	16.11	2,003,620	**1,211**	7,519
FTS	6,338,535	833,737	13.15	696,729	**1,197**	9,098
SRE	5,981,976	1,542,153	25.78	1,298,976	**1,187**	4,605
BKH	1,420,475	213,569	15.04	181,192	**1,179**	7,840
POR	7,471,069	917,792	12.28	779,673	**1,177**	9,582
ED	12,296,522	2,990,100	24.32	2,574,558	**1,161**	4,776
NI	3,369,470	481,615	14.29	415,534	**1,159**	8,109
NG	14,020,269	2,253,923	16.08	1,955,744	**1,152**	7,169
EXC	52,718,687	6,744,274	12.79	5,889,537	**1,145**	8,951
PEG	12,028,061	2,009,160	16.70	1,789,766	**1,123**	6,720
IDA	5,272,660	528,572	10.02	471,298	**1,122**	11,188
WEC	10,687,062	1,578,737	14.77	1,412,192	**1,118**	7,568
EIX	24,712,671	4,005,617	16.21	3,593,459	**1,115**	6,877
UGI	565,747	60,240	10.65	54,903	**1,097**	10,304
AGR	15,787,546	2,278,186	14.43	2,116,934	**1,076**	7,458
AVA	3,909,044	389,393	9.96	362,896	**1,073**	10,772
NWE	3,167,893	372,318	11.75	353,654	**1,053**	8,958
MDU	1,107,406	117,690	10.63	112,136	**1,050**	9,876
MGEE	833,646	138,021	16.56	135,967	**1,015**	6,131
XEL	21,418,534	2,633,534	12.30	2,817,807	**935**	7,601
ALE	1,130,507	126,292	11.17	135,654	**931**	8,334
EE	2,998,517	348,449	11.62	380,155	**917**	7,888

Source: Energy Information Administration and BofA Global Research

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We prepare a similar analysis for the highest and lowest **gas residential** revenue per customer.

Exhibit 11: 2019 Gas Residential Sales Statistics for Investor Owned Utilities - Top 25 highest and bottom 25 lowest
General concentration in the Northeast with consumption materially higher

Company	State	Ticker	Sales Volumes	Sales Revenue	Average Rate	Customers	Revenue per Cust.	Consumption per Customer
ORANGE & ROCKLAND UTILITIES INC	NY	ED	9,920,809	136,006,647	**14**	88,629	**1,535**	112
ENSTAR NAT GAS	AK	ALA	17,581,815	197,404,401	**11**	133,654	**1,477**	132
KEYSPAN ENERGY DBA NATIOAL GRID NY	NY	NG	53,696,858	748,674,917	**14**	516,748	**1,449**	104

CONNECTICUT NAT GAS CORP	CT	AGR	17,527,923	236,251,810	**13**	165,148	**1,431**	106
CENTRAL HUDSON GAS & ELECTRIC	NY	FTS	5,217,411	89,042,587	**17**	65,229	**1,365**	80
FITCHBURG GAS AND ELECTRIC COMPANY	MA	UTL	1,055,305	19,392,799	**18**	14,334	**1,353**	74
BERKSHIRE GAS COMPANY THE	MA	AGR	3,143,233	45,376,780	**14**	34,886	**1,301**	90
BOSTON GAS CO DBA NATIONAL GRID	MA	NG	51,081,667	812,649,556	**16**	631,730	**1,286**	81
COLUMBIA GAS OF MASSACHUSETTS	MA	ES	26,024,258	379,588,194	**15**	296,371	**1,281**	88
NORTHERN UTILITIES INC	NH	UTL	1,885,234	34,517,228	**18**	27,213	**1,268**	69
SOUTHERN CONNECTICUT GAS COMPANY	CT	AGR	16,216,001	225,132,631	**14**	180,189	**1,249**	90
NARRAGANSETT ELECTRIC CO GAS DIV RI	RI	PPL	19,891,520	305,581,491	**15**	246,267	**1,241**	81
YANKEE GAS SVC CO	CT	ES	16,007,557	262,347,059	**16**	212,028	**1,237**	75
PEOPLES GAS LIGHT AND COKE COMPANY	IL	WEC	80,346,654	925,837,069	**12**	749,429	**1,235**	107
THE BROOKLYN UNION GAS CO	NY	NG	92,250,823	1,305,037,162	**14**	1,060,820	**1,230**	87
LIBERTY UTILITIES-ST LAWRENCE GAS	NY	AQN	1,618,247	17,375,097	**11**	14,721	**1,180**	110
CONSOLIDATED EDISON NEW YORK INC	NY	ED	55,924,116	975,455,056	**17**	834,910	**1,168**	67
COLONIAL GAS CO CO KEYSPAN	MA	NG	15,064,203	214,279,174	**14**	188,231	**1,138**	80
COLUMBIA GAS OF PENNSYLVANIA	PA	NI	27,423,413	383,281,012	**14**	337,268	**1,136**	81
PEOPLES GAS COMPANY	PA	WTRG	4,958,886	64,663,363	**13**	57,182	**1,131**	87
LIBERTY UTILITIES DBA ENERGY NORTH N	NH	AQN	6,149,180	92,013,508	**15**	82,090	**1,121**	75
NORTHERN UTILITIES DBA UNITIL CORP	ME	UTL	1,686,830	27,220,237	**16**	24,295	**1,120**	69
NSTAR GAS COMPANY	MA	ES	22,211,409	285,367,730	**13**	261,655	**1,091**	85
NORTH SHORE GAS COMPANY	IL	WEC	18,574,688	147,300,285	**8**	137,405	**1,072**	135
DUKE ENERGY KENTUCKY	KY	DUK	6,076,554	66,031,924	**11**	62,448	**1,057**	97
AVISTA UTILITIES	ID	AVA	5,433,347	43,435,274	**8**	76,687	**566**	71
MONTANA DAKOTA UTILITIES CO	SD	MDU	4,305,662	30,924,895	**7**	54,610	**566**	79
PIEDMONT NATURAL GAS	SC	DUK	6,941,048	74,475,420	**11**	135,870	**548**	51
NORTHERN STATES PWR CO	ND	XEL	4,253,397	27,025,362	**6**	49,433	**547**	86
DOMINION ENERGY SOUTH CAROLINA INC	SC	D	12,867,461	193,864,813	**15**	358,124	**541**	36
NORTHWESTERN ENERGY	NE	NWE	2,826,255	20,194,177	**7**	37,612	**537**	75
ATMOS ENERGY CORPORATION	TN	ATO	7,682,195	70,179,077	**9**	131,624	**533**	58
SOUTHWEST GAS CORPORATION	NV	SWX	37,124,150	379,153,510	**10**	731,032	**519**	51
CENTERPOINT ENERGY ARKLA	LA	CNP	6,560,531	62,445,329	**10**	121,738	**513**	54
UNS GAS INC	AZ	FTS	8,404,148	75,500,000	**9**	147,235	**513**	57
CENTERPOINT ENERGY ENTEX	MS	CNP	5,298,867	59,795,451	**11**	117,422	**509**	45
FLORIDA PUBLIC UTILITIES	FL	CPK	1,380,919	28,946,991	**21**	56,939	**508**	24
SOUTHERN CALIFORNIA GAS COMPANY	CA	SRE	232,735,930	2,779,359,698	**12**	5,531,367	**502**	42
ATMOS ENERGY CORPORATION	LA	ATO	12,697,021	162,255,252	**13**	331,423	**490**	38
CENTERPOINT ENERGY ENTEX	TX	CNP	66,511,169	792,440,264	**12**	1,649,643	**480**	40

CHATTANOOGA GAS CO	TN	SO	2,827,732	26,992,780	**10**	58,230	**464**	49
INTERMOUNTAIN GAS COMPANY	ID	MDU	25,225,340	155,648,025	**6**	336,427	**463**	75
NEW MEXICO GAS COMPANY	NM	EMA	36,819,855	222,960,932	**6**	489,189	**456**	75
PEOPLES GAS SYS	FL	EMA	7,251,874	162,843,596	**22**	360,775	**451**	20
ENTERGY LOUISIANA LLC	LA	ETR	3,692,074	39,871,649	**11**	88,957	**448**	42
SOUTHWEST GAS CORPORATION	AZ	SWX	31,480,558	457,315,550	**15**	1,051,069	**435**	30
TEXAS GAS SERVICE	TX	OGS	23,046,868	273,340,372	**12**	630,655	**433**	37
SAN DIEGO GAS AND ELECTRIC COMPANY	CA	SRE	29,130,140	369,505,896	**13**	859,937	**430**	34
ENTERGY NEW ORLEANS INC	LA	ETR	3,718,564	42,982,576	**12**	102,531	**419**	36
FLORIDA CITY GAS	FL	NEE	1,408,870	36,582,736	**26**	104,134	**351**	14

Source: Energy Information Administration and BofA Global Research

BofA GLOBAL RESEARCH

Again we prepare a similar analysis for the gas utilities showing revenue per customer which is a function of consumption and the average therm rates.

Exhibit 12: 2019 Gas Residential Sales Statistics
Northeast utilities UTL, ES, ED, NG, AGR, NJR, and SJI are clear examples of higher revenue per customer

Company	Sales Volumes	Sales Revenue	Average Rate	Customers	Revenue per Customer	Consumption per Customer
UTL	4,627,369	81,130,264	**18**	65,842	**1,232**	70
ES	64,243,224	927,302,983	**14**	770,054	**1,204**	83
ED	65,844,925	1,111,461,703	**17**	923,539	**1,203**	71
NG	257,343,131	3,477,305,921	**14**	2,894,852	**1,201**	89
AGR	82,529,027	935,639,553	**11**	862,296	**1,085**	96
NJR	43,485,549	493,395,662	**11**	489,938	**1,007**	89
WTRG	48,008,432	512,951,430	**11**	536,198	**957**	90
PPL	38,751,922	518,831,620	**13**	547,239	**948**	71
SJI	46,973,740	562,141,784	**12**	618,997	**908**	76
AQN	20,837,182	271,157,617	**13**	302,123	**898**	69
ALA	112,260,263	1,211,646,632	**11**	1,366,168	**887**	82
EXC	72,014,202	867,640,190	**12**	1,030,296	**842**	70
UGI	56,351,118	594,321,124	**11**	706,262	**842**	80
NI	120,658,108	1,285,138,752	**11**	1,529,715	**840**	79
SR	91,587,283	984,786,594	**11**	1,180,120	**834**	78
CMS	165,628,128	1,372,826,821	**8**	1,649,304	**832**	100

WEC	259,702,253	2,284,683,167	**9**	2,747,892	**831**	95
NFG	63,627,080	510,126,275	**8**	615,834	**828**	103
DTE	105,630,934	865,389,517	**8**	1,056,653	**819**	100
FTS	13,621,559	164,542,587	**12**	212,464	**774**	64
AEE	66,055,391	653,090,840	**10**	862,061	**758**	77
LNT	15,033,646	149,295,563	**10**	199,056	**750**	76
DUK	71,591,192	886,285,267	**12**	1,193,149	**743**	60
PEG	140,120,576	1,188,860,706	**8**	1,629,687	**730**	86
MGEE	12,510,985	108,543,305	**9**	149,561	**726**	84
BKH	63,411,863	576,633,328	**9**	815,223	**707**	78
SO	247,946,648	1,808,838,835	**7**	2,563,988	**705**	97
NWN	43,396,025	430,299,551	**10**	685,565	**628**	63
OGS	128,356,264	1,256,432,906	**10**	2,022,927	**621**	63
D	137,444,473	1,283,974,913	**9**	2,084,906	**616**	66
NWE	20,850,713	154,422,954	**7**	252,349	**612**	83
AVA	22,106,301	196,429,738	**9**	321,343	**611**	69
XEL	153,883,768	1,147,873,495	**7**	1,885,314	**609**	82
CNP	228,746,459	2,286,203,407	**10**	3,805,699	**601**	60
PCG	162,875,891	2,325,329,136	**14**	3,884,051	**599**	42
ATO	171,495,874	1,730,307,447	**10**	2,911,266	**594**	59
MDU	48,028,002	319,104,740	**7**	599,933	**532**	80
CPK	4,599,604	76,109,528	**17**	111,824	**681**	41
SWX	79,116,532	992,439,052	**13**	1,968,869	**504**	40
SRE	261,866,070	3,148,865,594	**12**	6,391,304	**493**	41
EMA	44,071,729	385,804,528	**9**	849,964	**454**	52
ETR	7,410,638	82,854,225	**11**	191,488	**433**	39
NEE	1,408,870	36,582,736	**26**	104,134	**351**	14

Source: Energy Information Administration and BofA Global Research

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Who is requesting large increases already?

In the normal course of operations utilities pursue revenue increases to primarily recovery the capital costs and associated return for regulatory investments as well as other costs such as storm damage and accounting changes (ex. Accelerating depreciation).

Important states to watch for elevated regulatory risk include **Ohio** (sizable rate increase requests and recent FirstEnergy HB6 deferred prosecution agreement [DPA]), **California** (wildfire and other cost recoveries plus separate cost of capital proceeding),

Due to inconsistencies in disclosures we illustratively sort the data below by the rate increase request divided by 'in scope' rate base as determined by S&P Capital IQ SNL.

Exhibit 13: Selection of Large Pending Rate Case and Regulatory Proceedings per S&Ps
Sorted by rate increase as a percentage of 'in-scope' rate base as determined by S&P Capital IQ SNL

State	Company	Ticker	Filing Date	Rate Inc. ($M)	Rate Inc % of Rate Base	Rate Change/ Rev. (%)	ROE %	Equity Ratio %	'In Scope' Rate Base ($M)
Ohio	AES Ohio	AES	11/30/2020	121	15%	49.4	10.5	53.9	796
Ohio	Ohio Power Co.	AEP	6/1/2020	402	13%	60.6	10.2	54.4	3,105
California	Pacific Gas and Electric Co.	PCG	6/30/2021	2,683	9%	NA	NA	NA	30,822
Oklahoma	Public Service Co. of OK	AEP	4/30/2021	243	7%	31.8	10.0	53.1	3,293
New York	Corning Natural Gas Corp.	CNIG	7/16/2021	6	7%	NA	10.2	51.1	79
Massachusetts	Boston Gas Co.	NG.	11/13/2020	219	7%	NA	10.5	53.4	3,020
North Dakota	Northern States Power Co.	XEL	9/2/2021	8	7%	NA	10.5	52.5	124
Kentucky	Delta Natural Gas Co.	WTRG	5/28/2021	9	7%	18.6	11.0	51.8	137
Pennsylvania	UGI Utilities Inc.	UGI	2/8/2021	9	7%	10.0	10.8	51.2	132
New Jersey	New Jersey Natural Gas Co.	NJR	3/30/2021	164	6%	23.6	10.5	56.2	2,540
Ohio	Columbia Gas Ohio Inc.	NI	6/30/2021	221	6%	27.1	11.0	50.6	3,560
Illinois	Northern Illinois Gas Co.	SO	1/14/2021	293	6%	32.8	10.4	54.6	4,745
Indiana	Southern Indiana Gas & Elec Co	CNP	10/30/2020	28	6%	26.8	10.2	45.8	469
Kentucky	Columbia Gas of Kentucky Inc	NI	5/28/2021	27	6%	18.1	10.3	52.6	446
Wisconsin	Northern States Power Co.	XEL	7/2/2021	13	6%	NA	10.0	52.5	223
New Jersey	Rockland Electric Company	ED	5/21/2021	16	6%	NA	10.0	48.5	283
Louisiana	Southwestern Electric	AEP	12/13/2019	114	6%	NA	10.4	50.8	2,019

	Power Co								
Arkansas	Southwestern Electric Power Co	AEP	7/23/2021	85	5%	12.2	10.4	40.3	1,554
Florida	Tampa Electric Co.	EMA	2/1/2021	423	5%	NA	10.8	45.6	7,931
New Hampshire	Unitil Energy Systems Inc.	UTL	4/2/2021	12	5%	4.4	10.0	52.9	226
Texas	Southwestern Electric Power Co	AEP	10/13/2020	105	5%	30.3	10.4	49.4	2,026
Pennsylvania	Duquesne Light Co.		4/16/2021	115	5%	15.1	11.0	53.4	2,276
California	Pacific Gas and Electric Co.	PCG	6/30/2021	877	5%	NA	NA	NA	17,693
New Mexico	Southwestern Public Service Co	XEL	1/4/2021	88	5%	27.2	10.4	54.7	1,847
Maine	Versant Power		1/19/2021	20	5%	22.8	9.4	49.0	418
Colorado	Public Service Co. of CO	XEL	7/2/2021	470	5%	25.7	10.0	55.6	10,287
Kansas	Empire District Electric Co.	AQN	5/28/2021	4	4%	26.4	NA	NA	100
Kansas	Black Hills Kansas Gas Utility	BKH	5/7/2021	10	4%	19.5	10.2	50.3	230
Texas	Southwestern Public Service Co	XEL	2/8/2021	143	4%	23.1	10.4	54.6	3,325
Virginia	Kentucky Utilities Co.	PPL	8/31/2021	12	4%	18.1	10.4	53.8	286
Colorado	Black Hills Colorado Gas Inc.	BKH	6/1/2021	15	4%	16.9	10.0	50.3	344
New Hampshire	Northern Utilities Inc.	UTL	8/2/2021	8	4%	8.1	10.3	52.5	189
Missouri	Spire Missouri Inc.	SR	12/11/2020	111	4%	19.5	10.0	54.3	2,777
Pennsylvania	PECO Energy Co.	EXC	3/31/2021	246	4%	10.5	11.0	53.4	6,386
Washington	Northwest Natural Gas Co.	NWN	12/18/2020	9	4%	NA	9.4	49.0	247
Pennsylvania	Columbia Gas of Pennsylvania	NI	3/30/2021	98	4%	NA	11.0	54.3	2,673
Kentucky	Atmos Energy Corp.	ATO	6/30/2021	22	4%	12.6	10.4	57.1	596
Texas	El Paso Electric Co.		6/1/2021	70	3%	13.6	10.3	51.0	2,044
Kentucky	Duke Energy Kentucky Inc.	DUK	6/1/2021	15	3%	13.7	10.3	50.7	468
Wisconsin	Wisconsin Power and Light Co	LNT	5/5/2021	15	3%	8.6	10.0	52.5	489
Michigan	DTE Gas Co.	DTE	2/12/2021	177	3%	NA	10.3	39.9	5,608

Maryland	Delmarva Power & Light Co.	EXC	9/1/2021	29	3%	12.0	10.1	50.6	930
Missouri	Union Electric Co.	AEE	3/31/2021	9	3%	12.5	9.8	51.9	310
Missouri	Union Electric Co.	AEE	3/31/2021	299	3%	12.0	9.9	51.9	10,053
North Carolina	Public Service Co. of NC	D	4/1/2021	50	3%	NA	10.3	54.9	1,707
Maryland	Columbia Gas of Maryland Inc	NI	5/14/2021	5	3%	NA	10.9	53.2	187
Florida	Florida Power & Light Co.	NEE	1/11/2021	1,680	3%	NA	11.5	48.0	59,503
Missouri	Empire District Gas Co.	AQN	8/16/2021	1	3%	4.0	10.0	52.4	49
New York	Orange & Rockland Utlts Inc.	ED	1/29/2021	28	3%	NA	9.5	50.0	1,042
New York	Central Hudson Gas & Electric	FTS	8/27/2020	14	3%	NA	9.1	50.0	539
Wisconsin	Northern States Power Co.	XEL	7/2/2021	52	3%	NA	10.0	52.5	1,976
New York	Central Hudson Gas & Electric	FTS	8/27/2020	33	3%	NA	9.1	50.0	1,278

Source: S&P Capital IQ SNL

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Note that this approach is limited as it is based on the company's rate case request.

What increases have we seen to do date

As an example in September Xcel filed to increase Colorado natural gas and electric rates primarily for the increase in commodity costs. Based upon Xcel's request the average residential **gas** customer monthly bill would increase +$11.22 (+14.4%) while the average commercial monthly bill would increase +$48.50 (+15.8%). In contrast to the sharp double-digit increases, Xcel is proposing more modest but notable +2-3% **electric** increases (+$2-$3/month). These commodity increases are incremental to the pending +$343Mn electric revenue request rate case proposal filed in July with approximately +$9.50/month residential and +$14.50/month commercial increases.

We examine Illinois as a case study due to the relatively high consumption and rates in the state. The Illinois Citizens Utility Board (CUB) estimates the following rate impacts effective October 1st utilizing filed information at the Illinois Commerce Commission (ICC) regulator. CUB estimates ComEd (EXC) +10% and Ameren Illinois +19% electric rate increases. For the gas utilities the forecasted bill increases are more significant with commodity rates that have doubled in some cases.

This is supported by media reports significant increases for the two large gas distribution companies. **Chicago Business estimated $188/month winter heating bill for WEC's Peoples Gas which would represent a +35% YoY increase. Similarly SO's Nicor Gas would have a $135/month winter heating bill an even more significant +48% YoY rise**.

Winter storm Uri costs compound the commodity impacts

The ultimate cost of Winter Storm Uri has evolved as final commodity bills were delivered and audited but we present our initial estimates here: North American Utilities & IPPs: Just what is the customer bill impact from the winter event? 3/8/21 (https://rsch.baml.com/r?q=eRpAQH6qwaBuYIb5gbOIsQ) Two of the more extreme examples include Centerpoint Texas gas and OG&E Oklahoma Electric.

- CNP TX $1,141Mn as of 6/30/21: The Houston residential customer impact under securitization is $3.78/month $14.50/month if recovered directly over a three year period. (TX RRC 0 0007064)

- OGE OK $875Mn: The company estimates $3.93/month over 13 years compared to $5.67 potentially before securitization. The procedural schedule calls for resolution by December 15th (PUD 202100072).

BofA Global Research Reports

Relevant Initial Winter Storm Uri impacts notes	Primary Author	Date Published
ONE Gas, Inc.: The Uri Overhang on Rates: Reiterate Underperform (https://rsch.baml.com/r?q=YtSuGgEuL!5v6Aa9ICaQdQ)	Julien Dumoulin-Smith	05 May 2021
US Electric Utilities & IPPs: Texas Updates: What's the Latest on Uri Reform? Legislative, PUCT & Otherwise (https://rsch.baml.com/r?q=95hqQsXA!jAO5FPi78KyQ)	Julien Dumoulin-Smith	05 May 2021
Black Hills Corporation: Affirmation of '21 & Beyond Trajectory Despite Big Uri Miss (https://rsch.baml.com/r?q=O8r3WhyhE3IevUQy!sSpLw)	Julien Dumoulin-Smith	05 May 2021
NRG Energy: Further Uri 1Q Risks Appear Limited; Pressing Forward on Analyst Day (https://rsch.baml.com/r?q=QRRSQcjexwOrtxH69uytvA)	Julien Dumoulin-Smith	28 April 2021
Vistra Energy: Uri Impacts: More Complicated Than We Thought; Reiterate Neutral (https://rsch.baml.com/r?q=PKJqi-DzyguWUT9mNnZ2tw)	Julien Dumoulin-Smith	27 April 2021
North American Gas Utilities: Gas LDC 1Q21EPS preview: The day after the storm; measuring the Feb Uri (https://rsch.baml.com/r?q=JgLSrBgFr3X0DuNqWSLxPw)	Julien Dumoulin-Smith	19 April 2021

What customers are more secure?

There are many approaches to assessing customer affordability with the 'wallet share' growing in popularity although it lacks a standardization. We employ per capita personal income.

Exhibit 14: 2019 Per Capita Personal Income (PCPI)
Generally higher income in the Northeast states is mitigating factor to higher bills

Per Capita	Rank before	Purchasing power of	Rank after

State (2019)	Per Capita Personal Income	Rank before adjustment	power of $1.00	Adjusted PCPI	Rank after adjustment
District of Columbia	83,406	1	0.87	72,563	2
Connecticut	77,289	2	0.95	73,425	1
Massachusetts	74,187	3	0.91	67,510	3
New York	71,717	4	0.86	61,677	7
New Jersey	70,471	5	0.86	60,605	10
California	66,619	6	0.86	57,292	22
Washington	64,758	7	0.92	59,577	18
Maryland	64,640	8	0.93	63,115	6
New Hampshire	63,502	9	0.94	59,692	16
Alaska	62,806	10	0.95	59,666	17
Wyoming	62,189	11	1.08	67,164	4
Colorado	61,157	12	0.98	59,933	13
Virginia	59,657	13	0.99	59,060	19
Minnesota	58,834	14	1.02	60,011	12
Illinois	58,764	15	1.03	60,527	11
Pennsylvania	58,032	16	1.03	59,773	15
North Dakota	57,232	17	1.12	64,100	5
Hawaii	57,015	17	0.84	47,893	49
United States	**56,490**		**1**	**56,490**	
Rhode Island	56,361	19	0.99	55,797	24
Vermont	55,293	18	0.97	53,634	32
Nebraska	54,515	21	1.12	61,057	9
Delaware	54,485	21	1.01	55,030	25
South Dakota	53,962	22	1.14	61,517	8
Kansas	53,426	23	1.12	59,837	14
Wisconsin	53,227	24	1.09	58,017	20
Oregon	53,191	25	0.98	52,127	37
Texas	52,813	26	1.04	54,926	28
Florida	52,426	27	0.99	51,902	39
Iowa	51,865	28	1.12	58,008	21
Nevada	51,161	29	1.03	52,696	35
Maine	50,634	30	1.01	51,140	42
Ohio	50,199	31	1.13	56,725	23
Montana	49,747	32	1.07	53,229	33
Michigan	49,228	33	1.08	53,166	34
Utah	48,939	34	1.04	50,897	43

Tennessee	48,684	35	1.11 54,039	31
Indiana	48,678	36	1.13 55,006	26
Missouri	48,656	37	1.13 54,981	27
Georgia	48,236	38	1.07 51,615	41
North Carolina	47,766	39	1.09 52,065	38
Louisiana	47,460	40	1.14 54,104	30
Oklahoma	47,341	41	1.15 54,442	29
Arizona	46,058	42	1.04 47,900	48
Idaho	45,968	43	1.08 49,645	45
South Carolina	45,438	46	1.09 49,527	46
Arkansas	44,629	44	1.18 52,622	36
Alabama	44,145	45	1.17 51,649	40
Kentucky	43,770	48	1.14 49,898	44
New Mexico	43,326	49	1.1 47,659	50
West Virginia	42,315	50	1.15 48,662	47
Mississippi	38,914	51	1.18 45,919	51

Source: U.S. Bureau of Economic Analysis (BEA); BofA Research

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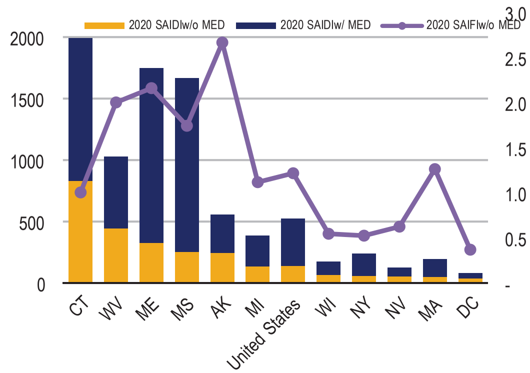
Energy Burden: which states are paying the highest bills?

We look into data around energy burden from the American Council for an Energy-Efficient Economy (ACEEE), a nonprofit research organization which conducts independent analysis and develops transformative policies to reduce energy waste and combat climate change. A household's energy burden is the percentage of income spent on home energy bills, and a high energy burden is considered to be above 6% whereas a severe energy burden is considered to be above 10%. We note six metro areas have a greater percentage of households with a high energy burden than the national average (25%), including Birmingham (34%), Detroit (30%), Riverside (29%), Rochester (29%), Atlanta (28%), and Philadelphia (26%). We highlight half of the aforementioned metro areas are in states with below average PCPI (PCPI rank for each state in bracket) - **AL** (#45), **GA** (#38), **MI** (#33), and MI grid is also near the bottom in terms of reliability.

Exhibit 15: 2020 Reliability top & bottom performers
Underperformers: WV, ME, MS; outperformers: WI, MA, DC



Source: Energy Information Administration and BofA Global Research

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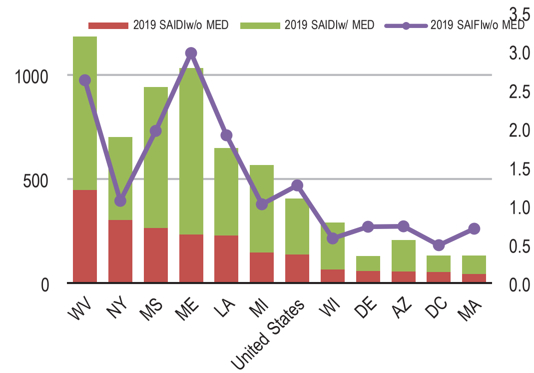
Exhibit 16: 2019 Reliability top & bottom performers
Underperformers: WV, ME, MS; outperformers: WI, MA, DC



Source: Energy Information Administration and BofA Global Research

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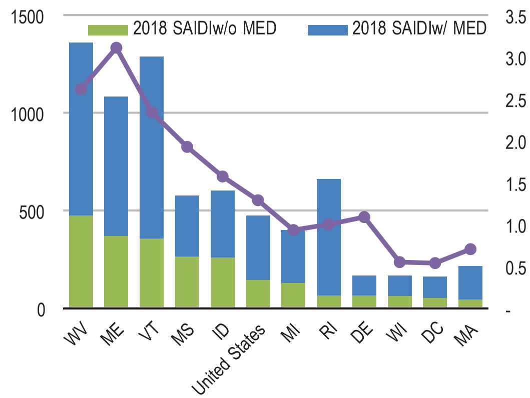
Exhibit 17: 2018 Reliability top & bottom performers
Underperformers: WV, ME, MS; outperformers: WI, MA, DC



Source: Energy Information Administration and BofA Global Research

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What is the value received for service?

One of the most consistent predictors of increased regulatory scrutiny is operational challenges. Clearly the more acute the issue the larger the political and regulatory response as we have witnessed in Louisiana for Entergy in 2021 (Hurricane Ida), Connecticut for Eversource in 2020 (Tropical Storm Isaias), and more catastrophic incidents such as the Bay State (NI) & San Bruno (PCG) gas explosions.

We utilize EIA industry standards of System Average Interruption **Duration** Index (SAIDI), System Average Interruption **Frequency** Index (SAIFI), and **Customer** Average Interruption Duration Index (CAIDI). Despite being an industry standard, data can be less comparable between utilities and it is important to reflect adjustments for major events (MED). The relative high duration of outages experienced in 2020 by **ES, AEP, FE, ETR, and DUK** could make large bill increases more challenging. On the opposite end of the spectrum we point to favorable performance by **BKH, EXC, PEG, NEE, XEL, and EVRG** where rate increases may be more palatable given high reliability.

Exhibit 18: 2020 EIA Highest SAIDI Without MED
ES in 2020 was an outlier but AEP, FE, ETR, and DUK experienced longer outage durations

Utility Name	State	Ticker	SAIDI With MED	SAIFI With MED	CAIDI With MED	SAIDI Without MED	SAIFI Without MED
Connecticut Light & Power Co	CT	ES	3,117.2	2.0	1,550.9	3,115.8	2.0
Appalachian Power Co	WV	AEP	818.8	2.8	288.4	618.2	2.5
Wheeling Power Co	WV	AEP	841.6	2.5	335.7	601.3	2.3
Kentucky Power Co	KY	AEP	1,751.0	2.7	651.4	410.7	2.1
Monongahela Power Co	WV	FE	513.0	2.5	204.6	406.8	2.2
Alaska Electric Light&Power Co	AK	AVA	574.0	8.3	69.5	395.0	7.3
Versant Power	ME	Private	1,602.0	4.1	390.3	319.0	2.4
Appalachian Power Co	VA	AEP	390.4	1.7	233.2	310.2	1.5
Entergy Texas Inc.	TX	ETR	2,538.8	3.3	775.7	275.9	1.7
Entergy Arkansas LLC	AR	ETR	1,190.5	2.1	567.2	270.1	1.5
Kingsport Power Co	TN	AEP	382.8	1.7	229.1	268.6	1.5
Northern States Power Co	MI	XEL	346.0	2.4	143.7	244.0	2.3
Liberty Utilities	CA	AQN	242.7	1.9	129.8	242.7	1.9
Indiana Michigan Power Co	MI	AEP	644.0	1.4	450.7	239.8	1.1
Entergy Mississippi LLC	MS	ETR	999.1	2.3	438.4	230.9	1.4
Upper Michigan Energy Resources Corp.	MI	Private	253.0	2.7	93.4	222.0	2.6
Central Maine Power Co	ME	AGR	1,774.8	3.7	474.5	220.8	2.0
Entergy Louisiana LLC	LA	ETR	5,591.5	3.3	1,685.2	211.9	1.4
Upper Peninsula Power Company	MI	Private	292.9	2.3	127.3	206.2	1.8
Pennsylvania Electric Co	PA	FE	322.9	1.9	169.2	200.0	1.6
Duke Energy Carolinas, LLC	SC	DUK	826.8	1.8	464.5	195.5	1.2
Consumers Energy Co	MI	CMS	510.3	1.3	378.6	194.7	1.0
Jersey Central Power & Lt Co	NJ	FE	2,197.8	2.7	801.5	185.9	1.7
Duke Energy Carolinas, LLC	NC	DUK	520.4	1.6	319.3	175.0	1.2

Puget Sound Energy Inc	WA	Private	414.0	1.7	243.5	171.0	1.1
AEP Texas Central Company	TX	AEP	515.6	1.9	274.0	170.1	1.5
Ohio Power Co	OH	AEP	254.6	1.4	178.2	166.8	1.2
Maui Electric Co Ltd	HI	HE	235.6	1.9	123.9	166.4	1.7
PacifiCorp	ID	BRK	421.8	3.5	119.0	166.0	2.4
Idaho Power Co	OR	IDA	185.0	1.0	190.7	165.8	0.9
West Penn Power Company	PA	FE	258.3	1.3	203.1	161.0	1.1
Idaho Power Co	ID	IDA	209.8	1.2	170.6	160.5	1.1
The Potomac Edison Company	WV	EXC	156.5	1.1	147.9	156.5	1.1
Indiana Michigan Power Co	IN	AEP	300.3	1.1	268.4	154.1	0.9
Entergy New Orleans, LLC	LA	ETR	2,103.3	2.6	819.7	153.6	1.4
Duke Energy Progress - (NC)	NC	DUK	429.3	2.0	217.9	147.3	1.4
Avista Corp	ID	AVA	389.0	1.6	237.2	146.0	1.0
Metropolitan Edison Co	PA	FE	395.0	1.6	239.7	145.5	1.1

Source: Energy Information Administration and BofA Global Research

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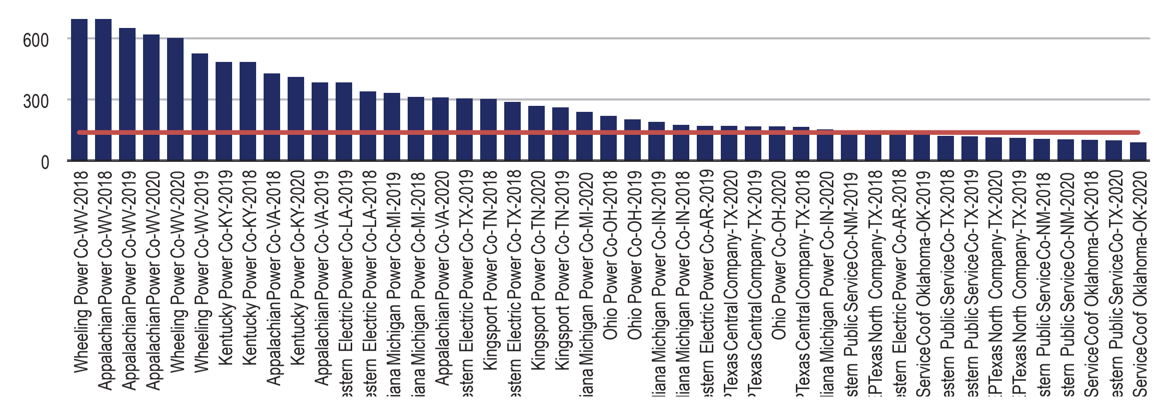
AEP gets an unfortunate spotlight

AEP has had consistently high outage durations in recent years, particularly at West Virginia, Kentucky, and Virginia. Given the bottom-decile per capita income in West Virginia and Kentucky, this could make bill increases more challenging.

Exhibit 19: AEP Utility SAIDI Without MED

AEP has multiple utilities with well above-average (unfavorable) outage durations that have lasted many years



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Source: Energy Information Administration and BofA Global Research

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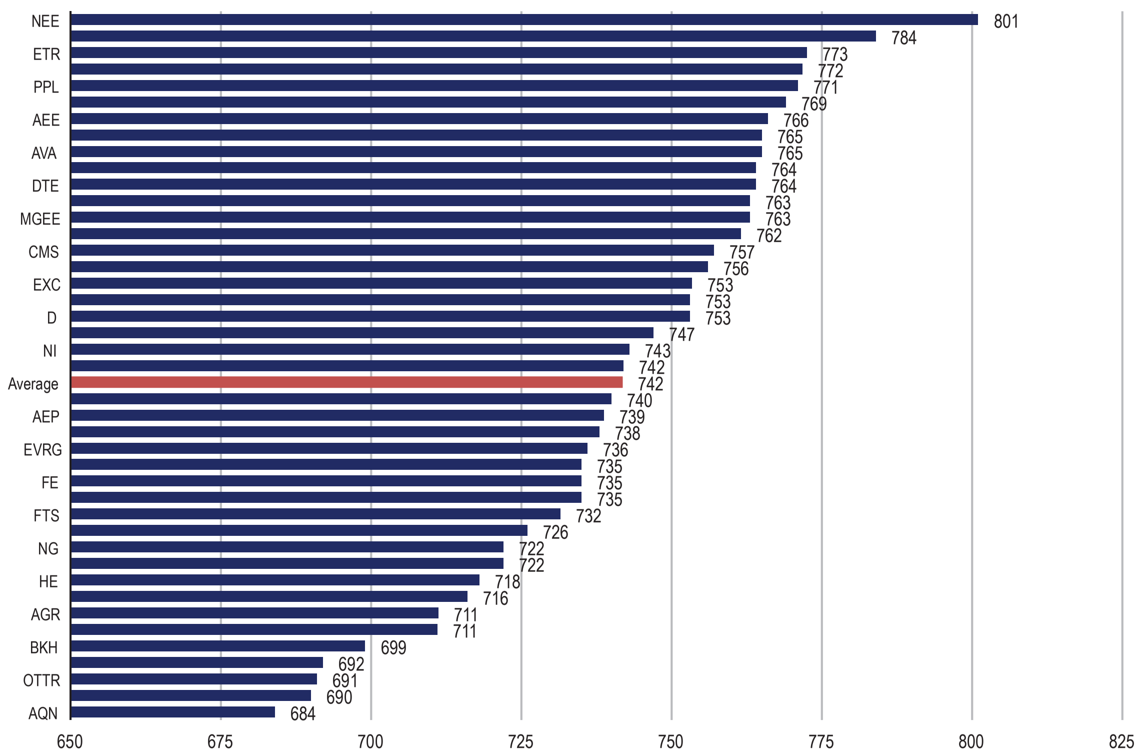
Perception is reality

Management teams frequently highlight their J.D. Power awards and we examine the latest results as an indication of customer service. While an imprecise measure, this is another tool in the analysis that should theoretically reflect the inherent rate vs service trade-off.

NEE highest Customer Satisfaction; FE near bottom

In terms of customer satisfaction, we look into J.D. Power 2020 Electric Utility Residential Customer Satisfaction Study in which electric utility residential customers score utilities on a 1,000-point scale from January through November 2020. We highlight **NEE** at the top of the list with its Florida Power & Light (FP&L) the industry standard. It is notable that Entergy scores quite well despite generally below-average outage statistics; this is a favorable attribute that offsets some of the risk. Algonquin's Empire District Electric (EDE) is the lowest rated utility in the survey. Again we point to ES and AGR towards the bottom of the listing.

Exhibit 20: J.D. Power 2020 Electric Utility Residential Customer Satisfaction Study
Customer satisfaction surveys do not always correlate with outages. ETR and AEP are examples of that



Source: J.D. Power, BofA Global Research

BofA GLOBAL RESEARCH

Balance sheets can mitigate bill shock

Over recent years there have been multiple datapoints where utilities effectively traded cash flow earnings for accounting earnings as a way to mitigate customer rate impacts. These can relate to either the revenue or expense line items. Notable cases have been storms/hurricanes where utilities defer or spread the costs rather than collect from customers immediately. As discussed Winter Storm Uri recovery is a perfect example. Covid arrears and regulatory treatment had elements as well, although the increase in residential consumption at a higher rate fully or largely mitigated the net earnings impacts for

companies. The forward-thinking utilities have utilized non-cash levers like depreciation rates, deferred income taxes, and other regulatory tools to work collaboratively with stakeholders. This has allowed companies to avoid rate increases while showing earnings growth. **We highlight the Wisconsin utilities, particularly WEC as strong in this area.**

Balance sheets are poorly positioned for headwinds

After years of utilizing cash, non-earnings levers to mitigate the cash costs for customers, balance sheets are not as strong as they have been recently. Furthermore there has been a general re-leveraging of the sector from historical M&A and simplification with divestitures of higher FFO/Debt subsidiaries.

The gas utilities ATO and OGS have two of the better balance sheets although both are on negative outlook due to Winter Storm Uri's balance sheet impact. This leaves the companies with less flexibility than their balance sheet metrics would otherwise imply. Companies with Baa2 ratings and negative outlooks including SWX, NWE, and ETR are of a particular focus as utilities try to avoid being at Baa3, the lowest level of investment grade. Baa3 companies including Canadians EMA/FTS as well as EIX similarly have limited latitude to sacrifice cash flow for earnings. FE and PCG are both below-investment grade and have to weigh a variety of factors as part of their credit considerations.

Exhibit 21: Moody's Long Term Credit Ratings and Outlooks
Only PPL is on positive outlook

Company	Moody's LT Rating	Moody's Outlook
ATO US Equity	A1	NEG
PNW US Equity	A3	NEG
OGS US Equity	A3	NEG
POR US Equity	A3	STABLE
PEG US Equity	Baa1	NEG
ALE US Equity	Baa1	STABLE
IDA US Equity	Baa1	NEG
XEL US Equity	Baa1	STABLE
ES US Equity	Baa1	NEG
OGE US Equity	Baa1	NEG

WEC US Equity	Baa1	STABLE
AEE US Equity	Baa1	STABLE
NEE US Equity	Baa1	STABLE
AWK US Equity	Baa1	STABLE
NI US Equity	Baa2	STABLE
SR US Equity	Baa2	STABLE
OTTR US Equity	Baa2	STABLE
AVA US Equity	Baa2	STABLE
CNP US Equity	Baa2	STABLE
BKH US Equity	Baa2	STABLE
ED US Equity	Baa2	STABLE
DUK US Equity	Baa2	STABLE
SWX US Equity	Baa2	NEG
AEP US Equity	Baa2	STABLE
D US Equity	Baa2	STABLE
NWE US Equity	Baa2	NEG
DTE US Equity	Baa2	STABLE
CMS US Equity	Baa2	STABLE
PPL US Equity	Baa2	POS
SRE US Equity	Baa2	STABLE
LNT US Equity	Baa2	STABLE
SO US Equity	Baa2	STABLE
WTRG US Equity	Baa2	STABLE
EXC US Equity	Baa2	STABLE
ETR US Equity	Baa2	NEG
AGR US Equity	Baa2	STABLE
UTL US Equity	Baa2	STABLE
EVRG US Equity	*Baa2 Unsecured*	STABLE
PNM US Equity	Baa3	STABLE
EMA CN Equity	Baa3	STABLE
FTS US Equity	Baa3	STABLE
EIX US Equity	Baa3	STABLE
TA CN Equity	Ba1	STABLE
FE US Equity	Ba1	STABLE
PCG US Equity	Ba2	STABLE

Source: Bloomberg

Click for important disclosures. Analyst Certification. Price Objective Basis & Risk.

Price Objective Basis & Risk

Algonquin Power & Utilities Corp (AQN)

Our SOTP PO is $15.00 (C$18.90). We assign P/E multiples on 2023E (17.4x for electric, 15.5x for gas, and 28.3x for water, respectively) earnings of its regulated seg based on expected 2024 breakdown. We value the utility seg at a 0.5x disc to the US peer avg 22E P/Es. We back out future tax differential stemming out of tax rate normalization.

We value AQN's non-reg seg on EV/EBITDA basis. We assign Hydro at 8x prem to the peer multiple of 10.0x given the stable nature of the biz. We value Wind and Solar seg at a 3x & 4x prem to peer multiple too. We assign a 2.0x disc to the thermal biz given the lack of growth prospects.

We valued AQN's 44.2% stake in AY on MtM basis and net out Debt at Liberty Power.

Our assumed shares o/s numbers reflect our estimated equity issuance including the DRIP between now and 2023E

Upside risks: 1) Higher USD/CAD F/X rate, 2) Constructive regulatory outcomes, 3) Lower interest rate, 4) Execution on the capital plan, 5) Dividend Growth from AY

Downside risks: 1) Higher interest rates, 2) Lower USD/CAD F/X rate depending upon the exposure to the US, 3) Dilution risk associated with substantial equity issuance to finance capex, 4) Unfavorable regulatory actions, 5) Increase in Tax rate, 6) AY may not be able to sustain its current dividend levels, 6) Exposure in CA Renewables, 7) Balance Sheet quality, and 8) Natural disasters which could impact utility operating systems.

Ameren Corporation (AEE)

Our $91 price objective is predicated on a P/E based sum of the parts, valuing each business subsidiary relative to the 2023E ratebase weighted peer multiple of 17.8x for electric. We apply a 2.0x premium to peers at AEE Missouri to account for the improving prospects of capital spend, supplemented by a regulatory jurisdiction becoming more favorable - but lack of decoupling. We apply a 2.0x premium to peers at AEE Illinois to account for decoupling on the distribution business which aids in earnings predictability. The overall business is expected to grow at a more meaningful clip than that of peers - we see a 10% EPS CAGR at IL 2020-2024. At ATXI, we apply a 4.0x premium to peers to reflect the FERC ROEs. At the Parent, we assume 2.0x multiple premium reflecting average of the subs and given the healthy debt metrics with FFO/Debt at 17%+. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. The risks to our price objective are the utilities earning their allowed returns or worse, a significant change in 30-year U.S. Treasury bond yields, and adverse regulatory outcomes that could impact mgmt's ability to earn its allowed return

American Electric Power (AEP)
Our price objective of $97 is based on SOTP analysis. We ascribe a peer forward P/E multiple (17.4x) with a 1.0x premium for its transmission-only Utilities segments, a 1x discount for PSO, a 1x discount for SWEPCO, and a 0x premium for regulated utilities as well as 6x premium for Kentucky Power. We note that electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector.

Downside risks to our price objective are 1) regulatory outcomes are less favorable than expected, which could result in reduced ROE, 2) large capital intensive are subject to delays or cost overruns, which can change the return profile, 3) natural disasters or catastrophic events can affect system reliability and are subject to regulatory cost recovery risk, 4) utilities are subject to interest rate risk to fund their business, which affects cost of capital, 5) commodity risk affects the generation business margins and indirectly affects the regulated business as a pass through cost, 6) consumer advocates are focused on bill inflation, which can affect regulatory outcomes, 7) non-regulated businesses are inherently more risky and subject to execution risk and commodity variation.

American Water Works (AWK)
Our PO for American Water Works is $178. We apply the water sector average 30.8x to American Water's 2023E earnings based on the water peer multiple and a 8.1% group EPS CAGR for '18-'23E. We think this multiple is justified as in our view AWK largely drives the peer multiple as the largest publicly traded water utility. We ascribe a 3x premium for NJ, PA, IL & Other given scope of acquisition opportunities. Also a -1x P/E for Cali utility.

Risks to the outlook include: 1) ability to execute capital and operating expenditures forecasts, 2) equity needs, 3) regulatory outcomes, 4) state and Federal legislative changes, 5) NY transaction pending, and 6) NY subpoena.

Atmos Energy Corporation (ATO)
Our $103 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group multiple of 15.9x.
Our gas peer P/E multiple is grossed up to reflect the group's 5% CAGR (2019-23E) to reflect capital appreciation across the sector. We then apply a 1x premium to the TX gas distribution utilities and 2x premium (aside from KS) to the other base gas LDC multiple to reflect the high-quality nature of the assets given a sustainable runway for capex/EPS underpinned by constructive regulatory mechanisms and jurisdictions.
For the Pipeline & Storage segment we apply a 9x EV/EBITDA multiple as a base to our '23E EBITDA. We then apply a 2x premium to the assets given their fully regulated nature and unique ability for APT to benefit from the spread differentials.
Upside risks: 1) improving regulatory relationships, 2) decrease in interest rates, 3) incremental capital spending, 4) constructive rate case outcomes, 5) less equity needs.
Downside risks: 1) deteriorating regulatory relationship, 2) increase in interest rates, 3) less or deferred capital spending, 4) poor rate case outcomes, 5) more equity needs.

Avangrid (AGR)
Our $47 PO is based on an SOTP. The utilities are valued on '23E with a a discounted valuation to the NY P/E of 16.6x/15.7x for electric/gas, given perceived risk to earned ROEs. No prem for UI or CMP Elec. Both electric and gas peer P/Es are grossed up to 2020 by 5-5.1% to reflect capital

appreciation across the sector. We apply a DCF approach on the existing renewables biz, with 30% prem-to-DCF in line with yieldco peers. We back out 50% of non-reg debt at the parent. We include value of the two offshore wind awards assuming $3500/kW cost, 6% disc, and 6% construction risk disc, with prem-to-DCF based on MtM of yieldco valuations. We use an in-line discount for NECEC, but probability weight it 75%.

Upside risks: 1) ROE improvement in AGR's network business 2) Improvement in wind resources net capacity factor 3) higher than expected growth

from offshore wind opportunities.

Downside risks: 1) Iberdrola owns over 80% of AGR common stock, limiting float and presenting a potential for governance conflicts, despite the BoD being majority unaffiliated with Iberdrola. 2) Reg. relationships/outcomes could deteriorate 3) Existing and likely increasing exposure to the renewables biz results in a number of PPA related risks including commodity, recontracting & tax benefit recovery risk 4) Lack of adequate capital recovery mechanisms could threaten ROEs 5) The renewables biz may not expand as fast as expected or have worse returns 6) Offshore delays.

Avista (AVA)
Our $38 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the large cap electric group multiple of 17.5x and the gas regulated multiple of 15.8x. Both electric and gas peer P/E multiples are grossed to reflect the group's 5% CAGR to reflect capital appreciation across the sector. We then use a blended electric and gas multiple of 77% and 23%, respectively, for AVA's WA and ID jurisdictions given the composition of its rate base. We apply the gas multiple to its OR jurisdiction as it is entirely comprised of natural gas distribution assets. Meanwhile, we apply an electric multiple to its Alaska subsidiary, AEL&P, as it is a vertically integrated electric utility. We apply a 12.0x multiple to AVA's Corp & Other businesses as we cannot apply a full utility multiple given it consists of investment funds with a lack of visibility in earnings relative to utilities. eastly, we apply a 2x discount to WA and ID to capture increased uncertainty associated with fire risk and regulatory risk. We apply a 1x discount to OR given regulatory risks but no fire risk as it is solely a gas utility.

Risks to upside are 1) improving regulatory relationships, 2) decrease in interest rates, 3) constructive rate case outcomes in any of the jurisdictions. Risks to downside are principally wildfire events in West, which have increasingly spread to PacNW. Risks to downside are 1) operational risks 2) gas regulations attempting to phase out gas LDC usage over time impede growth.

Black Hills Corporation (BKH)
Our $74 PO is based on a SoTP valuation. Gas Utilities: We apply the 16.0x peer P/E multiple on 2023E EPS. Electric Utilities: We apply the 17.7x peer P/E multiple on 2023E EPS. Both electric and gas peer P/E multiples are grossed up by 1-yr vs 2020 by 5% to reflect capital appreciation across the sector. Coal Mine: We apply an 8x peer EV/EBITDA multiple, which is in line with other PRB coal producers. Based on our view of the strength/maintainability of different coal plant output contracts, we apply a discount/prem multiple to that portion of the mine. IPP Assets: We use the recent sale price and '23/EVEBITDA multiple for Pueblo Airport and Wygen I assets, respectively. Parent Expense, Debt, and Eliminations: We apply an average regulatory P/E multiple to this segments income. This captures some Interco revenues that are double counted as well as parent SG&A drag and debt.

Downside risks: inability to earn the authorized rate of return, unfavorable regulatory outcomes, and reductions in capital expenditures forecasts
Upside risks: ability to earn above the authorized rate of return, favorable regulatory outcomes, higher capex deployment

CenterPoint Energy (CNP)

We value CenterPoint Energy at $27 using an SOTP approach: electric business on an 3x premium to account for incremental capital not yet in plan to the Houston Electric multiple of 16.9x on 2023E P/E. We take out any earnings attributable to the transition bonds amortization, as those are temporary and instead add back the DCF value of future payments. For CNP's gas utilities we use the 23E utility gas peer multiple of 14.0x. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector and apply prem/discounts. We integrate Vectren into our model and apply a 60/40% weighting to the gas/electric multiple (in line with the business mix) and apply a 3x premium to account for incremental capex not yet in plan. For VESCO we apply a 12x 23E P/E multiple. We subtract parent interest expenses at a weighted average multiple. Further we net out the perpetual preferred, and apply a 50/50 weighting to parent debt and add back interest expense for recapitalization. We net out holdco interest at the weighted average P/E.

Downside risks: execution risk, decreases in capex which could support or weaken earnings ability, lower authorized returns, and interest rate increases.
Upside risks: increase in capex, higher authorized returns, and interest rate decrease.

CMS Energy (CMS)
Our PO of $65 is based on a SotP relying on 2023E forward P/E multiples for the utility and banking business and a 2023E forward EV/EBITDA multiple for CMS' IPP assets. For the utility seg we apply a 3.0x prem to the avg 23E regulated multiple P/E of 17.8x for the electric seg and of 15.9.x for the gas seg, with the 10-yr capex update providing clear sight on ratebase growth and further upside, as well as cont'd favorable regulatory environment, and finally historically proven ability to consistently perform at the high end of guidance range. Both electric and gas peer P/E multiples are grossed up to 2020 by 5% to reflect capital appreciation across the sector. For CMS' merchant business we apply a 7x EV/EBITDA multiple, in line with current market value of CMS power plants (specifically DIG), moreover DIG has relatively favorable contracts for the near future which strengthen plant earnings. Risks are: 1) earned ROEs declining which reduce CMS utility earnings 2) execution risk on capex and cost cutting which would primarily affect the utility earnings, 3) negatives changes to market energy prices which could affect the DIG plant's ability to re-contract at the assumed prices.

Consolidated Edison (ED)
Our $74 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group multiples 17.8x/15.9x for electric/gas respectively with a -3.0x disc. to Electric, Steam, & Gas to reflect Covid recovery overhang and Steam for lack of decoupling. Both electric and gas peer P/E multiples are grossed up to 2023E by 5% to reflect capital appreciation across the sector. We further apply an EV/EBITDA approach on 2023E EBITDA to the CEB business using a 10.0x multiple for both the legacy portfolio and the renewables portfolio seeing it as having higher quality returns. Downside risks: ED, like all utility stocks, is also sensitive to changes in the market level of interest rates. Utilities historically underperform if bond yields rise, and outperform when they fall. Further downside risks are the inability to recontract storage, adverse regulatory outcomes, a deteriorating regulatory environment, or unforeseen disasters such as the Harlem gas explosion, the SRE transaction not being completed. Customer inflation is also

a downside risk. PCG related counterparty exposure is among the nearest exposures to watch.

Dominion Energy (D)

We use SOTP to derive our $85/sh PO. Utilities: We value VEPCO at 4x prem multiple to elec. peers of 17.8x '23 P/E and 15.9x w/ 3x prem on our '23E P/E to D's portfolio of gas LDCs (East Ohio, Hope Gas (WVa), and Questar (UT)). Mults are grossed up to by 5% to reflect capital appreciation. We value Wexpro at 10x disc to gas utility peers for declining rate base/ROEs and reg. risks. We ascribe a 3x premium multiple for SCANA legacy utility assets, and a 2x disc. for the NND asset. We also net out NPV of ongoing bill credits. Merchant: We apply an 8x FCF multiple for Millstone and separately apply a 100% wt to our NPV est of the ZCP cash flows. We include the full EBITDA from the contracted renewables with a 16x '23 EV/EBITDA multi in line with peers. Cove Point: We apply an NPV approach with to our DCF adjusted for the 50% sell-down in the facility. For remaining debt beyond that allocated to state utilities, we incl a 50% wt towards a str netting of leverage, with the remaining 50% using a P/E multiple on associated interest expense, in line with the methodology employed for more highly levered diversified utilities.

Downside risks: increase in rates, capex below assumptions, unconstructive regulatory outcomes, delays and/or cancellation of key projects vs our expectation.

DTE Energy (DTE)
We value DTE Energy at $108 using an SOTP approach. We value the utility segment on a 2023E forward P/E multiple basis and the non-utility segment on a 2023E forward EV/EBITDA multiple basis. For the utility segment we apply a 3x premium to both our regulated electric and gas utility peer multiples (of 17.7x and 15.8x, respectively). Both electric and gas peer P/E multiples are grossed up for a year to 2021 by 5% to reflect capital appreciation across the sector. We subtract out Corp & Other expense excl. interest rate. For P&I, we apply an 7x EV/EBITDA multiple (8x base given historical valuation compared to midstream, plus 2.0x premium given forecast growth) to cogeneration, despite the lower quality of these earnings and opaque disclosures, as management has been able to execute on new project origination. We value the reduced emissions fuel (REF) tax credits separately using a DCF methodology at 6% discount rate.
Upside risks to our PO are capex expansions, higher authorized ROEs, and strong performance in the ET segment. Downside risks are interest rate hikes, execution risk on organic growth initiatives at the nonregulated business, and less favorable regulatory environment.

Duke Energy (DUK)
Our $107 PO is derived from a sum-of-the-parts valuation. We value the Electric and Gas utilities using peer 2023E P/E multiples. We apply a 3.0x multiple premium to Duke's operations in FL and 2x in IN to reflect more favorable regulatory environments (and potential generation opps in IN). We apply a 3x multiple to the Carolinas given upside to spending in improving regulatory construct combined with latest IRP & wider legislative reforms into 2021. We value the other regulated electric utilities at 17.8x and the gas utilities at peer group multiples of 15.9x 2023E P/E, respectively. Both electric and gas peer P/E multiples are grossed up by 5% for the groups CAGR to reflect capital appreciation across the sector. The commercial midstream, and transmission are valued on a 2023E EV/EBITDA basis. We use a 8.0x and 9.0x multiple for midstream and transmission segments,

respectively. We add the net present value of renewable segment using an 8% discount rate. We subtract out the impact of commercial debt, and add back for the renewable debt.

Upside risks: constructive rate case results, higher capital expenditure additions vs our assumptions, lower interest rates. Downside risks: poor rate case results, operating errors, and negative changes in the regulatory environment, Macro risks: Increases in interest rates and decreases in equity market valuations.

Edison International (EIX)

Our $66 PO is based on sum of the parts analysis with a peer 17.2x 2023 P/E grossed-up 5% for group growth. A -2x P/E discount is applied to the CPUC and FERC jurisdictional utilities as well as the Parent/Other segment. The discount reflects below-average growth and regulatory considerations. The negative wildfire adjustments are netted-out to reflect a probabilistic approach to the risk of shareholder funded wildfires and the ongoing contribution to the CA fund on an NPV basis.

Downside risks: 1) Wildfire and other natural disasters/catastrophic events subject to regulatory cost recovery, 2) Unfavorable regulatory outcomes including slowing rate of investment opportunities, 3) Interest rate risk reflected in cost of capital, 4) Additional financing needs, 5) Inability to earn the regulatory authorized ROE, and 6) Unexpected unregulated Edison Energy losses.

Upside risks: 1) Favorable outcome in pending wildfire litigation, 2) Favorable regulatory outcomes, 3) Increases in the authorized cost of capital, 4) More constructive regulatory / legislative outcomes to address wildfire risk, 5) Ability to outperform the authorized ROE in the short-term, 6) Enhanced profitability from the Edison Energy.

Entergy (ETR)

Our $125 PO is SOTP based. We assign P/E multiples (peer multiple of 18.1x) for 2023E on most segments, in line with peer multiples (and grossed up by 5% to reflect capital appreciation across the group) due to similar growth, and strip out 50% of the holdco senior notes. Both electric peer P/E multiple is grossed up for a year to 2022 by 5% to reflect capital appreciation across the sector.

Downside risks: 1) Regulatory outcomes or earned ROE's could worsen, 2) Rate making mechanisms could change in the future, 3) Failure to get trackers or ROE adjustment mechanisms could hurt realized ROE, 4) weather can affect operations and earnings, 5) Interest rate risk affects cost of capital, 6) Consumer advocates or utility staff may focus more on issues that challenge the company ROE, 7) ETR has had safety issues in the past, which have affected regulatory relationships and company liabilities, 8) Exit from the competitive business could present unforeseen challenges.

Essential Utilities (WTRG)

Our price objective is $54 based on our SOTP approach, applying a peer multiple to the water utility and gas utility, respectively and accounting for expected growth for each sector. These peer multiples are 28.8x and 15.9x. We apply a 1.0x premium to Peoples Gas given the organic growth opportunities, while applying a variety of premiums to its water (3x previously) subsidiaries: +4x to PA, +3x to IL, +2x to OH, +2x for TX, +2x for OH, and no premium for balance of biz. We net out parent debt and parent interest expense associated with parent debt 50/50 weighed basis.

Risks to the downside are acquisition risk, deteriorating regulatory outcomes, and risks from a lower rerating following the diversification into gas.

Evergy, Inc (EVRG)

Our $65 price objective for Evergy (EVRG) is based on sum of the parts valuation, applying an in-line utility peer 2023E P/E of 16.9x. The electric peer P/E multiple is grossed up for by one year by 5% to reflect capital appreciation across the sector. We further apply a -1.0x turn discount across the Kansas Central subsidiary based on our perception of a slightly more challenging regulation compared with the average utility due to concerns about bill pressure.
Downside risks to our price objective include adverse regulatory outcomes, inability to deploy capital expenditures consistent with guidance, operational performance issues including at the nuclear facility, and earning below the authorized rate of return.

Upside risks to our price objective include favorable regulatory outcomes in important proceedings, accretively deploying additional capital expenditures above guidance, higher than anticipated O&M benefits and merger synergies leading to a higher earned return on equity, and the ability to recover capital invested in retired coal assets.

Eversource Energy (ES)
Our sum of the parts based price objective of $90 uses P/E multiples on 2023E earnings. For electric utilities, we attribute a 3x premium NSTAR, 3x premium to PSNH, and a 2x discount for CL&P to peer 17.7x multiple, reflecting future potential positive revisions to capex and earnings and the latest challenges in CT. For gas, we apply a 3x premium to the peer 15.6x multiple, given capex upside particularly in MA and a 2x for Columbia Gas. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We value Aquarion at the 29.3x water multiple. We reflect ES's 50% ownership in Revolution and South Fork offshore wind sites on an NPV basis. We further reflect a devco value with an assumption of an additional 3GW through 2031. We take out 50% of parent debt, and 50% of interest to accurately reflect parent leverage.

Upside risks to our price objective are additional capex announcements on the T&D side, as well as success in offshore wind RFPs.

Downside risks are reduction in authorized ROEs, inability to meet earned ROE expectations, as well as failure to receive permitting on incremental capex opportunities.

Exelon (EXC)
Our $55 PO is based on an SOTP valuation.
Utility: Our base electric peer P/E multiple of 16.6x for '23 is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply an in-line multiple for BGE and a 1x prem to PECO. We apply an in-line multiple to ComEd and a 1x discount to PHI.

Our Generation valuation is based on a 2023E SOTP. We start with our EBITDA estimates at each segment and subtract out maintenance capex. We

then capitalize this at a 7.0x base multiple (based on the long-term average forward EV/FCF in the sector) to which we apply a premium/discount based on our views of the specific region and portfolio while we apply a DCF for nuclear and Mystic.

Risks: 1) the company may or may not experience adverse regulatory rulings in its future rate cases, 2) Rate making mechanisms may or may not change in the future, 3) the company may or may not experience an increase in the price of key inputs such as natural gas and coal 4) the company may

or may not experience a decrease in wholesale power prices 5) the company may or may not have to deal with stricter environmental or safety regulations 6) the company may or may not be able to access capital markets, 7) the company's operations could be materially impacted by weather events.

FirstEnergy (FE)
Our PO of $42 is based on an SOTP: Multiples are driven by relative P/E premiums/discounts to the 2023E regulated peer multiple. Electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector. As for premiums/discounts, we view NJ as at a slight prem +1x given a generally constructive commission and asset sale potential, PA at -2x as we view our more punitive ests already account for industrial load sensitivity incl O&G royalties, and others as in line to small discounts. In OH, we apply a -2x P/E discount multiple to account for rate review risk. Finally, we apply a +1x P/E premium to peers 2023E multiple to the Transmission business given potential for sale of a noncontrol stake. We subtract out the holding co debt given the high parent leverage.

Downside risks: 1) Unfavorable regulatory outcomes, 2) larger than expected penalties, fine, litigation, refunds, and other outcomes from the Ohio investigations, 3) inability to earn the allowed ROEs and/or other deterioration of regulatory earnings, 4) increasing pension liabilities, 5) further negative investigation revelations.

Fortis Inc (FTS)
Our C$51 (US$41.46) PO is based on our sum of the parts methodology. We assign a 2023E forward base peer P/E multiple of 17.2x to the US utility business with a discount of -2.5x for UNS Energy (AZ), a 3.0x premium for ITC, and a discount of -2.0x for Central Hudson (NY).

For Canadian utilities, we assign a base peer 2023E P/E multiple of 16.7x. Lower ratebase growth profiles and generally lower authorized equity layers/ROEs, paired with a more challenging regulatory environment, will continue to warrant a discount to US peers, in our view.

At Caribbean utilities, we apply 60% ownership share to the publicly listed subsidiaries' current market cap.

We assign an 8.0x EV/EBITDA multiple to FTS's non-regulated segment seeing the contracted nature of its non-regulated segment positively offset lower growth opportunities. We account for FX upside based on current spot prices

Upside risks are: 1) favorable regulatory outcomes, 2) successful execution on upside capex initiatives including Lake Erie Connector and MISO long-term transmission, and 3) improvement in USD/CAD exchange rate

Downside risks are: 1) unfavorable regulatory outcomes, 2) regulatory lag and overall inability to achieve the allowed ROEs, 3) deterioration in USD/CAD exchange rate, and 4) dilution from additional equity to strength credit ratings

Idacorp (IDA)

Our $109 PO is based on a sum-of-the-part valuation (SOTP) of the utility and parent segments.

Our utility valuation is based on applying a 17.8x peer P/E multiple to our 2023 EPS estimates. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. We apply a 2.0x premium to Idaho Power to account for acquisition premiums and ROE floor mechanism, upside to estimates, conservative guide, and the strong balance sheet. We factor in probability-weighted opportunities for more ratebase from Hells Canyon & large-scale transmission ownership announced at EEI.

Upside risks to our PO are getting additional capital approved on expedited basis. Downsides risks are regulatory shifts or using up ADITC bank which ensures consistent ROE and earnings floor.

New Jersey Resources Corp (NJR)
Our $38 PO is off our 2023E SOTP, based on gas peers of 15.9x. For non-reg biz, we apply a 12.0x multiple plus a 1.0x premium to account for the derisked nature of the AMAs. For Midstream, we capitalize EBITDA at 9.5x while weighting PennEast by 0% given uncertainty on full project execution (as mgmt. has removed this from its outlook). For CEV, we value CEV PowerCo for existing assets and DevCo assets to be deployed separately. We separately value DevCo assets to be deployed for '21 through '25 at NPV of unlevered FCF including upfront system install cost and ITC value for new deployment. We also value SREC balance that CEV has yet to monetize. We apply a 5.5% unlevered discount rate to project level CFs in-line with our discount rate for resi solar service providers. We incl. three additional years of DevCo NPV ('26-'29) with terminal value based on post-ITC step-down trough volumes/economics in '29 and utilize a 4x terminal value. We also attribute a 75% weighting for the full value of DevCo NPV for '24+. We assume 75% based on a likelihood of some action on ITCs. For parent, we apply a 50/50 weighting for holdco debt/interest expense for re-capitalization purposes.

Upside risks: Constructive regulatory outcomes, decrease in interest rates, incremental capex opportunities, extension of subsidies and further renewables acceleration

Downside risks: Poor regulatory outcomes, increase in interest rates, and lower capex.

NextEra Energy (NEE)
Our $94 PO is derived using a SOTP approach, with the utilities and parent segment valued on a 2023E P/E basis, and the generation segment valued on a 2023E EV/EBITDA basis. In addition, we include NEE's ownership stake in NextEra Energy Partners (NEP) as well as the value of IDRs (DCF, at 5% disc rate). We assign 23E peer multiple of 18.2x (grossed up by 5% to reflect capital appreciation) with disc/prem to reflect the growth/risk profile of

the businesses. We provide value for possible regulated M&A as one strategy of capital redeployment, albeit weighted at 50% to reflect execution risk. Our valuation reflects the drag in new debt. For NEER, we apply a peer EV/EBITDA multiple of 8x, which we adjust depending on asset type. Give contracted renewables 12x prem given fuel type and contracted nature. We utilize a DCF of new renewable for projects beyond 2022. We value contracted nuclear on a DCF approach using a 7% discount rate. We apply a 1x prem multiple to pipelines (1x disc MVP), 1x discount to gas infrastructure and 1x discount for supply and trading given lower asset quality, line multiple for contracted gas peakers and 1x discount for merchant

peakers (other), again based on asset quality.
Downside risks: 1) unfavorable regulatory outcomes, 2) natural disasters, 3) adverse commodity price changes, 4) decline in stock price for YieldCo NextEra Energy Partners, 5) reduction in renewable development margins.

NiSource Inc (NI)
Our $28 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples that are marked-to-market to the lates peer utility multiples of 15.7x for gas and 17.6x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, higher natural gas prices, and inability to execute on renewables additions.

NorthWestern Corporation (NWE)
Our $70 price objective is based on a 1.0x discounted multiple to the 2023E peer multiple of 17.8x on our 2023E EPS given higher risk and slower growth. We note that electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector.

Downside risks to our price objective are 1) adverse regulatory outcomes, 2) inability to recover costs via the traditional mechanisms, 3) changes in the Commission constructs, and 4) further equity dilution. Upside risks are 1) improvement in regulatory environment 2) capex increases.

OGE Energy Corp (OGE)
We value OGE at $40/share based on a sum of the parts, separating the utility biz from the Enable stake.

For the utility biz we apply the peer multiple of 17.7x on 2023E EPS. Electric peer P/E multiple is grossed up for a year to 2021 by 5% (based on average annual growth) to reflect capital appreciation across the sector. Note we apply an in-line multiple vs peersto account for robust incremental spending not yet in plan offset by a less favorable regulatory environment.

For the Energy Transfer stake we rely on the current market price of ET multiplied by the number of the shares owned by OGE to determine the equity value. We then apply a 50% tax effect to the equity value of the ET stake as there will be tax leakage upon a sale.

Downside risks are further declines in the regulatory environment possibly resulting in lower ROEs or other hurdles hindering OGE's ability to earn its authorized return. While not as exposed due to low parent interest, we see interest rate hikes as another potential downside risk. Finally, execution risk on existing capex schedule could put further pressure on earnings growth. Declines in value of ENBL share could also provide downside to our valuation.

Upside risks are shifts towards a more favorable Oklahoma regulatory environment, which could ease OGEs ability to earn its authorized return in the jurisdiction and possibly increase capex plan as management views prospects in the state more positively. Improvements in value of ENBL share.

Pinnacle West (PNW)
Our price objective of $62 is based on a peer utility P/E multiple of 16.6x on our 2023E EPS of $4.62 with a -3.5x discount to account for future rate case risk, uncertain recovery of clean generation spend, resource adequacy concerns in the state, and general below-average regulatory environment in Arizona, PNW's sole jurisdiction. We also include a 50% prob-weighted SCR scrubber disallowance by applying a multiple to the estimated $45m earnings reduction from disallowance. Electric and gas peer P/E multiple is grossed up for a year to 2022 by 5% to reflect capital appreciation across the sector, for an effective multiple of 15.3x.

Upside risks: 1) Regulatory relationships/outcomes could improve, 2) load growth in territory above expectations 3) Riders and capital trackers could help achieve ROE 4) positive weather 5) interest rate risk changes cost of capital 6) Consumer advocates or utility staff could become focused on issues that improve ROE Downside risks: 1) Regulatory relationships/outcomes could decline, including changes at the elected commission 2) load growth in territory below expectations 3) Riders and capital trackers could hurt ROE 4) negative weather hurts earnings 5) interest rate risk changes cost of capital - higher rates could worsen 6) Consumer advocates or utility staff could become focused on issues that hurt ROE 7) Solar advocates in the state have engaged in public confrontations with the utility, which could change public relations in the future.

PNM Resources Inc. (PNM)
We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

Portland General Electric Company (POR)
Our $55 price objective is based on our 2023E EPS estimate discounted back to '21. We value shares based on a 2023E P/E methodology applying an inline multiple to the 2023 regulated utility PE multiple of 17.8x. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. While our PO is a 12-month forward projection, we use a 2023 multiple, which is reflective of a discount back to 2021.

Downside risks are 1) the ability to secure commission approval for future wind builds, 2) power market risk due to the Power Cost Adjustment Mechanism (PCAM), 3) liabilities under a negligence standard for current or future fires caused by POR equipment. 4) potential wildfires.
Upside risks are 1) continuation of small/midcap regulated rally, 2) better than expected weather adjusted load growth, 3) further strengthening of company balance sheet, 4) power market risk due to the PCAM.

PPL Corporation (PPL)

Our $31 price objective is based on a sum of the parts methodology applying respective premium/discounts to the 2023E peer group multiple of 17.7x. Electric peer P/E multiple is grossed up by 5% to reflect capital appreciation across the sector.

Downside risk to our price objective is integration with the pending RI assets from National Grid and finding an accretive way to deploy remaining proceeds.

Upside risk to our price objective includes successful execution of accretive re-deployment.

Public Service Enterprise Group (PEG)

Our $67 PO is derived from our SOTP valuation. For the regulated utilities we utilize the electric (16.8x) and gas (14.0x) 2023E sector P/E multiples, which we then gross-up by 5% to reflect capital appreciation across the sector. We continue to apply a company-specific +2x premium to the group multiples thus derived to reflect the above-average growth and low-risk transmission & distribution (T&D) nature of PEG's operations.

Downside risks are 1) unfavorable regulatory outcomes, 2) nuclear incidents, 3) inability to earn the regulatory allowed rate of return, 4) unexpected equity needs, 5) inability to deploy capital in line with guidance, and 5) cost overruns/delays on offshore wind.

Upside risks are 1) favorable regulatory outcomes, 2) better than expected nuclear performance, 3) ability to outperform the regulatory rate of return in the short-term, 4) credit agency reduction of required metrics, 5) ability to secure incremental capital expenditures, and 5) offshore wind construction under-budget and ahead of schedule.

Sempra Energy (SRE)

Our $132 PO is based on a SOTP valuation of '23E earnings. We apply a discounted valuation to the California utilities (SDG&E and SoCal Gas) and a group average multiple for the TX utility (Oncor). The Infrastructure segment (SIP) is valued at an implied premium on both EV/EBITDA and P/E due to its long duration contracted cash flows. The parent drag is treated on a balanced blend of P/E and HoldCo debt netting.

Downside risks: 1) unfavorable regulatory outcomes, 2) inability to achieve the regulatory allowed ROE, 3) adverse political actions, 4) additional financing needs, 5) commodity price headwinds, and 6) inability to deploy capital consistent with guidance.

Upside risks: 1) favorable regulatory outcomes, 2) ability to outperform the regulatory allowed ROE, 4) beneficial political actions, 5) share repurchases with excess balance sheet latitude, 5) positive commodity tailwinds, and 6) ability to exceed capital expenditure guidances.

South Jersey Industries (SJI)

Our $27 PO is premised upon our SOTP analysis where we utilize a 15.9x peer Gas LDC utility P/E to SJG and ETG on '23E EPS. We apply a 1x to the NJ utilities based on our view that SJI will continue to receive constructive regulatory treatment and upside to spending on RNG. We apply a 12x P/E to SJEG/SJES non-regulated earnings stream given variability and limited transparency. For the solar investments we utilize a NPV of investment tax credits at a 4.5% discount rate (in line with peers) to capture the transitory nature and eventual roll-off. We apply a 9x EV/EBITDA to PennEast and assume full project economics in our EPS assumptions, although net out 50% weighting. We utilized a DCF for RNG with NPV of cash flows at 7.4% discount rate. For parent debt we net out 50/50 weighting for re-capitalization and add back 50% of parent interest expense.

Downside risks: Interest rates move higher, poor regulatory outcomes, lower capex levels.

Upside risks: Interest rates move lower, constructive regulatory outcomes, incremental capex opportunities, further credit latitude.

Southern Company (SO)
Our $71 PO is derived from a SOTP. We use a P/E val approach on 2023 and use peer multiples of 17.6x for electric and 14.8x for gas, respectively (with dis/prem applied per asset depending on growth/risk): we then gross this multiple by +5% to account for sector wide EPS growth to derive a 12-month forward PO. We subtract 50% of the 2023 parent interest expense multiple by an electric P/E peer multiple to reflect parent lev supporting the utilities. We net out total parent drag and add back the remaining parent interest expense with a 50% weighting. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector.

Upside risks are: 1) Regulatory outcomes or RO's could be better vs expectations, as exposed to multiple state jurisdictions 2) Additional riders and capital trackers can help the company achieve better than expected ROE, but failure to get riders would hurt SO 3) The nat. gas related biz are relatively new and could prove more or less able to earn an ROE in line with or different from their allowed ROE, 4) high capital forecasts and subsequent earnings streams vs our assumptions.

Downside risks are: 1) Regulatory outcomes or ROE's could be worse than expectations, particularly since exposed to mult. state jurisdictions, 2) SO has exposure to Vogtle which could shift earnings, 3) Weather patterns could influence usage or natural disasters could affect system reliability 4) Utilities are subject to interest rate risk.

Southwest Gas Holdings (SWX)
Our $73 PO is based on our 2023E Sum-of-the-parts (SOTP) analysis. We apply a 15.9x peer Gas LDC utility P/E to the utility EPS across the company's three major jurisdictions, which include Arizona, Nevada and California. We gross this peer multiple up by 5% to reflect capital appreciation across the sector. For AZ, we apply a 1.5x discount to the jurisdiction given lack of fwd looking rate treatment/alternative rate making mechanisms. We apply a 1.0x discount to NV and CA as we take a more negative view on the jurisdictions' LT viability. Additionally, we value the FERC regulated Pauite Pipeline separately on a midstream peer group average EV/EBITDA multiple of 9.5x and net out associated debt. For the infrastructure services segment, Centuri, we apply 8.8x EV/EBITDA multiple, which is in-line with the business' closest industrial comps given Centuri's relatively insulated utility customers. Lastly, for parent debt in the Corp & Other segment, we net out 50/50 weighting for re-capitalization and add back 50% of parent interest expense.

Upside risks: higher than expected infrastructure services earnings growth, increasing construction project margins, better than expected rate case results.

Downside risks: Unfavorable regulatory outcomes and increased volatility at Centuri, disproportionately high foreclosure rates in SWX's territories, timing and execution of rate cases, rate base growth, underperformance at Centuri and expansion or contraction of sector valuations.

UGI Corp. (UGI)

Our $50 PO is derived from our SOTP analysis, applying specific multiples and premiums to assets. For the gas utility, we utilize a 23E 15.6x P/E multiple +1x premium given its de-risked backdrop, and an in-line electric multiple of 17.6x. For U.S./international propane, we utilize an 8.4x EBITDA, in line with other publicly traded comps. We use a 9.2x EBITDA multiple at midstream w/ a premium/discount depending on the asset & CMG expansion/PennEast both weighted at 50%, respectively, given uncertainty associated with expansion opportunities/project execution. We take the NPV of future renewable solutions cash flows, implying a 13+x EV/EBITDA multiple (in line to slightly higher than our valuation to peers biz mix, such as SJI). Lastly, for parent debt in the Corp & Other segment, we net out 50/50 weighting for recapitalization and add back 50% of parent interest expense.

Downside risk: unfavorable weather, propane logistics issues and shortages domestically or in Europe, reduced conversion rates or slower new home construction within PA, and unfavorable currency exchange rates. Macroeconomic concerns are rising interest rates, volatile and rising natural gas prices, and a general economic slowdown.

Unitil Corporation (UTL)
We value UTL at a $48 PO based on a 2023e forward P/E basis using a utility group multiple of 18.0x for electric and 15.5x for gas. Also, we apply a 1x premium to our weighted peer multiples to align with MA comps and capture electrification upside. Both electric and gas peer P/E multiples are grossed up for a year to 2023 by 5% each to reflect capital appreciation across the sector.
Risks to our price objective on the upside are capex updates around MA gas pipeline replacement, regulatory asks around ROEs, and M&A. On the downside, risks are interest rate risk which could reduce the appetite for M&A, regulatory challenges and mild weather.

WEC Energy Group Inc (WEC)
Our $92 PO is based on 2023E SoTP, with a large cap electric group multiple of 17.9x and gas regulated multiple of 16.0x. Electric and gas peer P/E multiples are grossed up for a year to reflect capital appreciation across the sector. We apply a 3.0x premium to WEC's WI electric & gas subs for surety in earnings growth for the next two years following the Commission's recent settlement on above avg ROEs of 10%+. We apply a 1x premium to the gas utilities, incl IL's Peoples Gas and North Shore Gas with the Gas System Modernization Program (GSMP) and capex forecasts de-risked following the ICC order. We ascribe a 3x premium vs. the group at ATC to account for steady earnings growth as well as above avg ROE's that are set at a federal level by FERC. We give Power the Future (PTF) a 1.0x premium multiple as the ROE is set indefinitely on historical and new investments. We ascribe an in line multiple for the parent accounting for the interest expense which finances overall utility operations. We value Energy Infrastructure investments on a net present value basis using a WACC of 3.5%, in line with other renewable asset operators. We net out 50% of HoldCo debt from equity valuation and adjust to add back the parent drag on interest exp. Upside risks: stronger than expected execution and accelerating capital oppty. Downside risks: inability to achieve historical track record on cost cutting and to scale regulated investments given growing portion from contracted renewables.

Xcel Energy Inc (XEL)
Our PO is $71. We value Xcel Energy using a sum of the parts (SOTP) approach. Given the difference in geography, earnings strength, growth opportunity and risk profile, we divide the segments by subsidiary.

We use 2023E forward P/E multiples to derive a value for the different business segments, including the parent segment.

We use a peer multiple of 17.8x. Electric peer P/E multiple is then grossed up for a year to 2021 by 5% to reflect capital appreciation across the sector.

We apply a 2x premium to most subsidiaries except in MN where we apply a 3.0x due to additional stimulus upside. We see this multiple as appropriate as the company has growth opportunities, resolving regulatory drag and resolving uncertainty around rate cases.

We stripped Mankato as a non-reg asset in our SOTP due to the sale. We also net back 50% of the parent interest expense and instead subtract out 50% of parent debt to more accurately reflect HoldCo leverage.

Downside risks are interest rate increases, regulatory risk such as lower authorized ROEs or less favorable riders/trackers for renewables and transmission, interest rate risk, execution delays, and weather anomalies.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith

Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
Dominion Energy	D	D US	Julien Dumoulin-Smith
Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
Enphase Energy	ENPH	ENPH US	Aric Li
Entergy	ETR	ETR US	Julien Dumoulin-Smith
Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
Exelon	EXC	EXC US	Julien Dumoulin-Smith
First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
FirstEnergy	FE	FE US	Julien Dumoulin-Smith
Hydro One	YH	H CN	Dariusz Lozny, CFA
MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
NiSource Inc	NI	NI US	Julien Dumoulin-Smith
NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
SolarEdge Technologies	SEDG	SEDG US	Aric Li
South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
Southern Company	SO	SO US	Julien Dumoulin-Smith
Spire	SR	SR US	Julien Dumoulin-Smith

Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
SunRun	RUN	RUN US	Julien Dumoulin-Smith
TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
Vistra Energy	VST	VST US	Julien Dumoulin-Smith

NEUTRAL

Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
Bloom Energy	BE	BE US	Julien Dumoulin-Smith
ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
Edison International	EIX	EIX US	Julien Dumoulin-Smith
Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
Eversource Energy	ES	ES US	Julien Dumoulin-Smith
EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
Idacorp	IDA	IDA US	Julien Dumoulin-Smith
Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith

Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith

UNDERPERFORM

Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
American Water Works	AWK	AWK US	Julien Dumoulin-Smith
Avangrid	AGR	AGR US	Julien Dumoulin-Smith
Avista	AVA	AVA US	Julien Dumoulin-Smith
DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
TPI Composites	TPIC	TPIC US	Adhok Bellurkar
Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

Analyst Certification

We, Julien Dumoulin-Smith and Dariusz Lozny, CFA, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Disclosures

Special Disclosures

BofA Securities is currently acting as financial advisor to Iberdrola SA in connection with the proposed sale of 50% ownership of the Dry Lake II Wind Farm and 50% of the Copper Crossing Solar Project to Axium Infrastructure Inc, owned by its subsidiary Avangrid, which was announced on 17 September 2019.

Important Disclosures

Equity Investment Rating Distribution: Energy Group (as of 30 Sep 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	86	62.32%	Buy	65	75.58%
Hold	27	19.57%	Hold	15	55.56%
Sell	25	18.12%	Sell	15	60.00%

Equity Investment Rating Distribution: Utilities Group (as of 30 Sep 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	79	50.32%	Buy	56	70.89%
Hold	37	23.57%	Hold	30	81.08%
Sell	41	26.11%	Sell	27	65.85%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent

Buy	1973	59.66%	Buy	1254	63.56%
Hold	665	20.11%	Hold	404	60.75%
Sell	669	20.23%	Sell	343	51.27%

* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. *VOLATILITY RISK RATINGS*, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. *INVESTMENT RATINGS* reflect the analyst's assessment of both a stock's: absolute total return potential as well as its attractiveness for investment relative to other stocks within its *Coverage Cluster* (defined below). There are three investment ratings: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	**Total return expectation (within 12-month period of date of initial rating)**	**Ratings dispersion guidelines for coverage cluster***
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the Price Charts website (https://pricecharts.baml.com/), or call 1-800-MERRILL to have them mailed.

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: Algonquin Power, Ameren Corp, American Elec Power, American Water, Atmos Energy, Avangrid, Avista Corp, Black Hills, CenterPoint Energy, CMS Energy, Consolidated Edison, Dominion Energy, DTE Energy, Duke Energy, Edison Intl, Entergy Corp., Essential Utilities, Evergy, Eversource Energy, Exelon Corp, FirstEnergy, Fortis, Idacorp, New Jersey Resources, NextEra Energy, NiSource Inc, NorthWestern Corp, OGE Energy Corp, Pinnacle West Capit, PNM Resources Inc., Portland General, PPL Corp., Public Service, Sempra Energy, South Jersey, Southern Company, Southwest Gas, UGI Corp., Unitil Corp, WEC Energy Group Inc, Xcel Energy.

BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: Algonquin Power, Amer Elec Power, Atmos Energy, Black Hills Corporat, CenterPoint, CMS Energy, Consolidated Edison, Duke Energy, Edison Intl, Entergy, Essential Utilities, Eversource Energy, Fortis, NiSource Inc, Portland Genl Elec, South Jersey, UGI Corp., Unitil Corporation.

The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Algonquin Power, Amer Elec Power, Ameren Corporation, American Water Works, Atmos Energy, Avangrid, Avista, Black Hills Corporat, CenterPoint, CMS Energy, Consolidated Edison, Dominion Energy, DTE Energy, Duke Energy, Edison Intl, Entergy, Essential Utilities, Evergy, Eversource Energy, Exelon Corp., FirstEnergy Corp, Fortis, Idacorp, NextEra Energy, NiSource Inc, Northwestern Corpora, Pinnacle West Capita, PNM Resources, Portland Genl Elec, PPL Corp., Public Service, Sempra Energy, South Jersey, Southern Company, Southwest Gas, UGI Corp., Unitil Corporation, WEC Energy Group Inc, Xcel Energy Inc

Xcel Energy Inc.

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Emissions and intensity targets vary across the sector

We examined in detail ESG data across our coverage including Regulated Premium & Value Utilities, SMIDs, IPPs, and Canadian Utilities as reported in the ICE ESG data tool. The objective is to identify trends among one of the most commonly cited ESG metrics – GHG emissions and intensity targets. Electricity producers are the largest emitters in aggregate so comparing and analyzing company goals is a key step in determining companies' overall commitment to decarbonization. We find, perhaps unsurprisingly, that most emissions targets are set with respect to general goals of 'carbon emissions' or 'carbon neutrality,' though some companies provide more specific goals such as Scope 1 & 2, while others set the goal more broadly at all GHG. This illustrates one of the main challenges in analyzing ESG goals in a systematic way: the number of variables involved make direct comparisons challenging. The GHG profile of a wires only company will naturally differ from an integrated utility - how to compare efforts? *Large-cap electric utilities appear to have the most ambitious goals; SMIDs are real relative laggards.*

Base year matters for interim goals, less so full neutrality

Of 54 companies under our coverage that report ESG metrics to ICE, we captured a population of 94 separate 'goals,' with some companies reporting multiple goals, usually with respect to target years for implementation (e.g. 2030 interim and 2050 final decarbonization goal). With respect to carbon and broader GHG emissions goals the majority of companies we reviewed set a percentage reduction target with respect to a base year. The majority of companies under our coverage use 2005 as the year for setting baseline emissions targets, though baselines in the 2010s are becoming more common. **AGR** has a goal of 35% GHG reduction vs. 2015 levels by 2025, for instance. Others including **EMA, NWN,** and **POR** use earlier base years such as 1990 and 1998 (in line with practices set by the pre-Paris Kyoto round of talks). At its recent Investor Day, **CNP** announced a net zero goal by 2035, among the earliest among its peers – expect this to add pressure on other regulated names to advance their own ambitions, with most companies currently crowded around 2050. The other key question raised by our analysis is that of true comparability: e.g. is a 40% reduction vs. 2005 levels "better" than a 20% reduction vs. 2015 levels?

Difficult for ambitious targets to stand out

The ICE platform provides detailed ESG data across most of the companies under our coverage, the nonstandardized nature of GHG emissions goals specifically means that the data is not easily captured or compared across companies. In addition to the base year issue discussed above, targets vary by type including Carbon Emissions, Carbon Neutrality, GHG Intensity, Methane Intensity, Scope 1, Scope 1&2, etc. Furthermore the ICE data does *not* readily distinguish between goals and commitments, a key measure of whether the target %s have 'teeth'. We highlight **CMS, ES, POR,** and now **CNP** as having relatively ambitious targets of carbon neutrality by either 2030 or 2040 – though even here the question of implementation is not obvious. Are companies targeting true emissions-free operations, or more likely utilization of credits/offsets? We expect still-greater efforts on the parts of industry bodies to bring greater levels of standardization.

27 September 2021

Equity
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ICE: Intercontinental Exchange

GHG: Greenhouse Gas

IPP: Independent Power Producer

LDC: Local Distribution Company

Regulated Premium and Value Utilities

Below we show summaries of GHG targets for the Regulated Premium and Value Utilities under our coverage as reported by ICE.

Most of the premium regulated names under our coverage have at least one 100% target, defined either as Carbon Neutral or GHG Emissions in the case of **AGR**. Of the names that do have 100% targets, **AGR** and **ES** stand out for having relatively early target dates of 2035 and 2030, respectively. **AEE** does not have a 100% decarbonization goal though it does have a relatively ambitious 85% by 2040 target and has reported progress of more than 30% thus far. On balance the premium group's base years are relatively dispersed, though none is earlier than 2005.

We stress a key element of our investment thesis across ESG relates to scarcity for companies without meaningful fossil generation. We expect wires only utilities to emerge as relative premiums across the rest of the sector with **ES** and **AGR** already illustrating this dynamic; expect this to accrue to the likes of **EXC** once they break apart next year.

Exhibit 1: Regulated Premium emissions metrics
LNT, XEL demonstrated progress toward interim 2030 goals

Ticker	Group	Goal Type	Base Year	Target Year	Goal Target	Progress to Goal
AEE	Regulated Premium	Carbon Emissions	2005	2040	85%	31%
AGR	Regulated Premium	GHG Emissions	2015	2025	35%	nd
AGR	Regulated Premium	GHG Emissions	2015	2035	100%	nd
CMS	Regulated Premium	Carbon Neutrality	2005	2040	100%	nd
CMS	Regulated Premium	Carbon Emissions	2005	2040	90%	35%
CMS	Regulated Premium	Scope 1	2005	2040	80%	nd
ES	Regulated Premium	Carbon Neutrality	2018	2030	100%	nd
LNT	Regulated Premium	Carbon Emissions	2005	2030	50%	42%
LNT	Regulated Premium	Carbon Neutrality	2005	2050	100%	nd
NEE	Regulated Premium	Carbon Emissions	2005	2025	67%	57%
WEC	Regulated Premium	Methane Intensity	2011	2030	30%	nd
WEC	Regulated Premium	Carbon Emissions	2005	2030	70%	40%
WEC	Regulated Premium	Carbon Neutrality	2005	2050	100%	nd
XEL	Regulated Premium	Carbon Emissions	2005	2030	80%	51%
XEL	Regulated Premium	Carbon Neutrality	2005	2050	100%	nd

Source: InterContinental Exchange

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The regulated value names generally report both interim and 2050 targets, many of which are for 100% reductions or full carbon neutrality. **NI** stands out as having a relatively ambitious 2030 time frame calling for a 90% cut in carbon emissions (consistent with peer **CNP** in Indiana), while **D** has set a comparably less strict requirement of 55% under the same parameters – reductions in carbon emissions by 2030 relative to a 2005 baseline. This is admittedly a bit surprising given its recent repositioning towards electric decarbonization in VA and could be readily accelerated vs peers.

Note that baseline years are less relevant for carbon neutrality targets which imply a 100% reduction irrespective of the base year – AEP, D, DTE, DUK, EIX, ETR, FE, PCG, PEG, and SO all have such targets (though again ICE data does not delineate whether the targets are binding).

Note that given the nature of the metrics (GHG emissions) **ED** stands out as among the few names not reporting reduction goals to ICE, though the company does have a 100% clean electricity generation by 2040 goal that is not explicitly linked to emissions cuts, and otherwise maintains one of the largest solar generation fleets in the US. Thus exclusion from this sample should not necessarily be taken as a sign of lacking ESG commitment elsewhere.

We also flag **CNP**'s recently-announced goal (not yet reflected by ICE) of achieving net zero / carbon neutrality by 2035. This is among the most ambitious goals in the sector –

per the company's release, the earliest target for a combined electric/gas utility that owns generation – and compares with peers such as DTE (2050), AEP (2050), D (2050), DUK (2050), and PEG (2050).

Exhibit 2: Regulated Value emissions metrics
Most companies report interim and 2050 targets – ED stands out though remains an ESG leader

Ticker	Group	Goal Type	Base Year	Target Year	Goal Target	Progress to Goal
AEP	Regulated Value	Carbon Emissions	2000	2030	80%	74%
AEP	Regulated Value	Carbon Neutrality	2000	2050	100%	nd
CNP	Regulated Value	GHG Emissions	2005	2035	70%	nd
CNP	Regulated Value	Carbon Neutrality	Nd	2035	100%	nd
D	Regulated Value	Carbon Emissions	2005	2030	55%	nd
D	Regulated Value	Carbon Emissions	nd	2050	80%	nd
D	Regulated Value	Carbon Neutrality	2020	2050	100%	nd
DTE	Regulated Value	Absolute Scope 1	2005	2030	50%	nd
DTE	Regulated Value	Carbon Emissions	2005	2040	80%	30%
DTE	Regulated Value	Carbon Neutrality	2005	2050	100%	nd
DUK	Regulated Value	Carbon Emissions	2021	2030	50%	nd
DUK	Regulated Value	Carbon Emissions	2005	2030	50%	39%
DUK	Regulated Value	Carbon Neutrality	2021	2050	100%	nd
DUK	Regulated Value	Carbon Neutrality	2005	2050	100%	39%
ED	Regulated Value	na	na	na	na	na
EIX	Regulated Value	Carbon Emissions	2021	2030	50%	nd
EIX	Regulated Value	Carbon Neutrality	2018	2045	100%	nd
ETR	Regulated Value	Carbon Emissions	2000	2030	50%	8%
ETR	Regulated Value	Carbon Emissions	2020	2050	100%	nd
ETR	Regulated Value	GHG Intensity	2000	2050	100%	37%
EVRG	Regulated Value	Carbon Emissions	2005	2030	70%	nd
EXC	Regulated Value	Carbon Emissions	2015	2022	15%	nd
FE	Regulated Value	Carbon Emissions	2005	2045	90%	80%
FE	Regulated Value	Carbon Neutrality	2019	2050	100%	nd
NI	Regulated Value	Scope 1	2005	2025	90%	63%
NI	Regulated Value	Methane Intensity	2005	2030	50%	39%
NI	Regulated Value	Carbon Emissions	2005	2030	90%	nd
PCG	Regulated Value	Carbon Emissions	2016	2022	10%	6%
PEG	Regulated Value	Scope 1 & 2	2005	2025	25%	186%
PEG	Regulated Value	Carbon Emissions	nd	2030	100%	nd
PEG	Regulated Value	Scope 1 & 2	2005	2046	80%	nd
PEG	Regulated Value	Scope 1	2005	2046	80%	58%
PEG	Regulated Value	Carbon Neutrality	2005	2050	100%	nd
PNW	Regulated Value	Scope 1	2005	2032	48%	nd
PPL	Regulated Value	Scope 1 & 2	2010	2040	70%	56%
PPL	Regulated Value	Carbon Emissions	2010	2050	80%	nd
SO	Regulated Value	Carbon Emissions	2007	2030	30%	nd
SO	Regulated Value	Carbon Emissions	2020	2050	100%	nd
SRE	Regulated Value	Scope 1	2005	2030	40%	18%
SRE	Regulated Value	Scope 1, 2, 3	2020	2050	100%	nd

Source: InterContinental Exchange, company report

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SMID, IPP, Canadian Utilities

Among IPPs, both **AES** and **VST** have set neutrality targets, though AES is more ambitious with a 2040 target year. **NRG**'s goal of 50% reduction in carbon emissions relative to 2014 levels stands out as carrying a high degree of accountability given a 2025 target date and reported 41% progress to date – a measure of the current mgmt. team's commitment in our view.

Exhibit 3: IPP emissions metrics
AES leads the small sample

Ticker	Group	Goal Type	Base Year	Target Year	Goal Target	Progress to Goal
AES	IPP	GHG Intensity	2016	2022	50%	nd
AES	IPP	Carbon Neutrality	2016	2040	100%	nd
AES	IPP	Carbon Emissions	nd	2050	100%	nd
NRG	IPP	Carbon Emissions	2014	2025	50%	41%
VST	IPP	Scope 1 & 2	2010	2030	60%	45%
VST	IPP	Carbon Emissions	2010	2030	60%	nd

Exhibit 3: IPP emissions metrics
AES leads the small sample

Ticker	Group	Goal Type	Base Year	Target Year	Goal Target	Progress to Goal
VST	IPP	Carbon Neutrality	nd	2050	100%	nd

Source: InterContinental Exchange

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Our SMID coverage is the only group where a majority of companies do not have GHG reduction targets reported in to ICE's platform (which largely scrubs available information databases), with **AVA, BKH, IDA,** and **NWE** showing no data – *not necessarily indicative of a lack of ESG efforts, though we find it instructive to flag that these companies screen negatively for any party relying on ICE for an efficient comparison across the sector, similar to the ED example discussed above.*

We highlight **POR, and HE** as having carbon neutrality targets with respective dates of 2040, 2045, and 2050. On the other side of the spectrum POR's carbon emissions target of -80% reductions relative to 1990 levels by 2050 appears out of date and not in line with its more ambitious neutrality target (2005 baseline). Could see this updated as well considering the states own ambitions.

We appreciate that ESG report and ESG metrics themselves appear to have a factor exposure towards larger market cap companies, more readily able to dedicate resources towards such metrics. That said, we perceive a wide bifurcation. We see this as potentially a defining bifurcation in prospects in smids as those positioned with states to accelerate decarbonization more readily benefit vs smids with less robust ambitions. We generally perceive a bias towards larger market cap companies considering they tend to have more urbanized service territories with more ambitious decarbonization goals as well.

Exhibit 4: SMID emissions metrics
Fewer goals and less binding commitments among SMID caps

Ticker	Group	Goal Type	Base Year	Target Year	Goal Target	Progress to Goal
AVA	SMID	na	na	na	na	na
BHK	SMID	na	na	na	na	na
HE	SMID	Carbon Neutrality	2018	2045	100%	nd
IDA	SMID	na	na	na	na	na
MGEE	SMID	Carbon Emissions	2005	2030	40%	22%
NWE	SMID	na	na	na	na	na
OGE	SMID	Carbon Emissions	2005	2050	50%	nd
PNM	SMID	Carbon Emissions	2005	2025	26%	20%
POR	SMID	Carbon Neutrality	nd	2040	100%	nd
POR	SMID	Carbon Emissions	1990	2050	80%	nd
UTI	SMID	Carbon Emissions	2019	2030	50%	nd
UTI	SMID	Carbon Neutrality	2019	2050	100%	nd

Source: InterContinental Exchange

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ALA's target of reducing GHG emissions by 38% relative to its 2015 baseline year is notable given its large natural gas transmission and distribution business which historically has been called out for levels of leakage – note that its three key mid-Atlantic jurisdictions have approved multi-year accelerated pipe replacement projects which we expect to contribute to reductions toward the goal by 2025. Note that **EMA** and **FTS** are broadly in-line in emissions targets, seeking 80% reductions relative to the 2005 baselines by 2040 and 2035, respectively. As with Con Ed, **Hydro One** screens negatively on this metric though we note that as a pure poles and wires business the company is already in a strong position from an emissions perspective.

Exhibit 5: Canadians emissions metrics
ALA has one of the more ambitious targets calling for neutrality in 2025

Ticker	Group	Goal Type	Base Year	Target Year	Goal Target	Progress to Goal
ALA CN	Canadian	GHG Emissions	2015	2025	38%	nd
ALA CN	Canadian	Carbon Neutrality	2015	2025	100%	nd
AQN CN	Canadian	Carbon Emissions	2017	2023	31%	13%

Exhibit 5: Canadians emissions metrics
ALA has one of the more ambitious targets calling for neutrality in 2025

Ticker	Group	Goal Type	Base Year	Target Year	Goal Target	Progress to Goal
EMA	Canadian	Scope 1	1998	2023	50%	106%
EMA	Canadian	Carbon Emissions	2005	2040	80%	39%
EMA	Canadian	Carbon Neutrality	2005	2050	100%	39%
FTS	Canadian	Carbon Emissions	2019	2035	75%	nd
FTS	Canadian	Carbon Emissions	2005	2035	80%	nd
H	Canadian	na	na	na	na	na

Source: InterContinental Exchange

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Gas LDC names tend to have later baseline years than electrics, likely due to relatively modest progress made on emissions until recently as this has historically not been a large focus for investors; we stress 2005 was prior to the run-up in gas and appears a reasonable starting point by contrast for electrics considering sharp declines in coal seen through much of the last decade since.

We highlight **SR** as among the few companies using a 2005 baseline albeit for an ambitious 57% reduction target by 2025. **SWX** and **UGI** also have near-term targets with cuts of 20% and 55% respectively through 2025, albeit from different baselines of 2015 and 2020. **NWN** has perhaps the most long-lived target among our coverage, with a goal of 80% reductions relative to a 1990 baseline by 2050.

We expect carbon reductions to become increasingly common as part of refined thoughts on just *how* to reduce costs.

Exhibit 6: Gas LDC emissions metrics
More recent baseline years than electrics

Ticker	Group	Goal Type	Base Year	Target Year	Goal Target	Progress to Goal
ATO	Gas LDC	Methane Intensity	2017	2035	50%	nd
NJR	Gas LDC	Carbon Emissions	2006	2050	80%	nd
NWN	Gas LDC	Carbon Emissions	2015	2035	30%	nd
NWN	Gas LDC	Carbon Emissions	1990	2050	80%	nd
OGS	Gas LDC	Carbon Emissions	2014	2024	33%	22%
SJI	Gas LDC	Carbon Emissions	2019	2035	80%	53%
SJW	Gas LDC	na	na	na	na	na
SR	Gas LDC	Carbon Emissions	2005	2025	57%	nd
SWX	Gas LDC	Carbon Emissions	2015	2025	20%	nd
UGI	Gas LDC	Scope 1	2020	2025	55%	nd

Source: InterContinental Exchange

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Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AGR	AGR US	Avangrid	US$ 50.7	A-3-7
ES	ES US	Eversource Energy	US$ 82.67	A-2-7
EXC	EXC US	Exelon Corp	US$ 49.24	B-1-7

Source: BofA Global Research

Price objective basis & risk

Avangrid (AGR)

Our $47 PO is based on an SOTP. The utilities are valued on '23E with a a discounted valuation to the NY P/E of 16.6x/15.7x for electric/gas, given perceived risk to earned ROEs. No prem for UI or CMP Elec. Both electric and gas peer P/Es are grossed up to 2020 by 5-5.1% to reflect capital appreciation across the sector. We apply a DCF approach on the existing renewables biz, with 30% prem-to-DCF in line with yieldco peers. We back out 50% of non-reg debt at the parent. We include value of the two offshore wind awards assuming $3500/kW cost, 6% disc, and 6% construction risk disc, with prem-to-DCF based on MtM of yieldco valuations. We use an in-line discount for NECEC, but probability weight it 75%.

Upside risks: 1) ROE improvement in AGR's network business 2) Improvement in wind resources net capacity factor 3) higher than expected growth from offshore wind opportunities.

Downside risks: 1) Iberdrola owns over 80% of AGR common stock, limiting float and presenting a potential for governance conflicts, despite the BoD being majority unaffiliated with Iberdrola. 2) Reg. relationships/outcomes could deteriorate 3) Existing and likely increasing exposure to the renewables biz results in a number of PPA related risks including commodity, recontracting & tax benefit recovery risk 4) Lack of adequate capital recovery mechanisms could threaten ROEs 5) The renewables biz may not expand as fast as expected or have worse returns 6) Offshore delays.

Eversource Energy (ES)
Our sum of the parts based price objective of $90 uses P/E multiples on 2023E earnings. For electric utilities, we attribute a 3x premium NSTAR, 3x premium to PSNH, and a 2x discount for CL&P to peer 17.7x multiple, reflecting future potential positive revisions to capex and earnings and the latest challenges in CT. For gas, we apply a 3x premium to the peer 15.6x multiple, given capex upside particularly in MA and a 2x for Columbia Gas. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We value Aquarion at the 29.3x water multiple. We reflect ES's 50% ownership in Revolution and South Fork offshore wind sites on an NPV basis. We further reflect a devco value with an assumption of an additional 3GW through 2031. We take out 50% of parent debt, and 50% of interest to accurately reflect parent leverage.

Upside risks to our price objective are additional capex announcements on the T&D side, as well as success in offshore wind RFPs.

Downside risks are reduction in authorized ROEs, inability to meet earned ROE expectations, as well as failure to receive permitting on incremental capex opportunities.

Exelon (EXC)
Our $53 PO is based on an SOTP valuation.
Utility: Our base electric peer P/E multiple of 17.9x for '23 is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply an in-line multiple for BGE and a 1x prem to PECO. We apply an in-line multiple to ComEd and a 1x discount to PHI.

Our Generation valuation is based on a 2022E SOTP. We start with our EBITDA estimates at each segment and subtract out maintenance capex. We then capitalize this at a 7.0x base multiple (based on the long-term average forward EV/FCF in the sector) to which we apply a premium/discount based on our views of the specific region and portfolio while we apply a DCF for nuclear and Mystic.

Risks: 1) the company may or may not experience adverse regulatory rulings in its future rate cases, 2) Rate making mechanisms may or may not change in the future, 3) the company may or may not experience an increase in the price of key inputs such as natural gas and coal 4) the company may or may not experience a decrease in wholesale power prices 5) the company may or may not have to deal with stricter environmental or safety regulations 6) the company may or may not be able to access capital markets, 7) the company's operations could be materially impacted by weather events.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
NEUTRAL				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				

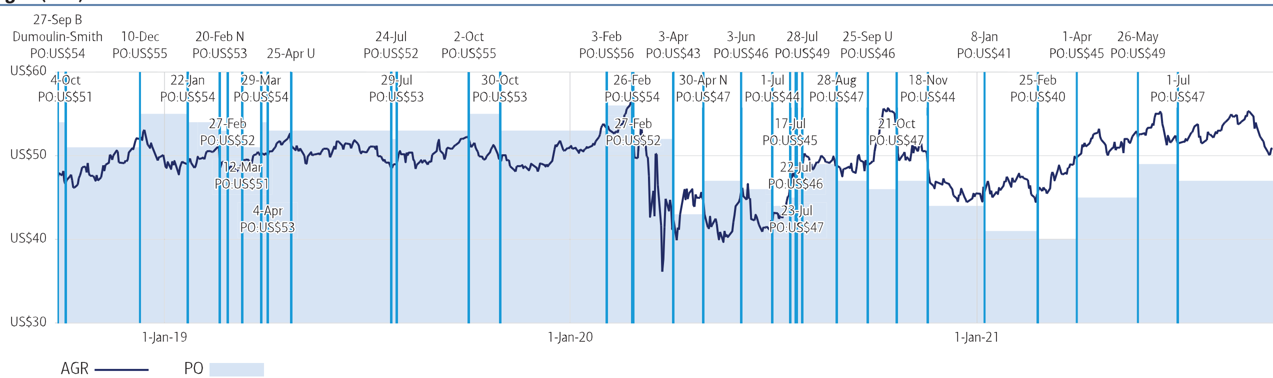
NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Adhok Bellurkar
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

Avangrid (AGR) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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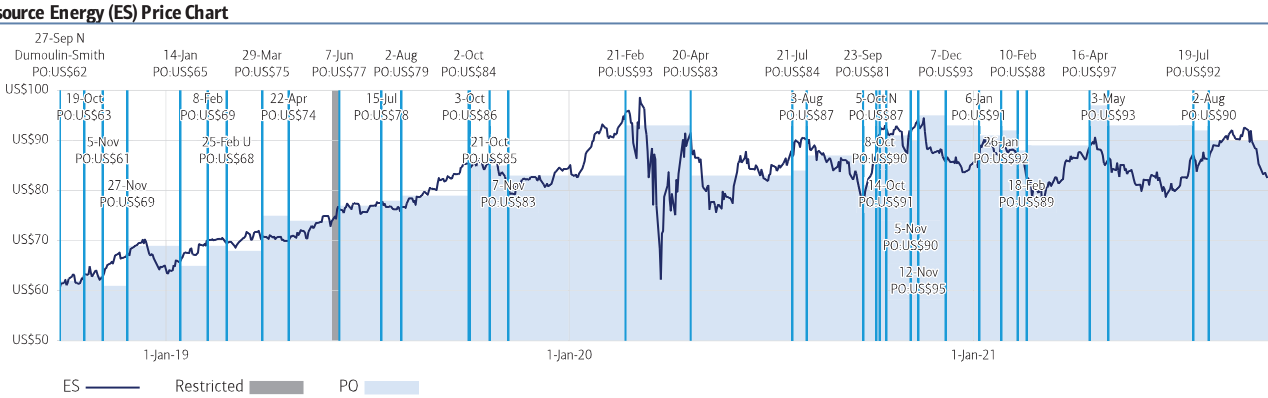
Eversource Energy (ES) Price Chart



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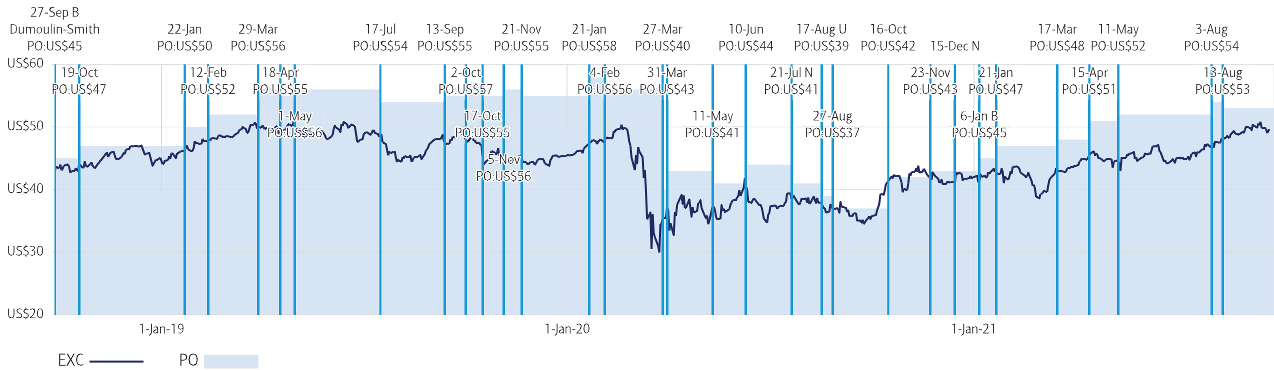
Eversource Energy (ES) Price Chart

Exelon Corp (EXC) Price Chart



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Buy	77	49.68%	Buy	53	68.83%
Hold	39	25.16%	Hold	29	74.36%
Sell	39	25.16%	Sell	24	61.54%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
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Hold	637	19.65%	Hold	395	62.01%
Sell	657	20.27%	Sell	340	51.75%

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Citi Research
ACTION

08 Jul 2021 15:00:03 ET | 12 pages

NiSource Inc (NI.N)

Potential Solar Supply Chain Disruption May Impact EPS Growth

CITI'S TAKE

NI's earnings growth story is dependent on execution of $1.8-2.0B of solar and renewable projects. Citi's global solar view is that there's a risk to execution of solar development timeline given global supply chain disruptions impacting polysilicon, shipping, and panel management. NI has some exposure to this thesis. TP to $27.

Earnings Growth Most Pronounced in 2023 from Solar & Renewable Investment — NI has committed $1.8-$2.0B of solar investment by 2023 in their latest capital plan. Based on preliminary assumptions about the regulated projects the bulk of earnings is likely to come in 2024 when the projects have reached run rate earnings (see figure 1 for our analysis).

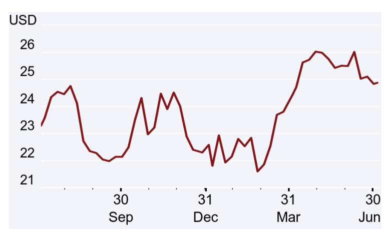
Supply Chain Dynamics Weigh on Solar. Not Good. — Citi's global solar team argued that there is real risk to utility scale solar installation in the US due to polysilicon price spike, panel management issues, and shipping delays. These developments could delay timing of installations for NiSource although the projects will still get completed in our view. See our team note Global Solar Power - Rising Installations an Irreversible Trend for more information.

NiSource's Contract Structure — NiSource has contractual protections built into its renewable build-transfer deals that provide NiSource with a combination of liquidated damages and lower purchase price protections. They don't shield the company 100%, but do give it a reasonable degree of protection against delays.

Impact to NiSource — A meaningful portion of near term earnings growth for NiSource comes from its renewable development projects. In figures 1-3, we provide an illustrative analysis of the impact of the solar projects of up to ~11% of earnings in 2024 coming from these projects (before issuance dilution). Of the projects identified, several are in advanced commercial negotiation or pending IURC approval. If some of these projects get delayed slightly, we may see a modest downward revision to guidance depending on the specific terms of the contracts and the nature of the delay.

Neutral	
Price (07 Jul 21 16:00)	US$25.03
Target price	US$27.00↑
from US$24.00	
Expected share price return	7.9%
Expected dividend yield	3.2%
Expected total return	11.1%
Market Cap	US$9,817M

Price Performance
(RIC: NI.N, BB: NI US)



EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2020A	0.76A	0.13A	0.09A	0.34A	1.32A	1.32A	-0.19A
2021E	**0.77A**	**0.11E**	**0.11E**	**0.34E**	**1.35E**	**1.35E**	**1.34E**
Previous	na	na	na	na	1.43E	na	na
2022E	**na**	**na**	**na**	**na**	**1.40E**	**1.41E**	**1.41E**
Previous	na	na	na	na	1.49E	na	na
2023E	**na**	**na**	**na**	**na**	**1.60E**	**1.52E**	**1.54E**
Previous	na	na	na	na	1.58E	na	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus. VA Cons: Visible Alpha Consensus.

Click here for Visible Alpha consensus data

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See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

NI.N: Fiscal year end 31-Dec — Price: US$25.03; TP: US$27.00; Market Cap: US$9,817m; Recomm: Neutral

Profit & Loss (US$m)	2019	2020	2021E	2022E	2023E
Sales revenue	5,209	4,676	4,699	5,025	5,366
Cost of sales	-2,252	-1,855	-1,990	-2,028	-2,156
Gross profit	2,957	2,821	2,709	2,997	3,211
Gross Margin (%)	56.8	60.3	57.7	59.6	59.8
EBITDA (Adj)	**1,275**	**1,370**	**1,748**	**1,978**	**2,279**
EBITDA Margin (Adj) (%)	24.5	29.3	37.2	39.4	42.5
Depreciation	-717	-746	-682	-734	-840
Amortisation	0	0	0	0	0
EBIT (Adj)	**557**	**624**	**1,065**	**1,244**	**1,439**
EBIT Margin (Adj) (%)	10.7	13.4	22.7	24.8	26.8
Net interest	-379	-371	-378	-444	-519
Associates	0	0	0	0	0
Non-Op/Except/Other Adj	-5	-211	6	-22	-22
Pre-tax profit	**173**	**42**	**693**	**778**	**899**
Tax	-56	12	-124	-152	-177
Extraord./Min.Int./Pref.div.	-55	-59	-56	-55	-55
Reported net profit	**63**	**-4**	**513**	**571**	**666**
Net Margin (%)	1.2	-0.1	10.9	11.4	12.4
Core NPAT	495	508	536	571	666

Per share data	2019	2020	2021E	2022E	2023E
Reported EPS ($)	0.17	-0.01	1.29	1.40	1.60
Core EPS ($)	1.32	1.32	1.35	1.40	1.60
DPS ($)	0.80	0.83	0.84	0.86	0.87
CFPS ($)	3.51	3.10	3.18	3.19	3.70
FCFPS ($)	-1.29	-1.47	-1.80	-3.04	-4.85
BVPS ($)	13.63	12.90	13.39	14.17	14.80
Wtd avg ord shares (m)	366	375	388	399	405
Wtd avg diluted shares (m)	376	385	398	409	415

Growth rates	2019	2020	2021E	2022E	2023E
Sales revenue (%)	1.8	-10.2	0.5	6.9	6.8
EBIT (Adj) (%)	346.8	12.1	70.6	16.7	15.7
Core NPAT (%)	9.2	2.5	5.6	6.5	16.8
Core EPS (%)	3.7	0.0	2.1	3.7	15.0

Balance Sheet (US$m)	2019	2020	2021E	2022E	2023E
Cash & cash equiv.	148	126	1,979	1,979	1,979
Accounts receivables	857	791	804	845	868
Inventory	425	401	391	408	417
Net fixed & other tangibles	19,090	18,643	19,981	21,797	24,506
Goodwill & intangibles	1,486	1,486	1,486	1,486	1,486
Financial & other assets	654	593	647	658	664
Total assets	**22,660**	**22,041**	**25,288**	**27,172**	**29,921**
Accounts payable	666	589	584	594	604
Short-term debt	1,787	526	1,985	2,477	3,941
Long-term debt	7,856	9,220	9,802	10,702	11,602
Provisions & other liab	6,364	5,868	5,960	5,965	5,970
Total liabilities	**16,673**	**16,203**	**18,332**	**19,738**	**22,117**
Shareholders' equity	5,987	5,838	6,946	7,406	7,755
Minority interests	0	0	0	0	0
Total equity	**5,987**	**5,838**	**6,946**	**7,406**	**7,755**
Net debt (Adj)	**9,494**	**9,621**	**9,808**	**11,200**	**13,564**
Net debt to equity (Adj) (%)	158.6	164.8	141.2	151.2	174.9

Valuation ratios	2019	2020	2021E	2022E	2023E
PE (x)	19.0	19.0	18.6	17.9	15.6
PB (x)	1.8	1.9	1.9	1.8	1.7
EV/EBITDA (x)	18.0	16.7	13.3	12.3	11.5
FCF yield (%)	-5.2	-5.9	-7.2	-12.2	-19.4
Dividend yield (%)	3.2	3.3	3.4	3.4	3.5
Payout ratio (%)	61	63	63	61	54
ROE (%)	1.3	-0.1	10.0	10.3	11.2

Cashflow (US$m)	2019	2020	2021E	2022E	2023E
EBITDA	1,275	1,370	1,748	1,978	2,279
Working capital	-75	72	-54	-54	-23
Other	118	-249	-429	-618	-718
Operating cashflow	**1,318**	**1,193**	**1,265**	**1,306**	**1,538**
Capex	-1,802	-1,758	-1,980	-2,550	-3,550
Net acq/disposals	-113	1,116	0	0	0
Other	-7	-237	-35	0	0
Investing cashflow	**-1,922**	**-879**	**-2,014**	**-2,550**	**-3,550**
Dividends paid	-299	-322	-352	-383	-412
Financing cashflow	**423**	**-193**	**2,657**	**1,309**	**2,077**
Net change in cash	**-182**	**121**	**1,908**	**65**	**66**
Free cashflow to s/holders	**-485**	**-566**	**-715**	**-1,244**	**-2,012**

For definitions of the items in this table, please click here.

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Sourcing Solar at NiSource

Our analysis uses a 30 year asset life, 9.75% ROE (in line with NIPSCO electric trackers) and assumed 50% equity layer to illustrate the earnings profile of the solar capex.

Figure 1. NiSource Solar Investment Illustration

		2021	2022	2023	2024
Capex Company Guide	$m	$150.0	$400.0	$1,350.0	
Rate Base Math		2021	2022	2023	2024
Beg	$m	0.0	141.7	505.6	1,733.7
Add	$m	$150.0	$400.0	$1,350.0	$0.0
Depreciation	$m	($2.5)	($11.7)	($40.8)	($63.3)
Deferred Tax Liability	$m	($5.8)	($24.4)	($81.1)	($97.2)
End	**$m**	**141.7**	**505.6**	**1,733.7**	**1,573.2**
Average Rate Base	$m	70.9	323.7	1,119.7	1,653.5
Equity Layer	%	50%	50%	50%	50%
ROE	%	9.75%	9.75%	9.75%	9.75%
NI	**$m**	**$3.5**	**$15.8**	**$54.6**	**$80.6**
Average Share Count	m shares	398	409	415	415
EPS	**$/share**	**$0.01**	**$0.04**	**$0.13**	**$0.19**
Citi EPS	$/share	$1.35	$1.40	$1.60	$1.76
EPS % of total	%	0.6%	2.8%	8.2%	11.0%

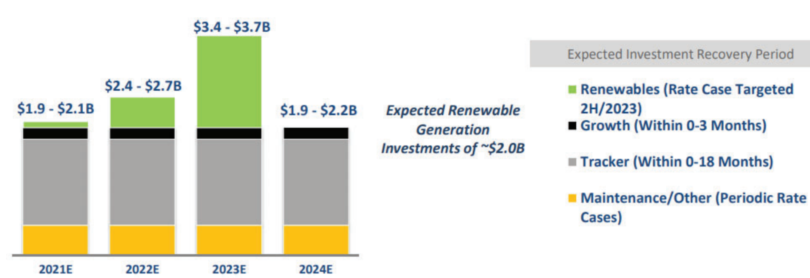
Source: Citi Research

Increasing Price Target: We are increasing our price target to reflect a roll forward of price target time period, updated estimates and company guidance, executed convertible equity issuance, higher gas utility transaction multiples, and our current business outlook. This increased our PT to $27.00.

Estimate Revision: We updated our estimates for recent results, updated spending and regulatory activity, the recent financing transaction and updated financing guidance.

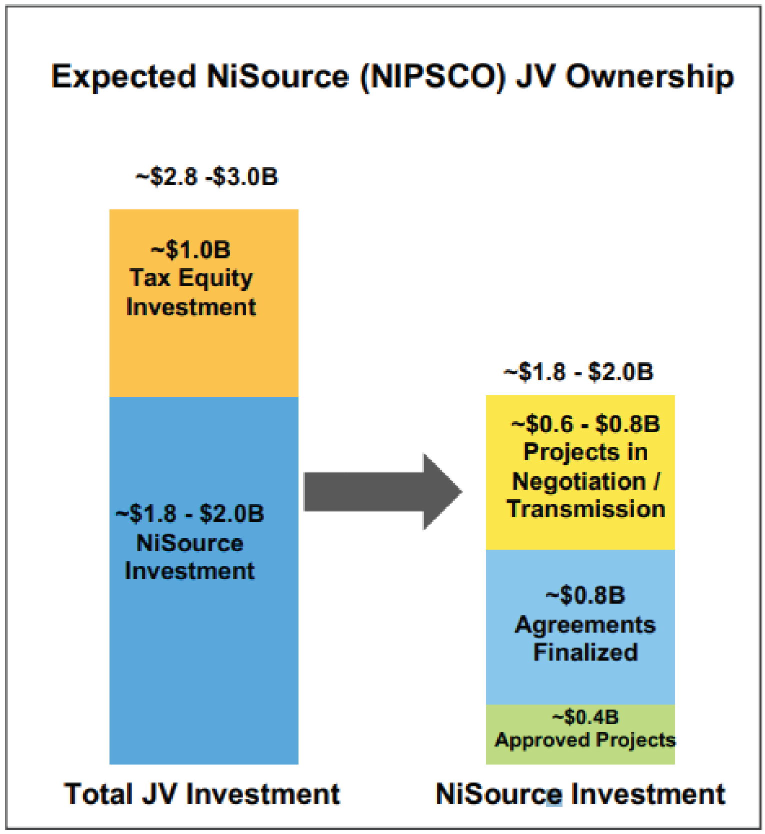
Appendix

Figure 2. NiSource Capex Guidance



Source: Citi Research

Figure 3. NiSource Solar Capital investment



Source: Citi Research

NiSource Inc

Company description

NiSource Inc (NI) is primarily a regulated utility with an integrated network of gas distribution in the Northeast, Mid-Atlantic, and Midwest. NiSource also operates an electric utility in Northern Indiana. The company serves around 4 million customers across seven states through its two main business segments, including: 1) Gas Distribution, which delivers natural gas in several states; 2) Electric Operations, which consist of NiSource's regulated electric utility, Northern Indiana Public Service Company (NIPSCO).

Investment strategy

We rate the shares of NiSource (NI) Neutral (2). We believe NI's long-term earnings are relatively stable due to diverse operations areas and constructive regulatory jurisdictions. Our estimates do not include: 1) Substantial industrial load growth at the utilities; 2) Colder-than-normal weather and faster than average customer growth; or 3) Slower than typical timeline in regulatory filing and approval process for new infrastructure projects and cost recovery mechanisms.

Valuation

We average multiple valuation methodologies to derive our $27 target price. Our NAV yields a value of $34. We value regulated assets at a multiple of 1.5x rate base. These values are partially offset by the company's net debt. Our DDM, which incorporates our rate base growth assumptions, values the company at $30 per share. Our P/E and EV/EBITDA analyses yield values of $27 per share.

Risks

The key risks to our investment thesis are: (1) Rate Cases – We estimate the company will receive rate relief at several of its utilities. Under- or over-estimation of relief could materially impact our estimates. (2) Weather – Changes in weather impact the stability of earnings. (3) Capital Investment Recovery — NI spends a substantial amount of capital to maintain and expand its distribution system. NI depends on rate increases from public utility commission to earn a fair return on this expansion. (4) Capital Markets — Access to cheap capital markets could be limited due to the size of the company. If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause the stock price to materially under/outperform our target. (5) There is a risk that there will be negative political, financial, and regulatory backlash from the recent events in New England.

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Appendix A-1

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NiSource Inc (NI)

Ratings and Target Price History
Fundamental Research

Analyst: Ryan Levine

	Date	Rating	Target Price	Closing Price
1	28-Nov-18 16:01:00	2	*26.00	25.76
2	03-May-19 06:40:08	2	*28.00	27.86
3	23-Oct-19 22:00:00	2	*30.00	28.15
4	23-Apr-20 03:00:00	2	*29.00	25.85
5	01-Jul-20 14:08:34	2	*24.00	23.46

*Indicates Change

Rating/target price changes above reflect Eastern Time

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12 October 2021 | 4:31PM EDT

Americas Utilities

What a PM should consider in utilities heading into YE2021; XEL, NI up to Buy, SRE down to Neutral

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PM Summary

Utilities (XLU) to date lagged the market by 13% – and, in our view, few major new catalysts exist in the near term to drive a re-rating - despite relative P/E multiples appearing slightly attractive versus the market in this low, but rising interest rate environment. While utilities, among S&P500 constituents, screen as a relative winner if corporate tax rates rise and an expansion of renewable tax credits, as debated currently in Congress, would help drive renewable investment and utility growth, investors have likely digested much of this already during 2021. Earnings ahead in late October and in November – as well as a fall industry trade association conference – provide companies with opportunities to give multi-year updates to investors – we think this will prove more important at the micro or single stock level versus the macro level right now. On an absolute basis, utilities no longer trade at peak multiples on FY2 (2022E) or FY3 (2023E) multiples – we note regulated stocks, for example, trade at 18.6x and 17.4x versus peak levels of 21.6x/20.4x over the last 5 years – and the average multiples of 18.3x/17.4x in that time frame. Historically, in a low Treasury yield environment, utilities have traded at a premium to the market — but our analysis shows this has not necessarily occurred in periods of negative real interest rates – we assume a modest discount to the S&P500's multiple when setting our target multiples.

We structure this note with 4 key sections – the 4 R's - including (1) **renewables ahead** for utilities – as we expect renewable and related grid growth to drive rate base growth, which impacts earnings growth for utilities – companies are likely to provide updates to plans later this year and into 1H2022, especially if tax credit extensions occur, (2) the continued **recovery of demand** as WFH gradually moderates and economic expansion continues – with power demand trends a topic that we believe does not get enough investor attention, (3) **rates and utility valuations** – and how we set our target multiples using a macro oriented absolute and relative approach – and as we roll forward to use 2023 for valuation purposes for most stocks, and (4) **ratings revisions** – where we make 2 upgrades and 1 downgrade within the sector.

We make 3 ratings changes in this note — upgrading XEL and NI to Buy, downgrading SRE to Neutral. After lagging the sector index so far this year, XEL's shares appear more attractive – as they trade below the historical premium that we believe XEL warranted despite delivering solid, consistent EPS growth – we view this as a high quality stock for defensive oriented investors. We upgrade NI given its attractive valuation and a ramp in EPS growth from renewable additions into its rate base – to replace coal-fired units retiring soon – that drive a strong 2023+ EPS view – we also note this stock's share price has underperformed other regulated utilities in the last 1-2 years. We downgrade SRE from Buy to Neutral as we revise our estimates to reflect the recently closed Sempra Infrastructure Partners sell-down as well as other adjustments to SRE's various segment forecasts. Our estimates are now near consensus versus previously where we were forecasting levels above street views. Further, we make minor adjustments to our sum of the parts valuation that implies total return upside less than the Buy rated stocks in our utilities coverage. We also update price targets for multiple stocks within our coverage to capture our updated baseline multiple, and update estimates for a few stocks to reflect idiosyncratic factors such as the EnerBank sale for CMS, the completion of a minority asset sale for DUK, Ida storm cost impact for ETR, lower RoE and higher equity for PNW, and so on. For those seeking exposure to California utilities – we prefer PCG or EIX over SRE on valuation - and for investors wanting exposure to natural gas exports, we favor LNG (Buy, on CL), a pure play gas export company, from our midstream universe. Top picks overall remain DTE among regulated utilities - and we still favor NRG among the IPPs and NEP for renewables exposure - with all 3 stocks on firm's Conviction Buy List.

Exhibit 1: We upgrade NI and XEL to Buy and downgrade SRE to Neutral
Ratings Grid

	Regulated Utilities	Diversified Utilities	IPPs
Buy	ATO, AWK, CMS DTE*, EIX, ETR EVRG, FE, NI PCG, WTRG, XEL	CNP EXC PEG	NEP* NRG*
Neutral	AEE, DUK ES POR	D NEE OGE SRE	CWEN
Sell	AEP ED PNW, SO WEC	AGR	
Not Rated	PPL		

*On Americas Conviction List

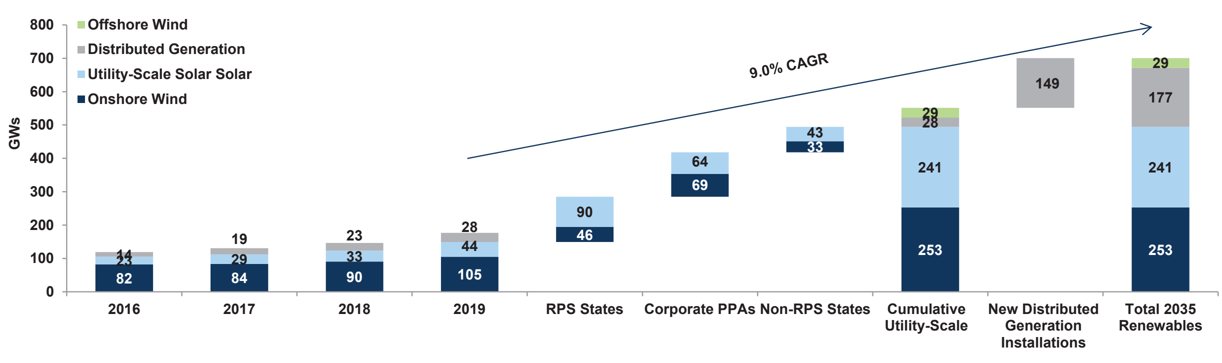
Source: Goldman Sachs Global Investment Research

Renewables ahead - we expect more detail ahead on utilities clean energy plans

Renewable and grid investment remain the main driver of rate base and investment growth for utilities - we expect this to continue. As renewable costs continue to decline and more states promulgate clean energy initiatives and federal policy evolves, utilities continue to shift more of their capital deployment efforts into renewables or related transmission/distribution investments. Spend on conventional generation continues to become a less-important driver of long term growth. We forecast modest upticks in capital spend through 2023 (3%) and through 2024 (5%) — but can see upside to this, especially in renewables, if federal policy changes via the infrastructure/reconciliation bills create further tax incentives or benefits that lower the cost of renewable deployment. Our base case forecast for renewables still incorporates a sizable growth (to almost 700 GWs) trajectory through 2035, as detailed in Exhibit 2.

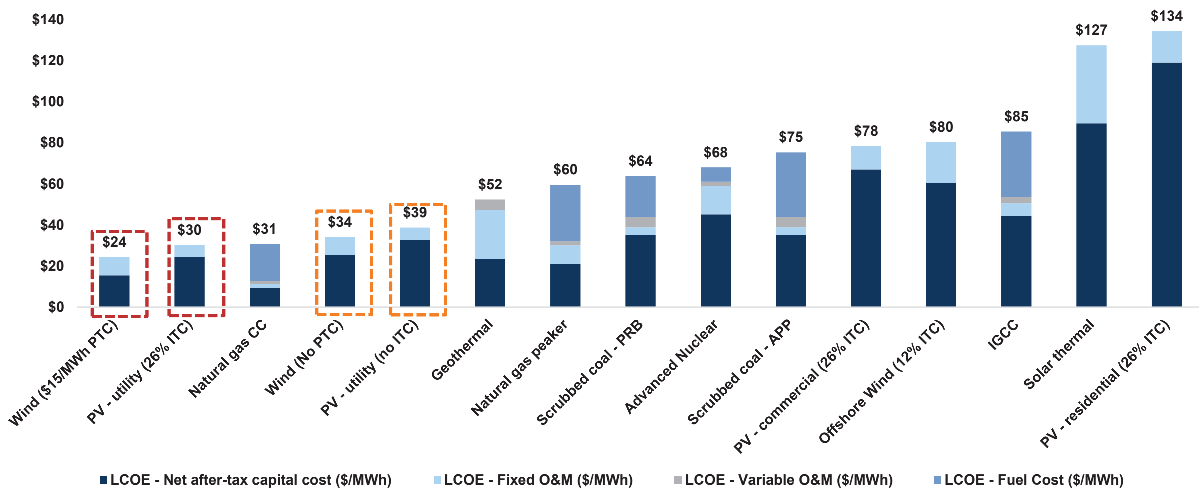
The latest versions of federal legislation includes potential renewable related tax credit extensions - key for wind and solar, as well as other technologies. While we note renewable costs in general have declined significantly within the past decade, on a purely un-subsidized basis new wind and solar builds today are nearing - but not quite competitive with a new build combined cycle natural gas plant (Exhibit 3 - assuming $2.75/MMBtu gas prices as normalized levels). An extension of tax credits would lower the cost of renewables and likely lead to more deployment, creating potential upside to our 700GW forecast — we forecast renewables to represent 36% of our coverage generation portfolio by 2025, up from 22% in 2020.

Exhibit 2: We forecast a cumulative total of 700GWs of renewables in the US by 2035
GS renewable forecast, 2019YE-2035



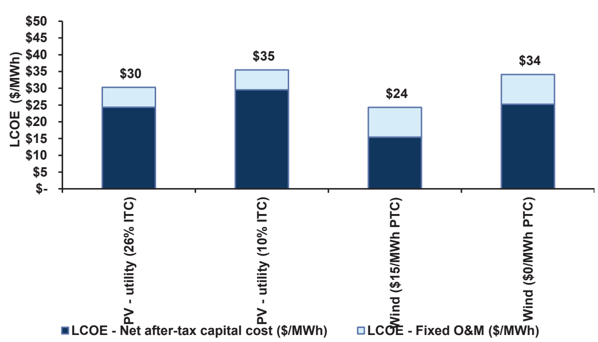
Source: DSIRE, SNL, Goldman Sachs Global Investment Research

Exhibit 3: Renewables today are the lowest cost form of new generation on a subsidized basis, however utility scale wind and solar are fairly competitive even unsubsidized
LCOE of various technologies, $/MWh



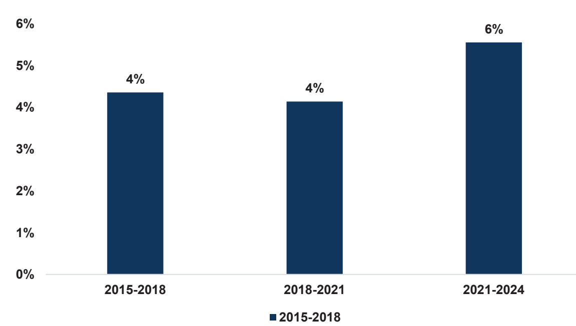
Source: Goldman Sachs Global Investment Research

Exhibit 4: Renewables are competitive with natural gas on a subsidized basis
Sensitivity levels to different PTC/ITC levels, LCOE of natural gas plant



Source: Goldman Sachs Global Investment Research

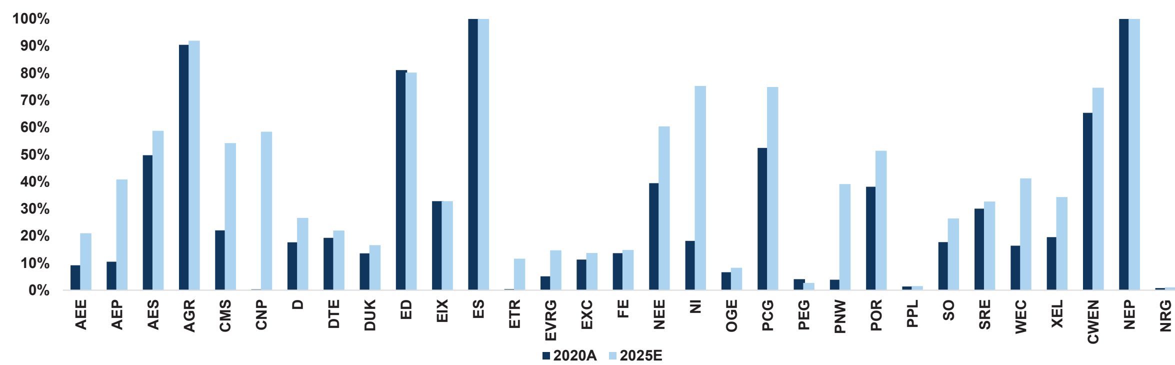
Exhibit 5: Consensus shows an uptick in EPS growth, likely driven by increased capital expenditures at the regulated utilities
EPS growth CAGR of regulated utilities, based on Factset consensus estimates



Regulated utilities includes AEP, DUK, ED, EIX, EVRG, ES, SO, WEC, XEL, AEE, CMS, NI, PNW, POR

Source: FactSet

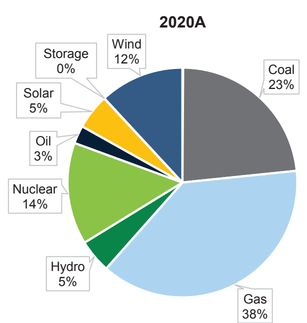
Exhibit 6: We look at the change in generation capacity from renewables across our coverage
Renewable capacity as a percentage of total generation capacity for 2020 and 2025E



Renewables includes solar, wind, hydropower, and storage

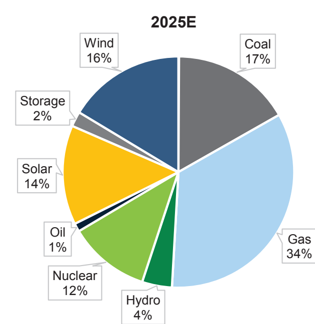
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 7: We note 22% of generation from renewables in 2020...
2020 generation mix across our covered companies



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 8: ...which increases to 36% by 2025
2025 generation mix across our covered companies



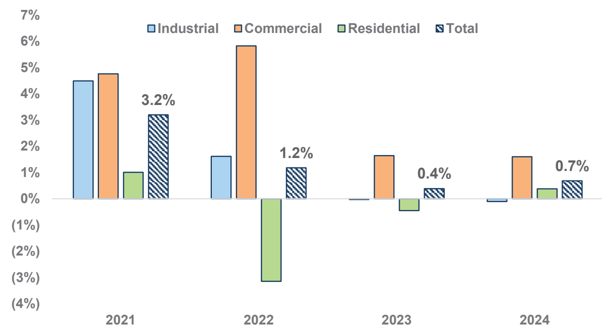
Source: Company data, Goldman Sachs Global Investment Research

Power demand recovery to continue, albeit at a slower pace, in 2022

We expect the power demand recovery to continue through 2022, but at a slower pace compared to 2021. Our updated econometric based forecasts imply 3.2%/1.2% YoY weather-normal (WN) total power demand growth for the US in 2021/2022, directionally in line with the U.S. Energy Information Administration (EIA) Short-Term Energy Outlook (STEO). Our updated forecasts are driven by (1) actual realized sales and degree days through 1H2021, (2) revisions to underlying economic forecasts on industrial manufacturing/production levels, domestic demand, GDP and U6 (unemployment) estimates - by the GS economics research team - as these all impact forecasts for industrial, residential and commercial demand respectively, as well as (3) our assumption of continued elevated levels of work from home trends (WFH) compared to pre-COVID environment, which positively impact our residential demand forecasts.

But our forecasts for 2023/2024 appear more in line with the pre-COVID trends. We model 0.4%/0.7% power demand growth in 2023/2024, closer but still higher than +0.3% historical growth trajectory. We expect EVs to only significantly impact power demand in the later half of the decade and beyond.

Exhibit 9: We expect the power demand recovery to continue through 2022, but at a slower pace compared to 2021.
GSe, Annual demand forecasts by customer class



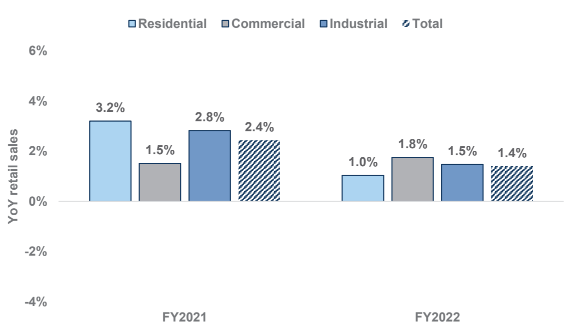
Source: EIA, NOAA, Goldman Sachs Global Investment Research

Exhibit 10: Our updated econometric based forecasts imply 3.2%/1.2% YoY weather-normal (WN) total power demand growth for the US in 2021/2022...
Forecast revision

	Updated Forecast				Prior Forecast (Jul - published #s)			
	2021	2022	2023	2024	2021	2022	2023	2024
Industrial	4.5%	1.6%	0.0%	-0.1%	3.9%	2.1%	-0.1%	0.0%
Commercial	4.8%	5.8%	1.6%	1.6%	5.5%	7.4%	1.6%	1.7%
Residential	1.0%	-3.1%	-0.5%	0.4%	0.5%	-3.4%	0.3%	0.4%
Total	3.2%	1.2%	0.4%	0.7%	3.1%	1.7%	0.7%	0.8%

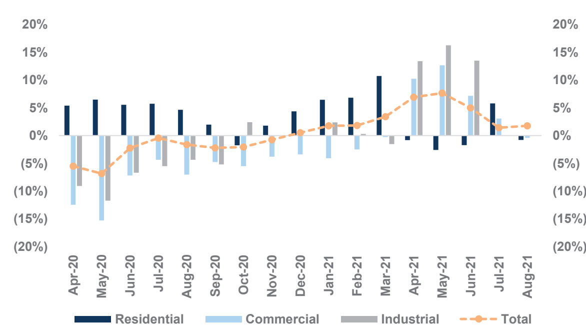
Source: Goldman Sachs Global Investment Research

Exhibit 11: ...directionally in line with the EIA STEO
U.S. Energy Information Administration (EIA) Short-Term Energy Outlook (STEO)



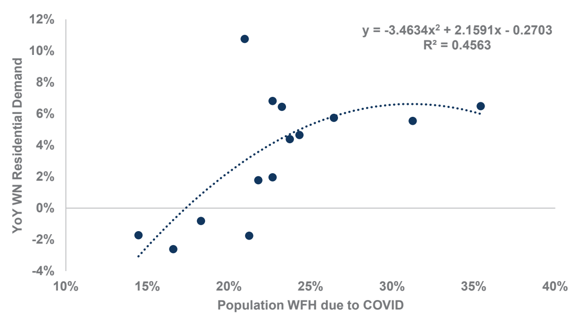
Source: EIA, Goldman Sachs Global Investment Research

Exhibit 12: Our updated forecasts are driven by actual realized sales normalized for weather through 1H2021 and updated economic forecasts
Monthly WN YoY demand by customer class



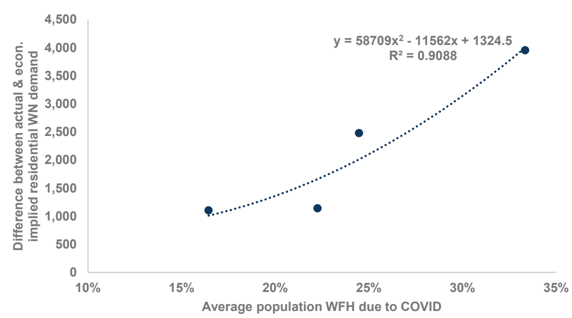
Source: EIA, NOAA, Goldman Sachs Global Investment Research

Exhibit 13: Elevated work from home trends explain the improvement in residential demand through the pandemic...
YoY WN Residential Demand versus Population % working from home



Source: US Bureau of Labor Statistics, EIA, NOAA, Goldman Sachs Global Investment Research

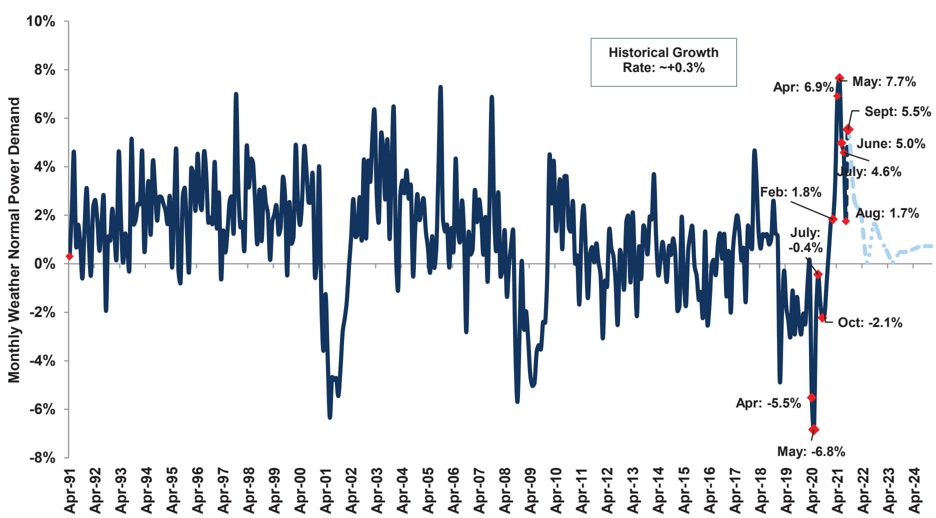
Exhibit 14: ...and the delta between our forecasted and actual realized quarterly demand. We embed 10% teleworking until 2Q2022, considering this as the new post-pandemic normal.
Delta between actual and econ implied residential weather normal demand, MWh vs population working from home



excluding 1Q2021 which skews the data

Source: US Bureau of Labor Statistics, Goldman Sachs Global Investment Research

Exhibit 15: We model 0.4%/0.7% power demand growth in 2023/2024, closer but still higher than +0.3% historical growth trajectory.
Weather normal monthly YoY power demand - Total



Source: EIA, NOAA, EEI, Goldman Sachs Global Investment Research

Rolling forward valuation — low rates a positive, negative real rates an ongoing headwind for utility P/E multiples

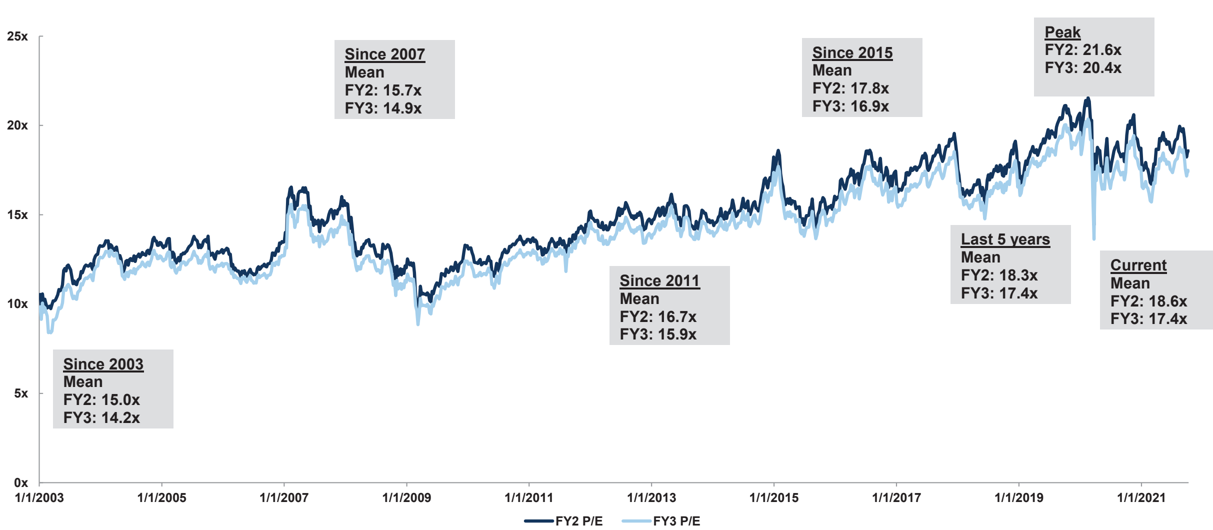
Utilities screen modestly attractive on our estimates, but negative real rates may cap P/E multiple upside slightly. We note today utilities trade both below their peak P/E multiples — almost 15% below these levels - and also trade at a discount to the

S&P500, by several P/E multiple turns. Historically, utilities have traded at a premium (10%+) to the market in times where the 10-year treasury yield sat below 2.0% — we note, however, this time may prove slightly different, given expectations for rising rates and more importantly, negative real interest rates. Negative real rates present an offsetting headwind - our new analysis below (Exhibit 23, Exhibit 22) shows negative real rates have weighed on utility valuations versus the P/E multiple seen on the S&P500 . The interest rate and inflation forecasts by the GS economics research team implies TIPS levels of almost (0.8%)-(1.2%) on the 10- and 30-year yield - a headwind for utility sector P/E multiple expansion trends. That said, utilities already trade at a discount to the market — roughly 14% relative to the GS Portfolio Strategy team's S&P 500 FY2 forecast of 21.7x.

We roll forward valuations to use 2023 as our target year and apply an 18x P/E multiple on the regulated stocks as our baseline to set target prices. Utilities currently trade below their peak levels - at 18.6x on FY2 (in line with the 5-year average) — and well below the market multiple of 20.1x. However, utilities have already lagged the S&P500 so far this year - by 13% - we believe the market already priced in the expectation of rising yields and negative rates. Our target multiple of 18x implies roughly 16.9% total return across our regulated utility coverage, including a dividend yield of 3.4%, to the Regulated Utilities under coverage and 14.8% total return to Diversified Utilities. We note utilities could see further multiple expansion than embedded in our target multiple - as the sector stands out as a relative potential beneficiary if US corporate tax rates rise or if the federal reconciliation/infrastructure bills - with renewable tax credit extensions and benefits for transmission investment - lead to higher investment levels and earnings growth than currently forecast.

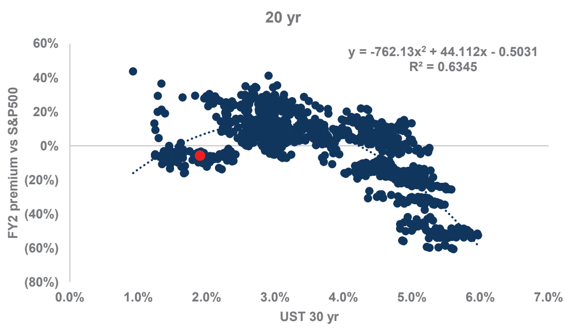
Exhibit 16: The sector trades roughly 15% below prior absolute P/FY2 EPS multiple peak levels of 21.6x compared to 18.6x today on FY2 EPS...

Market Cap. Weighted FY2 & FY3 Regulated Utilities' P/E



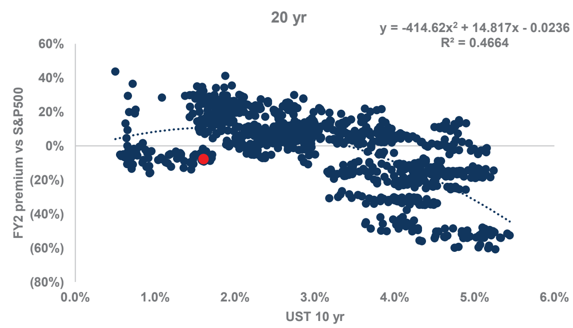
Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 17: Over the past 20 year history...
FY2 premium of utilities vs S&P 500 in different UST 30 year environments over the past 20 years



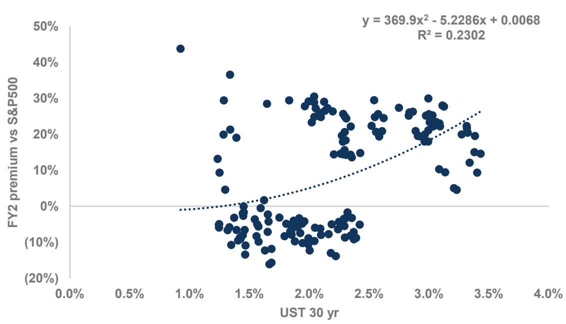
Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 18: ...UST 10 and 30 year have had a reasonably good explanatory power wrt relative sector performance vs the broader market.
FY2 premium of utilities vs S&P 500 in different UST 10 year environments over the past 20 years



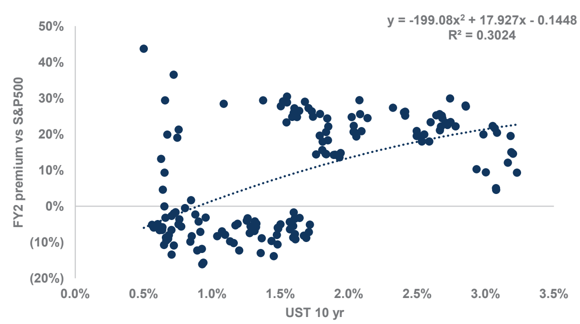
Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 19: However, over the recent 3 year trading history...
FY2 premium for utilities vs S&P 500 in various UST 30 year environments, past 3 years



Source: FactSet, Goldman Sachs Global Investment Research

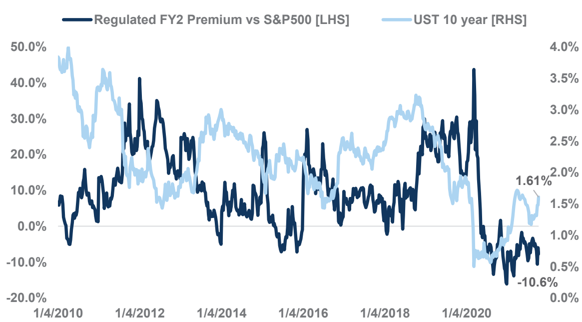
Exhibit 20: ...this relationship has not been as profound...
FY2 premium for utilities vs S&P 500 in various UST 10 year environments, past 3 years



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 21: ...with utilities trading at a discount in a covid impacted low rate environment.

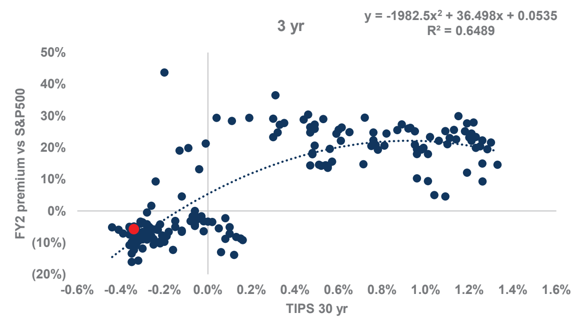
FY2 Premium Regulated Utilities vs S&P 500 (LHS); UST 10 year inverted (RHS)



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 22: However, over the 3 year horizon, real rates have had a better explanatory power...

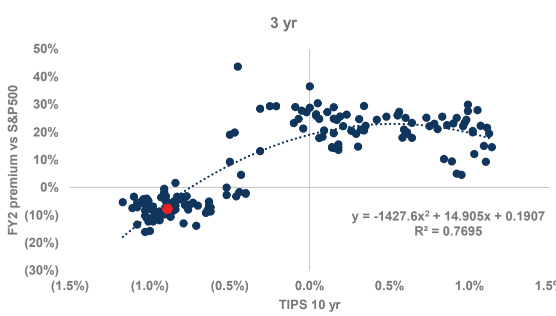
FY2 premium for utilities vs S&P 500 in various TIPS 30 yr environments, past 3 years



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 23: ... for Utilities' relative premium/(discount) vs S&P500

FY2 premium for utilities vs S&P 500 in various TIPS 10 yr environments, past 3 years



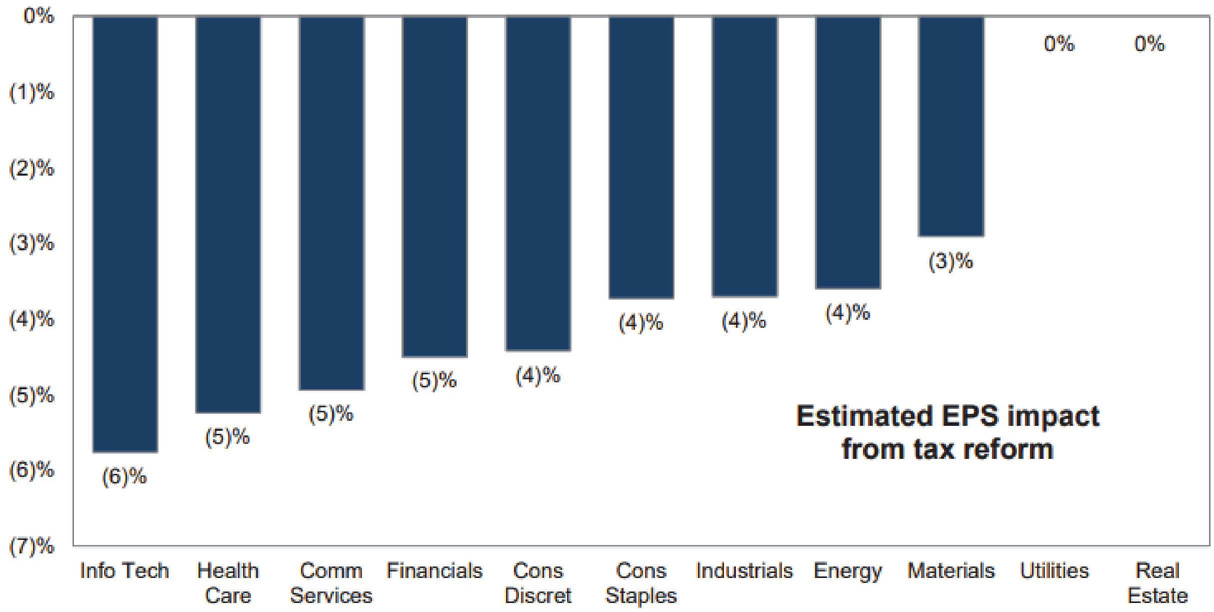
Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 24: We view 13% YTD underperformance relative to the S&P 500 as an attractive entry point to capture our forecast of ~15% total return potential.

Price indexed to 100

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 25: Utilities screen as a relative beneficiary in the case of tax reform.
Estimated impact of tax reform on 2022 sector EPS



https://publishing.gs.com/content/research/en/reports/2021/09/20/caa554bd-4294-46e9-8e74-bb0a1d0736ec.pdf?utm_medium=pa

Source: Goldman Sachs Global Investment Research

Ratings re-stack - we make three ratings changes, upgrading XEL/NI, downgrading SRE

NI: Robust growth through generation de-carbonization under-appreciated; upgrade to Buy

We upgrade regulated utility NiSource (NI) to Buy from Neutral, as we view the current 8% P/E discount to Regulated Utilities as under-appreciating the company's robust rate base and EPS growth visibility driven by generation fleet de-carbonization. Combined with NI's secured forward equity financing early in the year that removed equity risk through 2024, we view NI as a more de-risked story with multiple expansion potential at current valuations, with the stock's recent under-performance offering an attractive entry point. Our increased $29, 12-month price target implies 22% total return versus 13% for regulated peers.

Reduced financing and regulatory risk paves a path for robust EPS growth through 2024. In our downgrade of NI earlier this year, we cited rate case risk in PA and elevated equity needs as the main reasons for our more tempered view of the stock. Since then, the PA utility constructively concluded the process, while recently reaching a settlement agreement in the following rate case, which makes us more constructive on the state's regulatory environment for the utility. In addition, NI also secured its equity financing needs via an equity units offering - consisting of a forward equity component and a mandatory convertible preferred stock - that meaningfully de-risked the story, in our view. While several rate cases outstanding - including the first OH gas rate case in over 10 years - require monitoring, we believe NI's more stable operational profile, and above-average (versus peers) EPS growth through 2024 driven by generation fleet de-carbonization, warrant a modest premium valuation versus regulated utility peers.

Longer-term capital upside from Indiana generation plan. We believe opportunities exist at NI's Indiana electric utility NIPSCO to further accelerate its remaining coal plant retirement, supporting potential utility capital upside. Based on slides from the September Integrated Resource Plan (IRP) advisory meeting, we note NI's Indiana electric utility - NIPSCO - estimates retirement of its 469MW Michigan City coal plant (the last remaining coal plant for NI post-2023) by 2026 (2018 IRP assumed 2028 retirement year) as an economically attractive option. Based on the four preferred scenarios for replacement capacity additions assuming 2026 retirement as per the recent draft, and assuming 50% split between company owned and PPA, we see potential for up to $600mn in incremental capital, or ~4% of 2021E rate base. We note NIPSCO's updated IRP filing deadline is November 15, 2021 and view this as a near-term catalyst that could support robust growth beyond our 2024 modeling period.

What's Changing in Our Estimates?

We update our EPS estimates to $1.33/$1.44/$1.57/$1.66 from $1.33/$1.41/$1.54/$1.64, reflecting a 7.8% CAGR 2021-2024 which screens near the mid-point of NI's 7-9% EPS CAGR guidance for the period; our 2022-2023 estimates are 2% above FactSet consensus. Primary drivers of the revisions include the PA gas rate case (D-R-2021-3024296) settlement agreement terms, as well as modest updates to operating and financing assumptions. We highlight multiple items to monitor in the months ahead, including (1) gas rate cases in OH, KY, MD, (2) 2021 NIPSCO Integrated Resource Plan (IRP) filing, and (3) construction progress on Indiana Crossroads wind project.

Valuation and Risks

Our 12-month price target of $29 (from $27prior) embeds an 18x P/E on the gas segment 2023 EPS estimate, in line with our baseline multiple, while applying a 19x P/E on the electric segment 2023E EPS, a 1x premium to our baseline multiple to reflect the segment's above-average (versus peers) growth through 2024E. NI currently trades at 15.9x on 2023E EPS vs smid-cap regulated peers trading at an average 17.8x, and at an 8% discount to all regulated peers vs 4% average premium over trailing 5-year trading history. The implied 22% total return potential also screens higher than our 13% average total return for Regulated Utilities. We upgrade to Buy from Neutral as we are now incrementally positive after recent underperformance.

Key downside risks include 1) regulatory approval process for the planned renewable investments in Indiana, 2) cash impact due to COVID-19, 3) unfavorable outcome in the outstanding and upcoming rate cases which lowers allowed returns (especially in OH), 4) NI fails to realize rate base additions and instead has more PPA generation, and 5) construction risk at the ongoing projects.

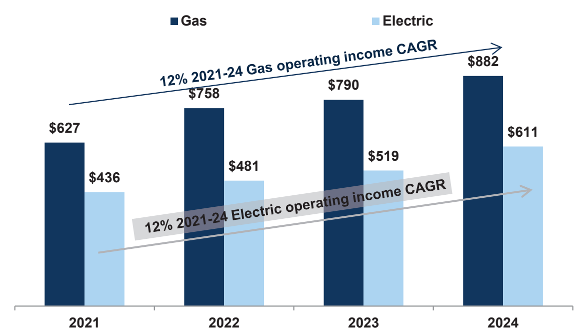
NI in Exhibits

Exhibit 26: We slightly revise our 2022-2024 EPS estimates, reflecting a 7.8% EPS CAGR from 2021-2024
New Vs Old Vs Consensus

	EPS Estimates			% Difference	
	GS-New	GS-Old	Cons.	vs. Old	vs. Cons.
2021E	$1.33	$1.33	$1.35	(0%)	(1%)
2022E	$1.44	$1.41	$1.42	2%	2%
2023E	$1.57	$1.54	$1.53	2%	2%
2024E	$1.66	$1.64	$1.69	1%	(2%)
CAGR	7.8%	7.3%	8.0%	0%	(0%)

Source: Goldman Sachs Global Investment Research, FactSet

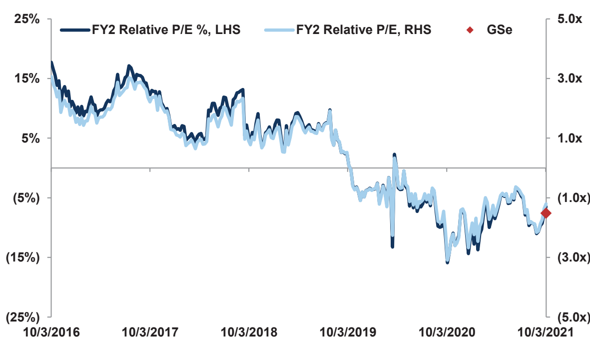
Exhibit 27: We forecast strong operating income growth at the regulated gas and electric segments...
Operating Income by Segment ($mn)



*2021 gas decline caused by completed sale of Columbia Gas

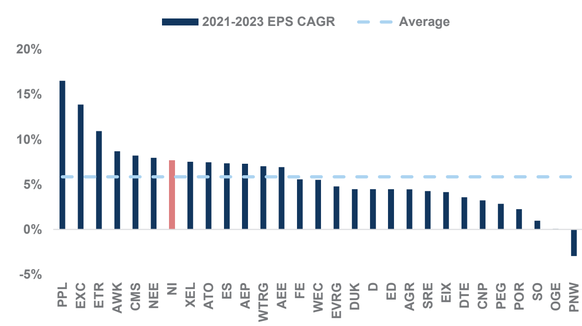
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 28: NI currently trades at an 8% discount to Regulated peers vs 4% average premium over 5 years.
FY2 Relative P/E vs Regulated Utilities



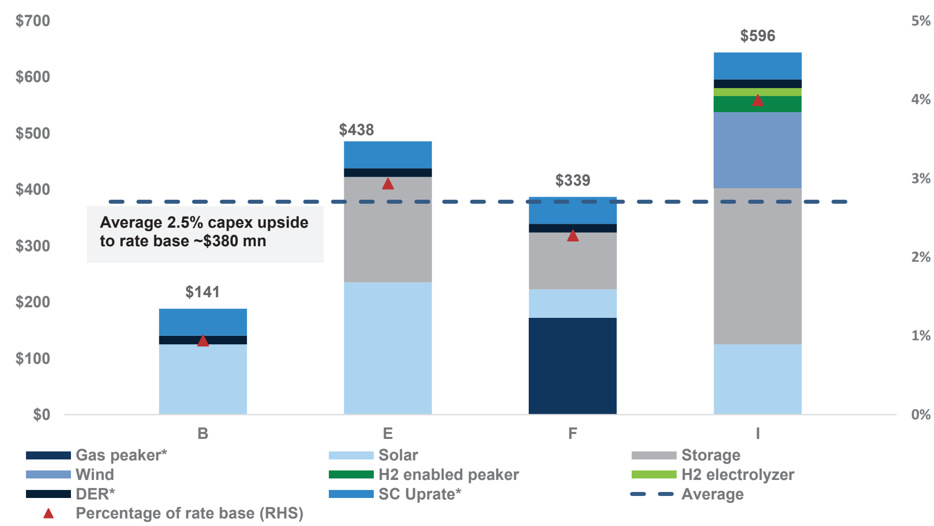
Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 29: NI screens attractive as a value pick with an above-average 8% 2021-2023E EPS CAGR
Estimated 2021-2023 EPS CAGR across our coverage



Source: Goldman Sachs Global Investment Research

Exhibit 30: We see potential for further capital upside beyond 2024 that could add up to 4% of current rate base
Capital investments under preferred scenarios highlighted in NIPSCO's pre-IRP filings, $ millions



*Assuming equal split between utility-owned/PPA for capacity investments except for Gas Peaker, Sugar Creek Uprate & Distributed Energy Resources (DER) wherein 100% of investments are assumed to be utility-owned. Calculation of % of rate base utilizes 2021E rate base figures.

Source: Goldman Sachs Global Investment Research

SRE: Downgrading from Buy to Neutral on lower estimates, new sum of the parts, and few catalysts

We downgrade Sempra Energy (SRE) from Buy to Neutral given (1) our lower estimates, as we update for the closed Sempra Infrastructure Partners transaction and incorporate the $1.45bn in Aliso Canyon costs (pretax charge net of insurance proceeds), (2) a revised sum of the parts and (3) see few positive catalysts ahead to move the shares. Our forecasts are now slightly below consensus — and we see limited new news-flow from the company that could drive a multiple re-rating higher. SRE has historically traded at a discount to peers on P/E multiples and we expect that to continue as the shrink-to-grow story has largely played out in our view. We recognize SRE will utilize the $3.37bn in cash proceeds from the 20% sell down of its Sempra Infrastructure Partners (SIP - its LNG and Mexico segments) business to enhance the balance sheet and support regulated growth capital spend in Texas and California — but also that the $1.45bn settlement for Aliso Canyon costs will likely require use of cash as well. We update our sum of the parts based target price — to incorporate revised estimates, to roll forward to 2023 as a valuation year for the regulated businesses, and given slightly revised target multiples on SRE's segments - our new $141, 12-month target price implies 17% total return versus 14% on average for our coverage group. Since being added to the Americas Buy List on 10/11/2017 SRE is up 7% versus the XLU 18% and S&P500 71%. We attribute share underperformance to negative sentiment on names with gas exposure and California exposure, and more recently due to costs associated with the Aliso Canyon litigation settlement.

What's changed in our view and estimates

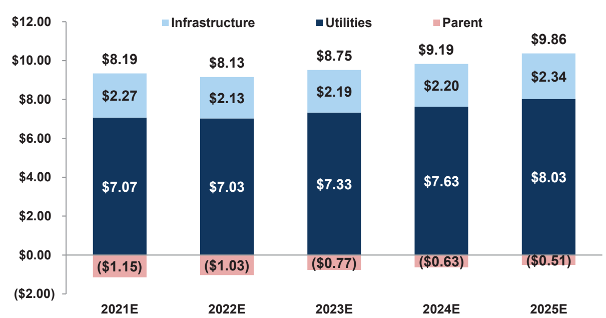
We lower our EPS estimates by 1%-4% in 2021-2025 to reflect the recent 20% stake sale in SIP and the finalized charge from the 2015 Aliso Canyon gas leak. Our consolidated EPS estimates for 2021-2025 move from $8.26/$8.49/$8.98/$9.42/$10.11 to $8.19/$8.13/$8.75/$9.19/$9.86 — we are now below consensus for 2022-2024. We assume SRE uses the $3.75bn of cash proceeds from the partial SIP sale to pay down holding company debt and fund the Aliso Canyon related litigation costs - $1.45bn. We also make multiple other modest revisions - including revised tax rates, O&M adjustments and other minor changes. We now, on our new forecasts, no longer see material above-average EPS growth ahead for SRE - forecasting 4% CAGR from 2021-2024 (compared to peer average 6%-8%).

Exhibit 31: We revise our estimates and are below consensus in forward years
EPS new vs old vs consensus

	EPS Estimates			Difference	
	GS	GS- Old	Cons	vs Old	vs Cons
2021E	$8.19	$8.26	$8.18	(1%)	0%
2022E	$8.13	$8.49	$8.44	(4%)	(4%)
2023E	$8.75	$8.98	$8.94	(3%)	(2%)
2024E	$9.19	$9.42	$9.29	(2%)	(1%)
2025E	$9.86	$10.11	$9.77	(3%)	1%

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 32: Our updated forecasts reflect lower EPS at infrastructure following the SIP stake sale and reduced parent drag from debt paydown.
EPS by segment



Source: Company data, Goldman Sachs Global Investment Research

Total return less compelling, shrink to grow completed for now

On P/E multiples, SRE trades at a discount - but may warrant this given its different mix of businesses, especially compared to regulated peers. In our sum of the parts, we apply different multiples to SRE's different businesses. We update for our utility baseline multiple of 18x (19x prior) and utilize a slight discount on the California utilities SRE owns (17x vs 18x prior), to reflect wildfire related risks for SDG&E (albeit a higher multiple than what we apply to PCG and EIX given fewer wildfire incidents in SDG&E's territory) and given slowing growth at SoCalGas. On SRE's Oncor business in Texas, we utilize a group average multiple (inline with prior) and for SRE's Mexico business, part of the new SIP segment, we apply a 13x multiple based on the 5-year trading history of that segment when this existed as a standalone entity separate from SRE (17.5x prior). For the LNG business, we apply an 11.5x EV/EBITDA multiple in our sum of the parts and give modest credit for the potential growth opportunities - we note we do not forecast major new projects at this segment occurring in the next 3-5 years, only the small 2.5mtpa expansion of the Costa Azul export facility.

Key risks

What could make us more positive on SRE? Any reduction in wildfire related risk could drive implied multiples on SRE's utilities there - as well for the other California utilities - much higher given an otherwise positive regulatory framework. However, this remains hard to predict and while the 2019 legislation helps materially reduce LT risks, clarity on implementation may take many years to play out. Further growth in the LNG business remains a possible driver of higher earnings and growth - large scale expansions at the existing Cameron or Costa Azul sites - but we view SRE as lagging other LNG developers (like Buy rated (on CL) Cheniere Energy (LNG)) in announcing contracts needed to finance a new project. Texas related rate base growth would need to prove far more material than the current expected 8%, following the revised 5-year capital spending plan on the 2Q2021 earnings call, to drive material multiple escalation or EPS upside in the next few years. Valuation re-rating could present upside to our target price - we note sensitivities to our target multiples in the sum of the parts with (all else equal):

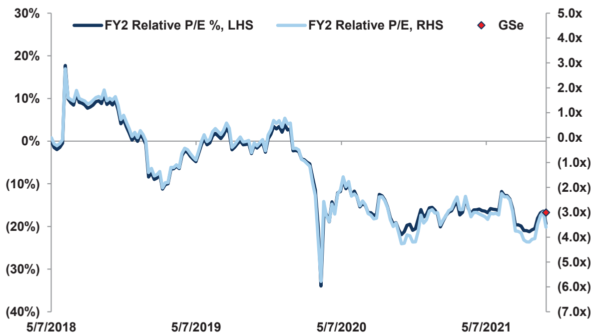
- **Every 1x P/E multiple change on the SDG&E and SoCalGas businesses** would each impact valuation by $2.67/sh and $2.55/sh, respectively
- ...**and a 1x P/E multiple change on Oncor would prove worth $2.11/sh,** while a 1x change on the smaller Mexico businesses would only revise our sum of the parts by $1.10/sh
- **Revisions to our target EV multiple on Sempra LNG would drive decent sized changes to our sum of the parts** - we estimate every 0.5x change to the 11.5x EV/EBITDA multiple used would drive $1.14/sh in upside to our target price

Downside risks for SRE include wildfire related exposure, utility regulation, project execution, litigation risk and financing, while upside potential includes potential sell-downs at similar multiples for its SIP (LNG/Mexico) business, higher rate base growth or higher than expected cost management.

Few catalysts appear ahead for SRE

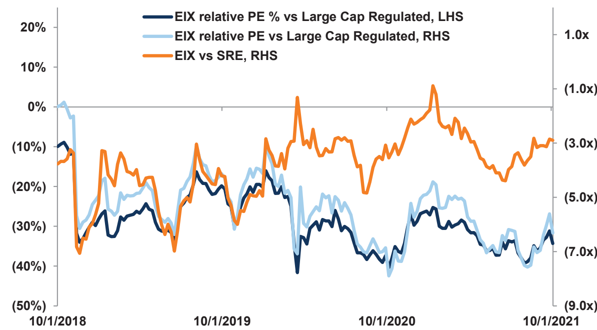
We believe the shrink to grow story is largely done here — at least in the near term - and expect limited news-flow ahead that would drive a multiple re-rating higher. Since 2018, SRE engaged in a number of acquisitions and divestitures in order to reposition the business - with (1) the sale of its US Renewables business, (2) divestiture of the Chile and Peru businesses and recently (3) the 20% stake sale in SIP to a private equity/infrastructure fund, (4) the purchase of the utility business in Texas and (5) the acquisition of most of the portion of its Mexico business - the portion that SRE did not already own. We view further sell downs of its SIP business - at multiples that the market would consider attractive could serve as a positive catalyst, but that the previously announced and completed 20% sell down did not materially move SRE's shares on a relative basis.

Exhibit 33: Sempra has historically traded at a discount to regulated peers, and our view a lack of catalysts will close the gap
SRE vs regulated FY2 P/E



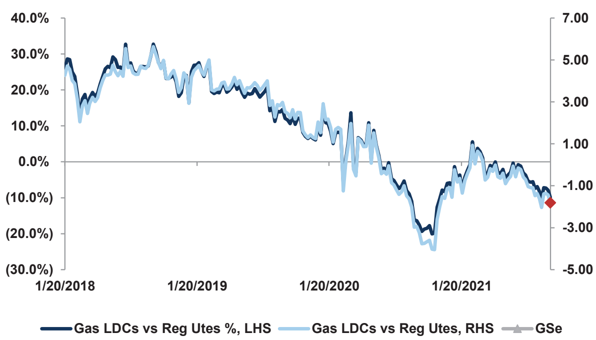
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 34: California utilities like peer EIX trade at a discount to regulated utilties in other jurisdictions
EIX vs large cap regulated peers and SRE



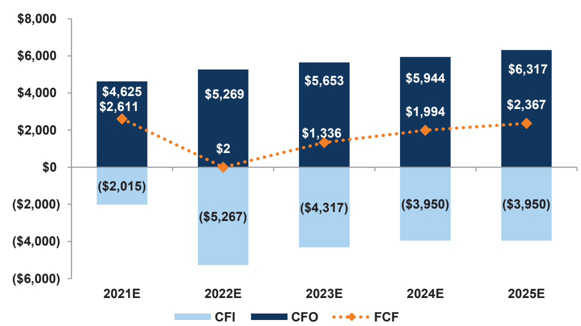
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 35: GAS LDCs, similar to SRE's SoCalGas segment, have traded recently traded at a slight discount to electric utilities
GAS LDCs vs Electric utes



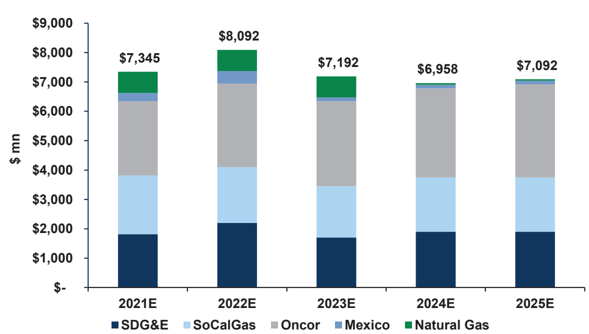
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 36: We expect FCF to gradually improve in forward years
CFO, CFI, FCF by year ($mn)



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 37: The US regulated utilities continue to make up the vast majority of the capital spending plan
Capex by segment ($mn)



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 38: SRE simplified and streamlined the portfolio through multiple transactions in recent years
Recent M&A

Recent M&A activity			
Segment acquired/sold	**Date**	**Price**	**Transaction**
Oncor	March 2018	$9.45bn	Acquired regulated Texas utility Oncor Electric Delivery Company LLC
US Renewables	April 2019	$2.5bn	Sold renewables generation and non-utility natural gas storage assets
InfraREIT	May 2019	$1.275bn	Acquired InfraREIT and merged it with Oncor as a subsidiary
Peru Utilities	April 2020	$3.59bn	Sold Tecsur and Inland Energy S.A.C.
Chile Utilities	June 2020	$2.23bn	Sold Chilquinta Energía S.A.
IEnova tender offer	May 2021		Tender offer for IEnova shares not already owned
SIP stake sale	Oct 2021	$3.37bn	Sold a 20% stake in SIP to KKR

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 39: Our updated SOTP results in a $141 price target
SOTP

Sempra Fundamental Sum-of-the-Parts								
Segment	**2022 EPS**	**2022 EBITDA**	**P/E**	**EV**	**Net debt**	**Present value factor**	**Shares (mn)**	**Equity value/sh**
SDG&E	$2.67		17.0x					$45
SoCalGas	$2.55		17.0x					$43
Oncor	$2.11		18.0x					$38
Mexico	$1.10		13.0x					$14
Utilities								**$140**
Midstream/LNG		$739		$8,498	($4,854)	1.00	324	$11
US LNG Expansion	**2030 run-rate -->**	$1,664	**5% probability**	$19,136	($5,858)	1.96	324	$1
ECA Phase One	**2025 run-rate -->**	$148	**100% probability**	$1,700	($971)	1.30	324	$2
ECA Phase Two	**2030 run-rate -->**	$677	**5% probability**	$7,790	($4,450)	1.96	324	$0
LNG								**$14**
HoldCo	($0.77)		17.0x					($13)
SRE total								**$141**

Exhibit 40: SRE continues to trade at a discount to peers, however we do not see a clear path for multiple re-rating near term
Comp sheet

Diversified Utilities Comparable Analysis														
			Close	12-Mo	Tot Ret	EPS			P/E			Dividend	Dividend
	Ticker	Rating	10/08/21	Px. Tgt	to Target	2021E	2022E	2023E	2021E	2022E	2023E	Yield	CAGR 2020A-23E
Diversified Utilities													
Avangrid, Inc.	AGR	Sell	$50.82	$45	(8%)	$2.22	$2.34	$2.40	22.9x	21.7x	21.2x	3.3%	0.0%
CenterPoint Energy	CNP	Buy	$25.54	$30	20%	$1.53	$1.52	$1.63	16.7x	16.8x	15.7x	2.5%	0.3%
Dominion Energy	D	Neutral	$72.70	$76	8%	$3.96	$4.16	$4.31	18.4x	17.5x	16.9x	3.5%	-8.4%
Exelon	EXC	Buy	$48.35	$61	29%	$2.75	$3.13	$3.58	17.6x	15.4x	13.5x	3.2%	3.3%
NextEra Energy	NEE	Neutral	$80.21	$87	10%	$2.57	$2.86	$3.00	31.2x	28.1x	26.8x	1.9%	10.0%
OGE Energy Corp	OGE	Neutral	$33.06	$35	11%	$2.28	$2.20	$2.28	14.5x	15.0x	14.5x	5.0%	3.9%
Public Service Enterprise Group	PEG	Buy	$59.89	$71	22%	$3.59	$3.90	$3.81	16.7x	15.4x	15.7x	3.4%	5.1%
Sempra Energy	SRE	Neutral	$124.62	$141	17%	$8.19	$8.13	$8.75	15.2x	15.3x	14.2x	3.5%	7.7%
Diversified Utilities Mean					**14%**				**19.1x**	**18.1x**	**17.3x**	**3.3%**	**2.7%**
Diversified Utilities Median					**14%**				**17.1x**	**16.1x**	**15.7x**	**3.4%**	**3.6%**
Large-Cap Regulated Utilities Mean					**14%**				**18.0x**	**16.9x**	**16.0x**	**3.4%**	**2.8%**
Large-Cap Regulated Utilities Mean (ex. PCG, EIX, FE)					**8%**				**19.5x**	**18.3x**	**17.4x**	**3.5%**	**2.8%**
Large-Cap Regulated Utilities Median					**14%**				**18.4x**	**17.5x**	**16.6x**	**3.5%**	**4.6%**

Source: Company data, Goldman Sachs Global Investment Research

XEL: Uri cost recovery concerns overdone, underperformance an opportunity to capture premium growth with upside; Upgrade to Buy

We upgrade large-cap regulated utility Xcel Energy Inc. (XEL) to Buy from Neutral, as we view recent underperformance as presenting an attractive opportunity to gain exposure to an above-average EPS/DPS growth story driven by generation fleet transformation, with further upside potential from significant purchase power agreement (PPA) expiration through 2025 — through buyouts or favorable re-contracting

— as well as incremental renewable generation opportunities. We view recent investor concerns around winter storm Uri cost recovery as overdone and view the company's earnings power and healthy balance sheet as intact. XEL currently trades at an 7% P/E premium to regulated peers, lower than its 3-year historical average of 13%, which we view as insufficient for this premium growth company with a track record of consistent execution, and view a higher premium going forward as justified given visible growth upside.

We view investor concerns around winter storm Uri cost recovery as overdone... In 1Q2021, XEL incurred ~$985mn of incremental fuel costs during the winter storm — $105mn of which has been approved for recovery thus far. Recovery of $831mn, split across Minnesota ($215mn), Colorado ($554mn) and Texas ($62mn) remains in progress, with decisions for Minnesota and Colorado expected in 2022, while Texas recovery will be subject to review during the utility's upcoming fuel reconciliation case. Based on intervenor testimony, we note recommended dis-allowances in the range of $21mn-$34mn for MN (Department of Commerce, Office of Attorney General) and $3mn-$131mn for CO (CPUC Staff, Colorado Office of the Utility Consumer Advocate, Colorado Energy Office). Even if the state commissions adopt the maximum recommended dis-allowances, we forecast XEL's FFO/debt metrics improving to 17% by 2023, up from ~16.5% in 2022. In addition, from our conversation with the company, we note XEL's EPS and growth guidance already embeds the carrying costs associated with financing the storm-related costs, which should therefore not impact XEL's ability to grow at the upper end of its 5-7% EPS CAGR guidance.

...and forecast robust 7.1% earnings growth, with potential for further upside through renewable additions. Our EPS estimates imply above-average growth vs peers for XEL while embedding a ~40-50bps lag versus authorized ROEs of 9.4% on a weighted-average basis. We do incorporate some incremental capital of about $785mn for the Allete Wind PPA buyout (approved) and Sherco Solar (decision expected in 4Q2021/1Q2022); we note incremental capital of ~$700mn (not included in our estimates) from CO transmission expansion could support further EPS upside. Our EPS estimates screen above consensus in 2022+, likely due to our assumption of higher renewable capex vs guidance. We also believe the MN and CO integrated resource plan (IRP) decisions — expected by 1Q2022 — could offer up to $8.5bn in incremental capital opportunities, with CO spending primarily 2025+.

We also see additional rate base/EPS growth opportunities through 2025 from PPA expirations. In the next 10 years, around 40% of XEL's 10.6 GW PPAs are set to expire, with 15% (or 1.6 GW) expected through 2025. We believe potential PPA buyouts and/or re-contracting could serve as another driver to help sustain robust growth while limiting customer rate increases. Our hypothetical analysis for 1.6 GW expirations highlights (1) 2-6% additional rate base/EPS potential through 2025, assuming XEL successfully buys out the existing PPA assets after contract expiration (we note ~219 MW buyouts are closed/approved), and (2) up to 1% bill headroom or 1-4% additional EPS potential through 2025, assuming XEL re-contracts expiring PPAs with existing counterparties but at current market rates.

What's Changing in our Estimates?

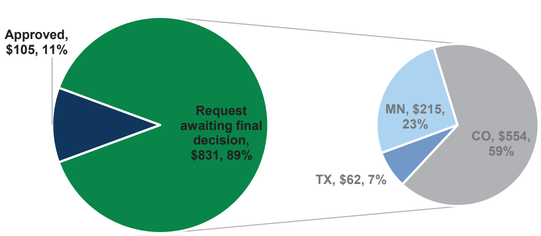
We update our 2021-2024 EPS estimates to $2.93/$3.20/$3.47/$3.67 from $2.97/$3.18/$3.43/$3.63 prior, reflecting a 7.1% EPS CAGR from 2020A-2024E, at the upper end of XEL's 5-7% growth guidance. Primary drivers of the revisions include increases to our regulated capital/rate base estimates as well as modest revisions to various rate case and operating expense assumptions. We believe management's conservative guidance strategy, coupled with the visible upside to regulated investments highlighted above, support this above-average EPS growth, which is currently not reflected in valuations.

Valuations and Risks

Our 12-month price target of $76 (from $73 prior) implies 23% total return potential, including a 3.1% dividend yield, and is based on a 4.0x premium to our 18.0x industry baseline multiple on our 2023E EPS — reflecting the company's premium growth prospects and decarbonization focus with an intent to be coal free by 2040. XEL currently trades at around a 7% premium to regulated peers, which we view as insufficient for this premium regulated utility. **We upgrade to Buy from Neutral.**

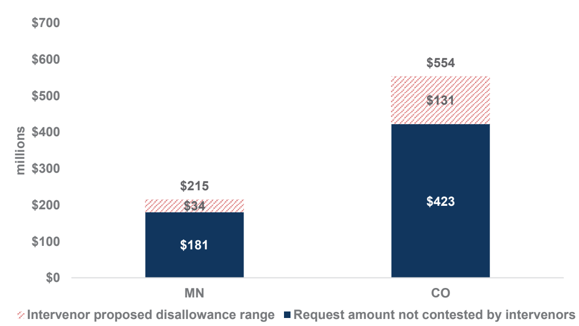
Key downside risks include: 1) Negative rate case outcomes impact the utilities' earnings power, 2) XEL realizes less generation into rate base vs. PPA, impacting rate base growth and 3) PPA buyouts do not materialize, stemming incremental rate base growth opportunities.

Exhibit 41: Of the total $985m company cost assessment for Uri, $105m has been approved for recovery while $831m remains in progress, with decisions for MN and CO expected in 2022 and TX recovery subject to review during SPS' upcoming fuel reconciliation case.
Uri storm cost, $ millions



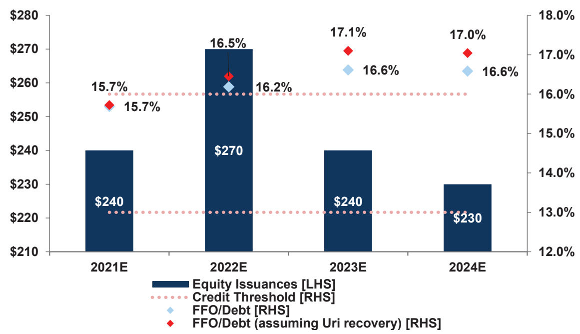
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 42: Based on intervenor testimony, we note recommended disallowances in the range of $21m-$34m for MN and $3m-$131m for CO.



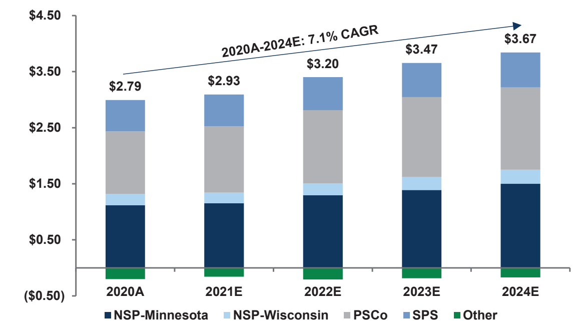
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 43: Even if the state commissions adopt the maximum recommended dis-allowances, we forecast XEL's FFO/debt metrics improving to 17% by 2023, up from ~16.5% in 2022.



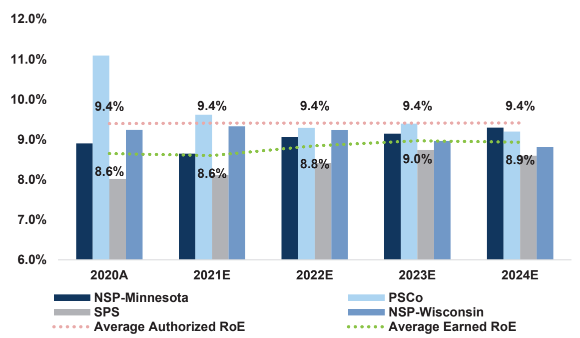
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 44: We forecast robust 7.1% earnings growth...
EPS by segment by year



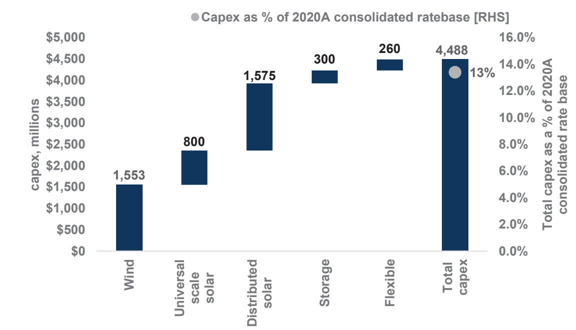
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 45: ...while embedding a ~40-50bps lag versus authorized ROEs of 9.4% on a weighted-average basis.



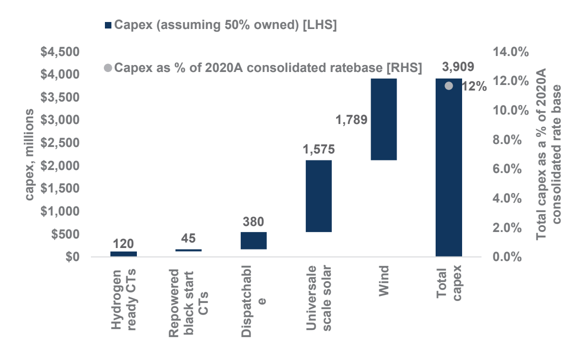
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 46: Our analysis suggests an incremental ~$4.5bn in capex based on the CO resource plan proposal...
Colorado Resource Plan Proposal, Potential Capex 2025+



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 47: ...and ~$4bn from the MN alternative resource plan.
Alternative Minnesota Resource Plan Proposal



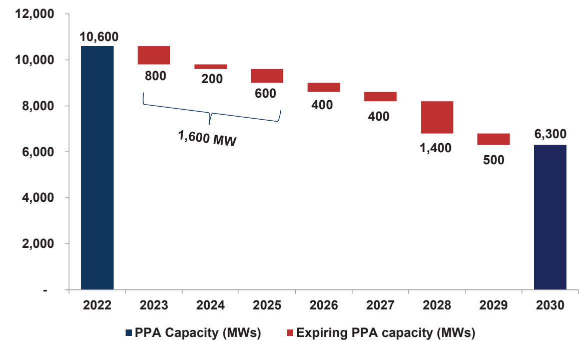
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 48: Our estimates screen above consensus in 2022+
EPS New vs Old vs Consensus

	EPS			% difference	
	New	Old	Cons.	Vs Old	Vs Cons.
2021E	$2.93	$2.97	$2.98	-1%	-2%
2022E	$3.20	$3.18	$3.17	1%	1%
2023E	$3.47	$3.43	$3.37	1%	3%
2024E	$3.67	$3.63	$3.59	1%	2%

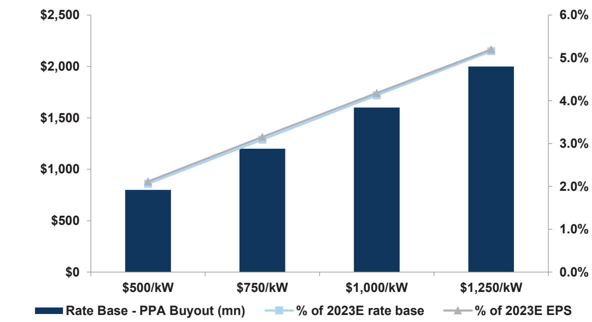
Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 49: Based on 1.6 GW of PPA expirations expected through 2025...



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 50: ...our hypothetical analysis highlights 2-6% additional rate base/EPS potential through 2025 from buyouts...
Potential rate base ($mn)/EPS % uplift (relative to 2022E) from PPA buyouts after 2023-2025 contract expiration



EPS uplift assumes PPA buyouts financed with 50% new equity

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 51: ...and up to 1% bill headroom or 1-4% additional EPS potential through 2025 from re-contracting.
Implied revenue/rate base headroom from re-contracting expiring PPAs at market rates

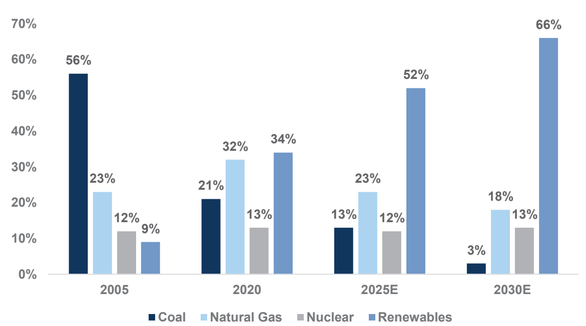
Expiring PPAs (MW) - '23-'25	Assumed PPA Px (per MWh)	PPA Cost (mn)	Market Px (NSP Hub)*	New PPA Cost (mn)	Revenue Headroom (mn)	% of 2023E Revenues	Incr. Rate Base Headroom (mn)	Incr. EPS	% of 2023E EPS
1,600.0	$50	$315.4	$28.50	$179.8	$135.6	**1.0%**	$1,355.2	$0.13	**3.6%**
	$45	$283.8	$28.50	$179.8	$104.1	**0.7%**	$1,040.0	$0.10	**2.8%**
	$40	$252.3	$28.50	$179.8	$72.5	**0.5%**	$724.9	$0.07	**1.9%**
	$35	$220.8	$28.50	$179.8	$41.0	**0.3%**	$409.7	$0.04	**1.1%**

Assumptions (GS 2023E)	
9.41%	Authorized ROE
54.1%	Equity Ratio
10%	Tax Rate
4.0%	Kd
7.5%	Pre-tax WACC
2.50%	D&A Rate

*Market price represents the average forward around-the-clock (ATC) price for the MISO power hub from 2023-2025. Allete 120MW approved buyout, Mower 99MW closed buyout.

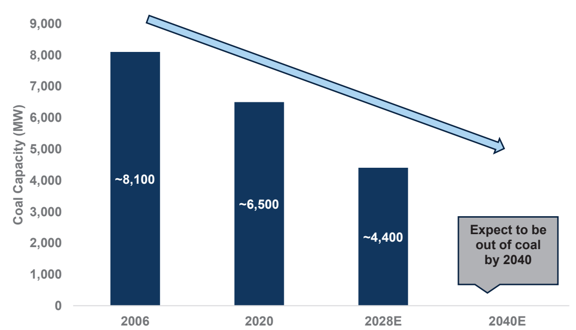
Source: S&P Global Market Intelligence, Company data, Goldman Sachs Global Investment Research

Exhibit 52: Our 4.0x valuation premium to 18.0x industry baseline multiple reflects the company's growth prospects and decarbonization focus...
Energy Mix



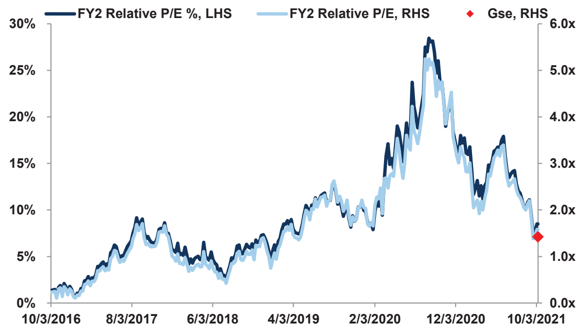
Source: Company data

Exhibit 53: ...with an intent to be coal free by 2040.



Source: Company data

Exhibit 54: XEL is currently trading at an 8% premium to regulated peers, lower than its 5-year historical average.
Relative to regulated peers



Source: FactSet, Goldman Sachs Global Investment Research

Assumptions used in PPA analysis:

1. Buyouts:
   - $500/kW-$1,250/kW purchase price accounting for some depreciation from GS-estimated new-build wind/gas construction economics of ~$1,500/KW and ~ $900/kW, respectively, as well as a ~$1,000/kW purchase price estimated from our conversations with the company;
   - inclusion into rate base at GSe weighted-average ROE/equity ratio of 9.41%/54.1%;
   - buyouts financed with 50% new equity, based on management's commentary on plans to finance incremental capex for approved buyout of Allete PPA.
2. Recontracting at market prices:
   - $35-$50/MWh cost of energy for expiring PPAs (based on XEL's disclosures stating bulk of wind PPAs embed above-$40/MWh cost of energy);
   - re-contracting/market purchases at market forward power prices (2023-2025) in MISO;
   - rate base headroom utilizing revenue headroom grossed up by GSe weighted average pre-tax WACC and 2.5% D&A rate.

Estimate and price target changes

Exhibit 55: We update estimates for a few other utilities in our coverage
EPS New vs Old & Drivers

Ticker	EPS 2021			2022			2023			2024			2025			Drivers
	New	Old	vs Old	New	Old	vs Old	New	Old	vs Old	New	Old	vs Old	New	Old	vs Old	
PEG	$3.59	$3.59	0%	$3.90	$3.88	0%	$3.81	$3.80	0%	$3.61	$3.59	0%			--	solar portfolio sale
DUK	$5.25	$5.27	0%	$5.48	$5.48	0%	$5.72	$5.76	-1%			--			--	DEI-GIC transaction
ETR	$5.41	$5.66	-4%	$6.31	$6.57	-4%	$7.01	$6.96	1%	$7.24	$7.17	1%			--	Ida storm cost impact
CMS	$2.64	$2.65	0%	$2.87	$2.88	0%	$3.12	$3.10	0%	$3.37	$3.33	1%	$3.66	$3.58	2%	EnerBank sale close
AGR	$2.22	$2.19	1%	$2.34	$2.33	0%	$2.40	$2.39	0%	$2.51	$2.50	0%			--	financing assumptions
EIX	$4.59	$4.63	-1%	$4.72	$4.64	2%	$5.07	$5.02	1%	$5.41	$5.33	2%			--	updated capex, parent costs
EXC	$2.75	$2.75	0%	$3.13	$3.17	-1%	$3.58	$3.56	0%			--			--	updated hedging price
ES	$3.80	$3.80	0%	$4.07	$4.09	0%	$4.35	$4.37	0%	$4.67	$4.69	0%			--	update for 10Q
WTRG	$1.68	$1.68	0%	$1.80	$1.80	0%	$1.92	$1.92	0%	$2.06	$2.06	0%			--	financing assumptions
PCG	$1.02	$1.02	0%	$1.14	$1.13	0%	$1.26	$1.26	1%	$1.36	$1.34	1%	$1.44	$1.42	1%	updated share price
PNW	$4.97	$5.00	-1%	$4.37	$4.55	-4%	$4.52	$4.71	-4%	$4.79	$4.98	-4%			--	lower RoE, higher equity
ATO	$5.09	$5.09	0%	$5.48	$5.49	0%	$5.85	$5.88	-1%	$6.27	$6.33	-1%			--	updated share price
AEP	$4.52	$4.52	0%	$4.77	$4.78	0%	$5.19	$5.20	0%			--			--	updated share price
AWK	$4.24	$4.24	0%	$4.60	$4.60	0%	$5.01	$5.01	0%	$5.44	$5.44	0%			--	updated share price
ED	$4.21	$4.21	0%	$4.49	$4.49	0%	$4.59	$4.60	0%	$4.80	$4.81	0%			--	updated share price
D	$3.96	$3.96	0%	$4.16	$4.17	0%	$4.31	$4.32	0%	$4.62	$4.63	0%			--	updated share price
DTE	$5.82	$5.81	0%	$5.95	$5.94	0%	$6.24	$6.23	0%	$6.67	$6.65	0%			--	updated share price
FE	$2.60	$2.60	0%	$2.70	$2.70	0%	$2.88	$2.89	0%			--			--	updated share price
NEE	$2.57	$2.57	0%	$2.86	$2.86	0%	$3.00	$3.00	0%	$3.26	$3.26	0%	$3.52	$3.52	0%	updated share price

Source: Goldman Sachs Global Investment Research

Exhibit 56: Price Target, Methodology, Key risks
Diversified Utilities

Price Target Methodologies and Key Risks

Ticker	Price Target Methodology	Rating	Price Target (New)	Price Target (Old)	10/11/2021	Dividend Yield	Total Return (%)	Key Risks
Diversified Utilities								
AGR	SOTP 18x P/E on Regulated Utilities & Corporate & Other 2023 EPS, 10x EV/EBITDA on Renewables 2023 EBITDA	Sell	$45	$45	$52	3.4%	-10%	1) approvals to defer all COVID-19 related costs, 2) incremental O&M savings, and 3) NECEC and offshore wind projects proceed per schedule and budget.
CNP	SOTP 19x P/E on Regulated Utilities & Parent 2023 EPS, 20% tax/liquidity discount on CNP's stake of ENBL market value	Buy	$30	$30	$26	2.7%	20%	1) customer/demand growth slows in Houston and in other regulated jurisdictions, 2) Indiana electric fails to secure utility-owned generation opportunities, and 3) execution risks with portfolio simplification strategy.
D	SOTP 18.5x P/E on Regulated Electric 2023 EPS, 18x P/E on Gas LDCs and Corporate 2023 EPS, 12.5x EV/EBITDA on Contracted Assets 2023 EBITDA	Neutral	$76	$76	$72	3.6%	9%	regulation, project execution, demand, and financing.
EXC	SOTP 18x P/E on Regulated Utilities & HoldCo 2023 EPS; 7.5x EV/EBITDA on 2023 Generation EBITDA	Buy	$61	$57	$48	3.4%	32%	downside: utility regulation, power prices, cost management and nuclear subsidies.
NEE	SOTP 23x P/E on FP&L, Gulf & Parent 2023 EPS, 18x EV/EBITDA on NEER 2023 EBITDA, NEP LP value derived using NEE's share, NEP GP value derived from 7% Ke, 5% LT growth.	Neutral	$87	$86	$78	2.2%	14%	Florida utility regulation, renewable development, tax credit legislation, and operating cost management levels.
OGE	SOTP 16x on Regulated Utility 2023 EPS, 20% liquidity discount to OGE's stake in current ENBL market value	Neutral	$35	$36	$33	5.2%	12%	upside: 1) higher regulated capital spending, and 2) the company could be a target of a take-out; downside: 1) non-construction decision in the next OK rate case, and 2) utility jurisdictions experience moderating/decreasing customer and demand growth.
PEG	SOTP 20x P/E on Regulated Utility and Enterprise/Other 2023 EPS, 7x EV/EBITDA on Power 2023 Open EBITDA after adjusting for value of hedges	Buy	$71	$73	$59	3.6%	23%	downside: power prices, power demand, maintaining nuclear subsidies, financing, and cost management.
SRE	SOTP 17x P/E on 2023 SDG&E, SoCalGas EPS; 18x P/E on 2023 Oncor EPS, 13x P/E on Mexico 2023 EPS; 11.5x EV/EBITDA on 2023 Sempra Midstream, US LNG, ECA (Phase 1 & 2) EBITDA & 17x P/E on HoldCo EPS	Neutral	$141	$147	$123	3.9%	18%	project development and execution, power demand in Texas, utility regulation and financing.
Diversified Utilities (mean)						**3.5%**	**14.8%**	

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 57: Price Target, Methodology, Key risks

Regulated Large Cap Utilities

Ticker	Price Target Methodology	Rating	Price Target (New)	Price Target (Old)	10/11/2021	Dividend Yield	Total Return (%)	Key Risks
Regulated Utilities (Large-Cap)								
AEP	16x P/E on 2023 EPS	Sell	$83	$81	$83	3.8%	4%	1) Improved rate making mechanisms in a few key states, (2) lower-than-expected O&M, and (3) removal of financing overhangs.
DTE*	22x P/E on 2023 EPS	Buy	$137	$137	$112	3.0%	25%	1) unfavorable regulatory changes, 2) incentive returns & equity layers, 3) unfavorable legislation, & 4) customer demand & usage, & cost management.
DUK	18x P/E on 2023 EPS	Neutral	$103	$104	$100	4.0%	7%	utility regulation, cost management, financing & future rate cases or proceedings in Carolinas/Midwest states DUK serves.
ED	14x P/E on 2023 EPS	Sell	$64	$67	$74	4.3%	-9%	1) NY utility commission authorizes recovery of the bulk of COVID-19 related costs & increased bad debt expense, 2) economic conditions in NYC from COVID-19 improve, & 3) ED's contracted renewable segment sees more robust growth elevating the company's ESG profile.
EIX	15x P/E on 2023 EPS	Buy	$76	$74	$56	5.0%	40%	downside: wildfires in California, financing, and state utility regulation.
ES	20x P/E on 2023 EPS	Neutral	$87	$86	$84	3.0%	6%	utility regulation, construction risks on major projects like offshore wind and financing.
ETR	17x P/E on 2023 EPS	Buy	$119	$118	$103	4.1%	20%	downside: utility regulation, power demand and financing.
EVRG	19x P/E on 2023 EPS	Buy	$72	$73	$62	3.5%	20%	downside: utility regulation, power demand and cost management.
FE	16x P/E on 2023 EPS	Buy	$46	$46	$36	4.4%	33%	various investigations at the federal and state level, power demand, higher than expected costs, and general rate case and regulatory risk.
PCG	50% weight each to (1) 13x P/E on 2023 EPS and, (2) DDM analysis on 40% dividend payout in 2025.	Buy	$15	$14	$10	0.0%	48%	2023 GRC proceeding & general regulatory risk in CA, wildfire related risk, and financing needs through both debt (including securitization) and equity issuance.
SO	14x P/E on 2023 EPS	Sell	$49	$52	$62	4.4%	-16%	upside: regulatory, construction, power demand and equity financing risk.
WEC	20x P/E on 2023 EPS	Sell	$90	$91	$87	3.3%	6%	higher than expected capital spend and rate base growth for 2021+, lower than expected operating costs, and better than expected power/gas demand.
XEL	22x P/E on 2023 EPS	Buy	$76	$73	$62	3.1%	25%	1) Negative rate case outcomes, 2) XEL realizes less generation into rate base vs. PPA, impacting rate base growth & 3) PPA buyouts do not materialize..
Regulated Utilities - Large Cap (mean)						**3.5%**	**16.1%**	
Regulated Utilities - Large & Small Cap (mean)						**3.4%**	**16.9%**	

*Denotes on Americas Conviction List

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 58: Price Target, Methodology, Key risks

Regulated Small-Cap Utilities

Ticker	Price Target Methodology	Rating	Price Target (New)	Price Target (Old)	10/11/2021	Dividend Yield	Total Return (%)	Key Risks
Regulated Utilities (Small-Cap)								
ATO	19x P/E on 2023 EPS	Buy	$111	$110	$89	3.0%	28%	Texas customer/demand growth, higher gas fuel costs, unfavorable regulation, and a negative finding from the June gas incident investigation.
AWK	39x P/E on 2023 EPS	Buy	$191	$189	$169	1.5%	15%	water quality issues, cost management, regulatory environment, growth at non-regulated segments and reduced ESG fund flows.
AEE	21x P/E on 2023 EPS	Neutral	$92	$90	$81	2.9%	16%	upside: 1) accelerated rate base/earnings growth, 2) Illinois passes rate-making legislation, & 3) better-than-expected cost management. downside: 1) unfavorable outcome in MO electric/gas rate case, 2) 30-year TSY yields trend down, and 3) lower free cash flows than forecasted.
CMS	23x P/E on 2023 EPS	Buy	$72	$72	$59	3.1%	24%	1) CMS fails to secure incremental regulated investments into rate base, 2) MI regulatory environment turns negative, & 3) the current IRP plan does not pass as proposed.
NI	18x P/E on Gas 2023 EPS, 19x P/E on Electric 2023 EPS	Buy	$29	$27	$24	3.8%	23%	1) regulatory approval process for the planned renewable investments in Indiana, and 2) cash impact due to COVID-19.
PNW	15x P/E on 2023 EPS	Sell	$68	$73	$68	4.9%	6%	1) PNW receives approval for contemporaneous recovery/return of clean energy investments, 2) a meaningfully constructive outcome in the current rate case, & 3) continued robust customer & demand growth.
POR	18x P/E on 2023 EPS	Neutral	$52	$53	$48	3.8%	13%	upside: 1) better than expected cost management, 2) continued strong demand, & 3) more robust capital plan; downside: 1) non-constructive outcome in the electric rate case, 2) only partial deferral treatment on COVID/winter storm/wildfire costs, & 3) only a modest amount of renewables into rate base at next RFP process, slated for 2022.
WTRG	SOTP 34x P/E on 2023 water EPS, 18x P/E on 2023 gas EPS, 29.04x blended P/E on 2023 Other EPS	Buy	$55	$55	$46	2.4%	21%	1) PA regulation turns less constructive, 2) water system acquisitions do not receive necessary approvals for completion, & 3) longer-term growth concerns about the gas utility segment compresses WTRG's valuation.
Regulated Utilities - Small Cap (mean)						**3.2%**	**18.2%**	
Regulated Utilities - Large & Small Cap (mean)						**3.4%**	**16.9%**	

Source: FactSet, Goldman Sachs Global Investment Research

Disclosure Appendix

Reg AC

We, Michael Lapides, Insoo Kim, CFA, Rebecca Yuan, CFA and Sheryl Tuscano, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

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Goldman Sachs Investment Research global Equity coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
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Price target and rating history chart(s)

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North America Equity Research
31 August 2021

NiSource Inc.

Model Update

We are updating our model to account for 2Q earnings results. Please see changes below.

Overweight

NI, NI US

Price (31 Aug 21): $24.65

▲ **Price Target (Dec-22): $29.00**
Prior (Dec-21): $28.00

North American Utilities

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J.P. Morgan Securities LLC

Key Changes (FYE Dec)

	Prev	Cur
Adj. EPS - 21E ($)	1.35	1.36
Adj. EPS - 22E ($)	1.43	1.42

Quarterly Forecasts (FYE Dec)

Adj. EPS ($)

	2020A	2021E	2022E
Q1	0.76	0.77A	
Q2	0.13	0.13A	
Q3	0.09	0.10	
Q4	0.34	0.39	
FY	1.32	1.36	1.42

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	43	34	41	43	61
Growth	70	29	26	55	35
Momentum	57	63	87	54	19
Quality	77	83	90	74	66
Low Vol	34	35	32	39	100
ESGQ	1	30	18	5	12

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

See page 5 for analyst certification and important disclosures.

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Price Performance

	YTD	1m	3m	12m
Abs	7.4%	-0.5%	-3.3%	11.2%
Rel	-13.2%	-3.5%	-11.1%	-18.1%

Company Data

Shares O/S (mn)	404
52-week range ($)	26.60-21.09
Market cap ($ mn)	9,963.78
Exchange rate	1.00
Free float(%)	99.5%
3M - Avg daily vol (mn)	3.08
3M - Avg daily val ($ mn)	77.8
Volatility (90 Day)	16
Index	S&P 500
BBG BUY|HOLD|SELL	9|3|0

Key Metrics (FYE Dec)

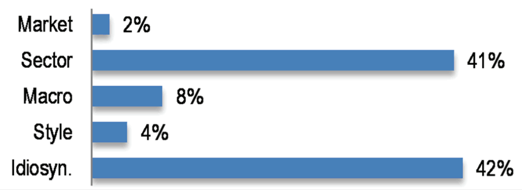
$ in millions	FY20A	FY21E	FY22E	FY23E
Financial Estimates				
Revenue	4,697	4,994	5,510	5,721
Adj. EBITDA	1,826	1,875	2,055	2,252
Adj. EBIT	1,064	1,128	1,272	1,408
Adj. net income	508	571	628	688
Adj. EPS	1.32	1.36	1.42	1.53
BBG EPS	1.31	1.34	1.41	1.53
Cashflow from operations	1,104	1,292	1,508	1,585
FCFF	(351)	(309)	(656)	(1,628)
Margins and Growth				
Revenue growth	(9.4%)	6.3%	10.3%	3.8%
EBITDA margin	38.9%	37.6%	37.3%	39.4%
EBITDA growth	3.8%	2.7%	9.6%	9.6%
EBIT margin	22.6%	22.6%	23.1%	24.6%
Net margin	10.8%	11.4%	11.4%	12.0%
Adj. EPS growth	(0.0%)	2.8%	4.6%	7.6%
Ratios				
Adj. tax rate	18.3%	20.9%	24.3%	23.8%
Interest cover	4.9	5.5	5.6	5.2
Net debt/Equity	1.6	1.4	1.5	1.7
Net debt/EBITDA	5.3	5.2	5.2	5.8
ROCE	5.6%	5.6%	5.6%	5.5%
ROE	8.6%	9.0%	8.9%	9.2%
Valuation				
FCFF yield	(3.7%)	(3.0%)	(6.0%)	(14.7%)
Dividend yield	3.4%	3.6%	3.8%	4.0%
EV/Revenue	3.5	3.4	3.3	3.7
EV/EBITDA	9.1	9.0	8.8	9.4
Adj. P/E	18.7	18.2	17.4	16.1

Summary Investment Thesis and Valuation

With renewables driving ~20% of the five-year capital plan, NI's "green hue" stands unique among LDCs. We expect this dynamic to capture increased attention should LDC weakness persist and electric vs gas multiples continue to diverge. Additionally, the company's potential portfolio optimization efforts could accelerate a relative re-weighting toward NI's electric operations should the company divest a smaller LDC jurisdiction to fund renewables investment. We remain constructive on NI's long-term outlook given its attractive growth, subject to manageable execution risk, and relative positioning vs LDC peers.

We base our December 2022 price target of $29/per share on a sum-of-the-parts analysis using our 2023 electric and gas segment EPS forecasts. We value the gas and electric segments using 18.0x and 20.9x P/E multiples, respectively.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI US	0.37	0.24
Sect: Utilities	0.67	0.67
Ind: Utilities	0.67	0.67
Macro:		
Economic Surprise	0.09	-0.21
Credit Spread	-0.25	-0.21
Non-Energy Commodity	0.27	0.08
Quant Styles:		
Momentum	-0.06	-0.36
Growth	0.00	-0.28
Value	0.04	0.27

Source: J.P. Morgan Quantitative and Derivatives Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact

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Investment Thesis, Valuation and Risks

NiSource Inc. *(Overweight; Price Target: $29.00)*

Investment Thesis

With renewables driving ~20% of the five-year capital plan, NI's "green hue" stands unique among LDCs. We expect this dynamic to capture increased attention should LDC weakness persist and electric vs gas multiples continue to diverge. Additionally, the company's potential portfolio optimization efforts could accelerate a relative re-weighting toward NI's electric operations should the company divest a smaller LDC jurisdiction to fund renewables investment. We remain constructive on NI's long-term outlook given its attractive growth, subject to manageable execution risk, and relative positioning vs LDC peers.

Valuation

We are establishing our December 2022 price target of $29/share. We base our price target on a sum-of-the-parts analysis using our 2023 electric and gas segment EPS forecasts. We value the gas and electric segments using 18.0x and 20.9x P/E multiples, respectively. This represents a premium to peers on account of NI's coal generation transition, incremental renewables investment, and above-average growth as a result.

Risk to Rating and Price Target

- Gas pipeline accidents in the industry have heightened the importance of pipeline safety and integrity management. These accidents can result in significant financial strains related to pipeline replacement, accident investigations, life and property claims, regulatory fines, and disallowances.
- Achievement of NiSource's long-term rate base and EPS CAGR targets are heavily dependent on robust capital investments, regulatory support, and favorable ratemaking mechanism. Any deferral of spending could put the company at risk of falling short of the LT rate base and earnings growth CAGR in any one year.
- Regulated electric and gas utilities are subject to federal and state regulations, including determinations of allowed revenues. Negative changes to the regulatory environments may cause future earnings to be materially lower than current expectations.

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J.P.Morgan

NiSource Inc.: Summary of Financials

Income Statement - Annual	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	**5,184**	**4,697**	**4,994**	**5,510**	**5,721**
COGS	(1,535)	(1,109)	(1,427)	(1,760)	(1,760)
Gross profit	**3,649**	**3,587**	**3,567**	**3,750**	**3,962**
SG&A	(1,885)	(1,794)	**(1,713)**	**(1,695)**	**(1,710)**
Adj. EBITDA	**1,759**	**1,826**	**1,875**	**2,055**	**2,252**
D&A	(717)	(762)	(747)	(783)	(843)
Adj. EBIT	**1,042**	**1,064**	**1,128**	**1,272**	**1,408**
Net Interest	(379)	(371)	(340)	(369)	(434)
Adj. PBT	**663**	**693**	**789**	**902**	**974**
Tax	(113)	(127)	(165)	(219)	(232)
Minority Interest	(55)	(59)	(53)	(55)	(55)
Adj. Net Income	**495**	**508**	**571**	**628**	**688**
Reported EPS	1.32	1.32	1.36	1.42	1.53
Adj. EPS	**1.32**	**1.32**	**1.36**	**1.42**	**1.53**
DPS	**0.80**	**0.84**	**0.88**	**0.93**	**0.99**
Payout ratio	60.6%	63.6%	64.8%	65.7%	64.7%
Shares outstanding	375	384	421	443	450

Income Statement - Quarterly	1Q21A	2Q21A	3Q21E	4Q21E
Revenue	**1,555A**	**980A**	**990**	**1,469**
COGS	(477)A	(228)A	(222)	(500)
Gross profit	**1,078A**	**752A**	**768**	**970**
SG&A	(427)A	(415)A	(420)	(451)
Adj. EBITDA	**660A**	**349A**	**348**	**519**
D&A	(185)A	(186)A	(187)	(189)
Adj. EBIT	**475A**	**163A**	**161**	**329**
Net Interest	(85)A	(85)A	(84)	(87)
Adj. PBT	**391A**	**78A**	**77**	**243**
Tax	(71)A	(15)A	(19)	(59)
Minority Interest	(15)A	(10)A	(14)	(14)
Adj. Net Income	**305A**	**53A**	**44**	**170**
Reported EPS	0.77A	0.12A	0.10	0.39
Adj. EPS	**0.77A**	**0.13A**	**0.10**	**0.39**
DPS	**0.22A**	**0.22A**	**0.22**	**0.22**
Payout ratio	28.4%A	176.9%A	217.2%	56.2%
Shares outstanding	394A	423A	431	435

Balance Sheet & Cash Flow Statement	FY19A	FY20A	FY21E	FY22E	FY23E
Cash and cash equivalents	148	126	0	0	0
Accounts receivable	857	791	564	564	564
Other current assets	849	743	784	906	1,083
Current assets	**1,854**	**1,659**	**1,347**	**1,470**	**1,647**
PP&E	16,912	16,620	17,851	19,512	22,213
Other non current assets	3,894	3,762	3,800	3,800	3,800
Total assets	**22,660**	**22,041**	**22,998**	**24,781**	**27,659**
Short term borrowings	1,773	503	200	442	1,921
Payables	666	589	480	480	480
Other short term liabilities	1,307	1,187	1,181	1,181	1,181
Current liabilities	**3,746**	**2,279**	**1,862**	**2,104**	**3,582**
Long-term debt	7,856	9,220	9,459	10,309	11,159
Other long term liabilities	5,071	4,704	4,870	5,089	5,320
Total liabilities	**16,673**	**16,203**	**16,191**	**17,502**	**20,062**
Shareholders' equity	5,987	5,838	6,807	7,279	7,597
Minority interests	-	-	-	-	-
Total liabilities & equity	**22,660**	**22,041**	**22,998**	**24,781**	**27,659**
BVPS	**15.67**	**14.90**	**17.02**	**17.70**	**16.81**
y/y Growth	*1.4%*	*(4.9%)*	*14.2%*	*4.0%*	*(5.0%)*
Net debt/(cash)	9,481	9,597	9,659	10,751	13,080
Cash flow from operating activities	**1,583**	**1,104**	**1,292**	**1,508**	**1,585**
o/w Depreciation & amortization	717	726	747	783	843
o/w Changes in working capital	(75)	(249)	(163)	(122)	(177)
Cash flow from investing activities	**(1,922)**	**(879)**	**(1,934)**	**(2,444)**	**(3,544)**
o/w Capital expenditure	(1,802)	(1,758)	(1,870)	(2,444)	(3,544)
as % of sales	*34.8%*	*37.4%*	*37.4%*	*44.4%*	*61.9%*
Cash flow from financing activities	**366**	**(248)**	**317**	**693**	**480**
o/w Dividends paid	(299)	(322)	(375)	(380)	(418)
o/w Net debt issued/(repaid)	494	82	(303)	850	850
Net change in cash	**27**	**(23)**	**(326)**	**(242)**	**(1,479)**
Adj. Free cash flow to firm	**95**	**(351)**	**(309)**	**(656)**	**(1,628)**
y/y Growth	*(109.6%)*	*(469.3%)*	*(12.1%)*	*112.3%*	*148.2%*

Ratio Analysis	FY19A	FY20A	FY21E	FY22E	FY23E
Gross margin	70.4%	76.4%	71.4%	68.1%	69.2%
EBITDA margin	33.9%	38.9%	37.6%	37.3%	39.4%
EBIT margin	20.1%	22.6%	22.6%	23.1%	24.6%
Net profit margin	9.5%	10.8%	11.4%	11.4%	12.0%
ROE	8.4%	8.6%	9.0%	8.9%	9.2%
ROA	2.2%	2.3%	2.5%	2.6%	2.6%
ROCE	5.7%	5.6%	5.6%	5.6%	5.5%
SG&A/Sales	36.4%	38.2%	34.3%	30.8%	29.9%
Net debt/equity	1.6	1.6	1.4	1.5	1.7
P/E (x)	18.7	18.7	18.2	17.4	16.1
P/BV (x)	1.6	1.7	1.4	1.4	1.5
EV/EBITDA (x)	9.3	9.1	9.0	8.8	9.4
Dividend Yield	3.2%	3.4%	3.6%	3.8%	4.0%
Sales/Assets (x)	0.2	0.2	0.2	0.2	0.2
Interest cover (x)	4.6	4.9	5.5	5.6	5.2
Operating leverage	496.0%	(22.1%)	96.4%	123.0%	280.0%
Revenue y/y Growth	2.0%	(9.4%)	6.3%	10.3%	3.8%
EBITDA y/y Growth	13.6%	3.8%	2.7%	9.6%	9.6%
Tax rate	17.1%	18.3%	20.9%	24.3%	23.8%
Adj. Net Income y/y Growth	6.8%	2.6%	12.6%	10.0%	9.4%
EPS y/y Growth	1.6%	(0.0%)	2.8%	4.6%	7.6%
DPS y/y Growth	2.6%	5.0%	4.8%	6.0%	6.0%

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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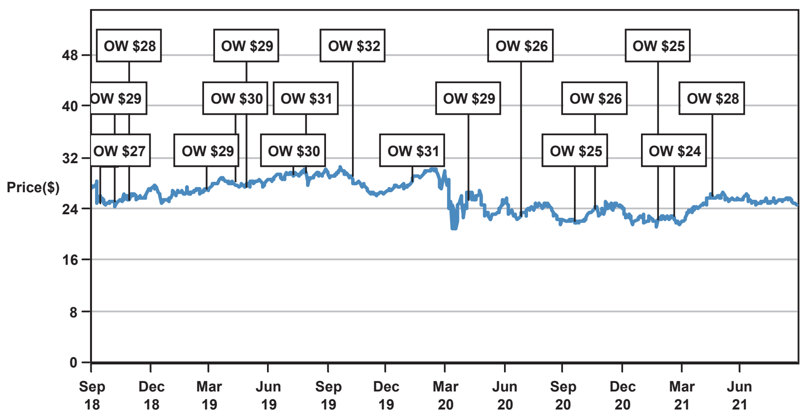
NiSource Inc. (NI, NI US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 23, 2011. All share prices are as of market close on the previous business day.

Date	Rating	Price ($)	Price Target ($)
17-Sep-18	OW	24.79	27
09-Oct-18	OW	25.05	29
01-Nov-18	OW	25.36	28
01-Mar-19	OW	26.98	29
15-Apr-19	OW	28.07	30
02-May-19	OW	27.40	29
15-Jul-19	OW	29.34	30
01-Aug-19	OW	29.69	31
13-Oct-19	OW	29.14	32
15-Jan-20	OW	28.18	31
09-Apr-20	OW	25.47	29
01-Jul-20	OW	22.74	26
21-Sep-20	OW	21.98	25
23-Oct-20	OW	24.04	26
29-Jan-21	OW	22.17	25
22-Feb-21	OW	22.84	24
22-Apr-21	OW	26.03	28

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"Other Disclosures" last revised July 17, 2021.

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Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
25.54 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

NiSource's Earnings Growth Will Start to Take Shape in 2022; Raising Fair Value Estimate

Travis Miller
Strategist
Morningstar

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The primary analyst covering this company does not own its stock.

Research as of 15 Nov 2021
Estimates as of 15 Nov 2021
Pricing data as of 15 Nov 2021 15:10
Rating updated as of 15 Nov 2021 17:12

[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.
Rating as of 03 Nov 2021 00:00

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

Contents

Analyst Note 15 Nov 2021

We are raising our fair value estimate to $30 per share from $28.50 after reviewing NiSource's latest investor update and meeting with senior management. We are reaffirming our narrow moat and stable moat trend ratings. The fair value change is due to an increase in our five- and 10-year growth outlook and time-value appreciation since our last update.

Developments in 2022 will be pivotal in NiSource's near-term growth plan. We forecast 8% annual earnings growth through 2025, in line with management's 7%-9% target starting from 2021. This excludes the impact from the Columbia Gas of Massachusetts sale in October 2020 and the $835 million equity units issued in April 2021, both of which depressed 2021 earnings.

The largest unknown piece of NiSource's investment plan is the potential $750 million of capital investment related to replacing retiring coal generation in Indiana by 2028. This could include investments in a mix of renewable energy, energy storage, and hydrogen-ready gas plants based on responses to its requests for proposals that will be announced in 2022. We assume regulators approve $600 million of investment for NiSource with the rest of the generation secured through earnings-neutral power purchase agreements.

NiSource also plans to file its request for electric rate increases in Indiana during 2022 with new rates effective in late 2023. The outcome of this request likely will determine whether NiSource hits the high end or low end of management's 7%-9% annual average earnings growth range.

We expect new, higher gas rates in all of its jurisdictions to take effect in 2022. The critical 2022 regulatory proceedings

Vital Statistics

Market Cap (USD Mil)	10,030
52-Week High (USD)	26.60
52-Week Low (USD)	21.09
52-Week Total Return %	8.0
YTD Total Return %	15.2
Last Fiscal Year End	31 Dec 2020
5-Yr Forward Revenue CAGR %	4.5
5-Yr Forward EPS CAGR %	6.8
Price/Fair Value	0.85

Valuation Summary and Forecasts

Fiscal Year:	2019	2020	2021(E)	2022(E)
Price/Earnings	21.1	17.4	*18.9*	*17.6*
EV/EBITDA	13.0	16.0	*11.7*	*10.6*
EV/EBIT	23.5	37.1	*19.9*	*18.1*
Free Cash Flow Yield %	-2.1	-7.3	*-6.3*	*-8.1*
Dividend Yield %	2.8	3.7	*3.5*	*3.6*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2019	2020	2021(E)	2022(E)
Revenue	5,209	4,682	*4,836*	*5,065*
Revenue YoY %	1.9	-10.1	*3.3*	*4.8*
EBIT	891	551	*1,073*	*1,181*
EBIT YoY %	614.3	-38.2	*94.8*	*10.1*
Net Income, Adjusted	495	508	*566*	*640*
Net Income YoY %	6.8	2.6	*11.6*	*13.0*
Diluted EPS	1.32	1.32	*1.35*	*1.45*
Diluted EPS YoY %	1.2	0.4	*2.1*	*7.6*
Free Cash Flow	-504	457	*-281*	*-543*
Free Cash Flow YoY %	-65.5	-190.7	*-161.6*	*93.0*

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with approximately 3.5 million customers in Indiana, Kentucky, Maryland, Ohio, Pennsylvania, and Virginia. NiSource's electric utility transmits and distributes electricity in northern Indiana to about 500,000 customers. The regulated electric utility also owns more than 3,000 megawatts of generation capacity, most of which is now coal-fired but is being replaced by natural gas and renewables.

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Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
25.54 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

are in Ohio and Indiana, two of its three largest territories. We assume electric and gas systemwide customer growth and core investment can support core 5% earnings growth through 2024.

We expect dividend growth to stay near 5% in 2022-23 before a potential step-up in 2024, assuming constructive regulatory outcomes.

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Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
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Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2018	2019	2020	Forecast 2021	Forecast 2022	5-Year Proj. CAGR
Revenue	-1.3	4.9	1.9	-10.1	3.3	4.8	4.5
EBIT	-15.4	-86.3	614.3	-38.2	94.8	10.1	23.5
EBITDA	-4.8	-51.1	122.0	-20.6	42.8	10.9	16.1
Net Income	8.3	16.0	6.8	2.6	11.6	13.0	10.4
Diluted EPS	3.0	7.6	1.2	0.4	2.1	7.6	6.8
Earnings Before Interest, after Tax	—	651.8	-417.7	10.7	19.6	6.0	10.8
Free Cash Flow	—	-13.4	-65.5	-190.7	-161.6	93.0	1.7

Profitability	3-Year Hist. Avg	2018	2019	2020	2021	2022	5-Year Proj. Avg
Operating Margin %	10.4	2.4	17.1	11.8	22.2	23.3	24.9
EBITDA Margin %	24.1	14.2	30.9	27.3	37.7	39.9	42.2
Net Margin %	9.8	9.1	9.5	10.8	11.7	12.6	13.2
Free Cash Flow Margin %	-9.5	-28.6	-9.7	9.8	-5.8	-10.7	-5.8
ROIC %	2.0	-0.5	4.5	2.1	5.0	4.9	5.0
Adjusted ROIC %	2.2	-0.6	4.9	2.3	5.4	5.3	5.4
Return on Assets %	-1.1	-1.6	0.1	-1.7	2.4	2.5	2.6
Return on Equity %	-4.8	-7.4	0.6	-7.5	10.2	9.8	10.2

Leverage	3-Year Hist. Avg	2018	2019	2020	2021	2022	5-Year Proj. Avg
Debt/Capital	0.62	0.61	0.62	0.63	0.55	0.56	0.56
Total Debt/EBITDA	8.75	12.61	6.00	7.63	5.35	5.32	5.12
EBITDA/Interest Expense	3.25	2.05	4.24	3.44	4.94	5.20	5.20

Valuation Summary and Forecasts

	2019	2020	2021(E)	2022(E)
Price/Fair Value	1.01	0.80	—	—
Price/Earnings	21.1	17.4	18.9	17.6
EV/EBITDA	13.0	16.0	11.7	10.6
EV/EBIT	23.5	37.1	19.9	18.1
Free Cash Flow Yield %	-2.1	-7.3	-6.3	-8.1
Dividend Yield %	2.8	3.7	3.5	3.6

Key Valuation Drivers

Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.5
Weighted Average Cost of Capital %	5.8
Long-Run Tax Rate %	26.0
Stage II EBI Growth Rate %	5.0
Stage II Investment Rate %	55.6
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	-1,311	-6.1	-3.01
Present Value Stage II	4,608	21.5	10.58
Present Value Stage III	18,123	84.6	41.59
Total Firm Value	**21,420**	**100.0**	**49.16**
Cash and Equivalents	126	—	0.29
Debt	-9,746	—	-22.37
Preferred Stock	-880	—	-2.02
Other Adjustments	1,631	—	3.74
Equity Value	**12,550**	**—**	**28.80**
Projected Diluted Shares	436		
Fair Value per Share (USD)	**30.00**		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

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Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
25.54 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

Morningstar Analyst Forecasts

Income Statement (USD Mil)
Fiscal Year Ends in December

				Forecast	
	2018	2019	2020	*2021*	*2022*
Revenue	**5,115**	**5,209**	**4,682**	***4,836***	***5,065***
Cost of Goods Sold	1,761	1,535	1,109	*1,124*	*1,138*
Gross Profit	**3,353**	**3,674**	**3,572**	***3,712***	***3,927***
Selling, General & Administrative Expenses	2,353	1,355	1,586	*1,570*	*1,585*
Other Operating Expense (Income)	276	711	710	*320*	*321*
Other Operating Expense (Income)	—	—	—	—	—
Depreciation & Amortization (if reported separately)	600	717	726	*750*	*840*
Operating Income (ex charges)	**125**	**891**	**551**	***1,073***	***1,181***
Restructuring & Other Cash Charges	275	297	299	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**-150**	**594**	**252**	***1,073***	***1,181***
Interest Expense	353	379	371	*369*	*389*
Interest Income	-2	-5	-211	*40*	*40*
Pre-Tax Income	**-505**	**210**	**-331**	***744***	***832***
Income Tax Expense	-180	124	-17	*119*	*133*
Other After-Tax Cash Gains (Losses)	—	—	—	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	—	—	—
(Minority Interest)	—	—	-3	*-3*	*-3*
(Preferred Dividends)	-15	-55	-55	*-55*	*-55*
Net Income	**-340**	**31**	**-372**	***566***	***640***
Weighted Average Diluted Shares Outstanding	357	376	384	*420*	*441*
Diluted Earnings Per Share	**-0.95**	**0.08**	**-0.97**	***1.35***	***1.45***
Adjusted Net Income	463	495	508	*566*	*640*
Diluted Earnings Per Share (Adjusted)	**1.30**	**1.32**	**1.32**	***1.35***	***1.45***
Dividends Per Common Share	0.77	0.79	0.84	*0.88*	*0.92*
EBITDA	**450**	**1,311**	**978**	***1,823***	***2,021***
Adjusted EBITDA	**724**	**1,608**	**1,277**	***1,823***	***2,021***

NiSource Inc NI (NYSE) | ★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
25.54 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

Morningstar Analyst Forecasts

Balance Sheet (USD Mil)

Fiscal Year Ends in December	2018	2019	2020	Forecast 2021	Forecast 2022
Cash and Equivalents	121	148	126	*1,166*	*1,170*
Investments	—	—	—	—	—
Accounts Receivable	1,059	857	791	*821*	*805*
Inventory	423	425	401	*400*	*374*
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	453	424	341	*350*	*350*
Current Assets	**2,055**	**1,854**	**1,659**	***2,737***	***2,699***
Net Property Plant, and Equipment	15,543	16,912	16,620	*17,890*	*19,570*
Goodwill	1,691	1,486	1,486	*1,486*	*1,486*
Other Intangibles	221	—	—	—	—
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,002	2,014	1,795	*1,800*	*1,800*
Long-Term Non-Operating Assets	293	394	481	*481*	*481*
Total Assets	**21,804**	**22,660**	**22,041**	***24,394***	***26,036***
Accounts Payable	884	666	589	*462*	*468*
Short-Term Debt	2,027	1,787	526	*526*	*526*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,126	1,293	1,164	*1,200*	*1,200*
Current Liabilities	**4,037**	**3,746**	**2,279**	***2,188***	***2,194***
Long-Term Debt	7,105	7,856	9,220	*9,220*	*10,220*
Deferred Tax Liabilities (Long-Term)	1,331	1,485	1,471	*1,600*	*1,700*
Other Long-Term Operating Liabilities	2,519	2,352	1,904	*2,000*	*2,000*
Long-Term Non-Operating Liabilities	1,061	1,234	1,329	*1,329*	*1,329*
Total Liabilities	**16,053**	**16,673**	**16,203**	***16,337***	***17,443***
Preferred Stock	880	880	880	*1,720*	*1,720*
Common Stock	4	4	4	*4*	*4*
Additional Paid-in Capital	6,404	6,666	6,890	*7,990*	*8,290*
Retained Earnings (Deficit)	-1,399	-1,371	-1,765	*-1,567*	*-1,331*
(Treasury Stock)	-100	-100	-100	*-100*	*-100*
Other Equity	-37	-93	-157	*-70*	*-70*
Shareholder's Equity	**5,751**	**5,987**	**5,752**	***7,977***	***8,513***
Minority Interest	—	—	86	*80*	*80*
Total Equity	**5,751**	**5,987**	**5,838**	***8,057***	***8,593***

NiSource Inc NI (NYSE) | ★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
25.54 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

Morningstar Analyst Forecasts

Cash Flow (USD Mil)
Fiscal Year Ends in December

	2018	2019	2020	*Forecast 2021*	*Forecast 2022*
Net Income	-51	383	-14	*625*	*699*
Depreciation	600	717	726	*750*	*840*
Amortization	—	—	—	—	—
Stock-Based Compensation	29	26	17	*17*	*17*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	-188	118	-29	*129*	*100*
Other Non-Cash Adjustments	41	414	653	—	—
(Increase) Decrease in Accounts Receivable	-186	188	-4	*-30*	*17*
(Increase) Decrease in Inventory	41	-2	-2	*1*	*26*
Change in Other Short-Term Assets	-11	-23	-236	*-9*	—
Increase (Decrease) in Accounts Payable	268	-300	-30	*-127*	*6*
Change in Other Short-Term Liabilities	-3	62	22	*36*	—
Cash From Operations	**540**	**1,583**	**1,104**	***1,392***	***1,705***
(Capital Expenditures)	-1,818	-1,802	-1,758	*-2,020*	*-2,520*
Net (Acquisitions), Asset Sales, and Disposals	—	—	—	—	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-108	-120	879	*91*	—
Cash From Investing	**-1,926**	**-1,922**	**-879**	***-1,929***	***-2,520***
Common Stock Issuance (or Repurchase)	844	244	211	*1,100*	*300*
Common Stock (Dividends)	-273	-299	-322	*-368*	*-404*
Short-Term Debt Issuance (or Retirement)	772	-204	-1,270	—	—
Long-Term Debt Issuance (or Retirement)	-742	681	1,106	—	*1,000*
Other Financing Cash Flows	868	-56	27	*759*	*-76*
Cash From Financing	**1,469**	**366**	**-248**	***1,490***	***820***
Exchange Rates, Discontinued Ops, etc. (net)	0	0	0	*87*	—
Net Change in Cash	**83**	**27**	**-23**	***1,040***	***4***

Research Methodology for Valuing Companies

Qualitative Equity Research Overview
At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. We believe this bottom-up, long-term, fundamentally based approach allows our analysts to focus on long-term business drivers, which have the greatest valuation impact, rather than short-term market noise.

Morningstar's equity research group (“we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at an uncertainty-adjusted discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

1. Economic Moat
The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm’s economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

To assess the sustainability of excess profits, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

Morningstar Research Methodology for Valuing Companies

2. Estimated Fair Value
Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.
Our model is divided into three distinct stages:

Stage I: Explicit Forecast
In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes, or EBI, and the net new investment, or NNI, to derive our annual free cash flow forecast.

Stage II: Fade
The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital, or RONIC, and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until the perpetuity stage is reached. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity
Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term market-value weights.

3. Uncertainty Around That Fair Value Estimate
Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to

Research Methodology for Valuing Companies

assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the Fair Value Estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, exposure to material ESG risks, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate. In cases where there is less than a 25% probability of an event, but where the event could result in a material decline in value, analysts may adjust the uncertainty rating to reflect the increased risk. Analysts may also make a fair value adjustment to reflect the impact of this event.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

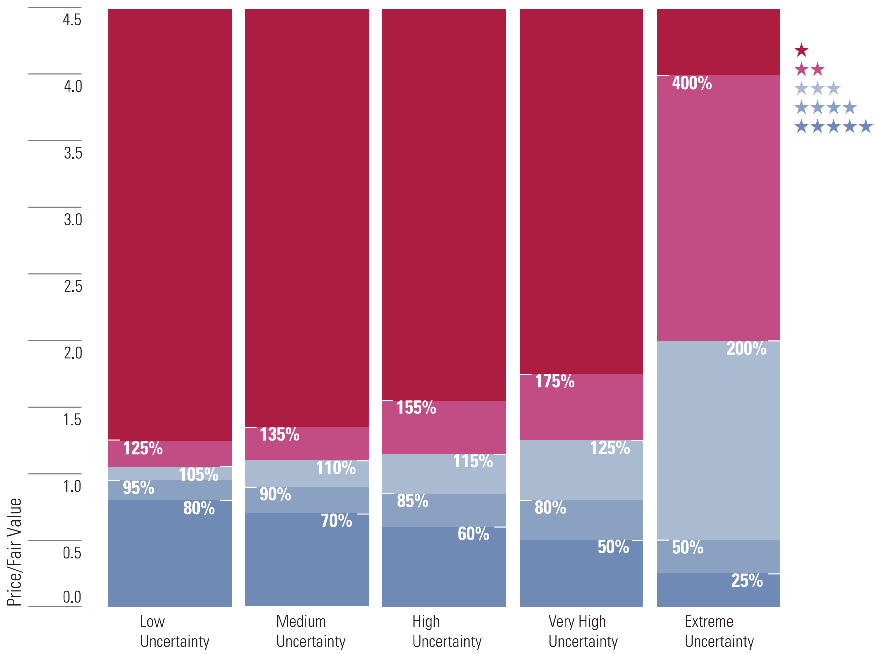
- Low–margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- Medium–margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- High–margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- Very High–margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- Extreme–margin of safety for 5-star rating is a 75% discount and for 1-star rating is 300% premium.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed, which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com.

Morningstar Equity Research Star Rating Methodology



Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. The current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. The market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

Research Methodology for Valuing Companies

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Sustainalytics ESG Risk Rating Assessment: The ESG Risk Rating Assessment is provided by Sustainalytics; a Morningstar company.

Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environmental, social and governance (ESG) factors.

Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit sustainalytics.com/esg-ratings/.

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Quantitative Valuation: Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

- ► Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- ► Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- ► Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

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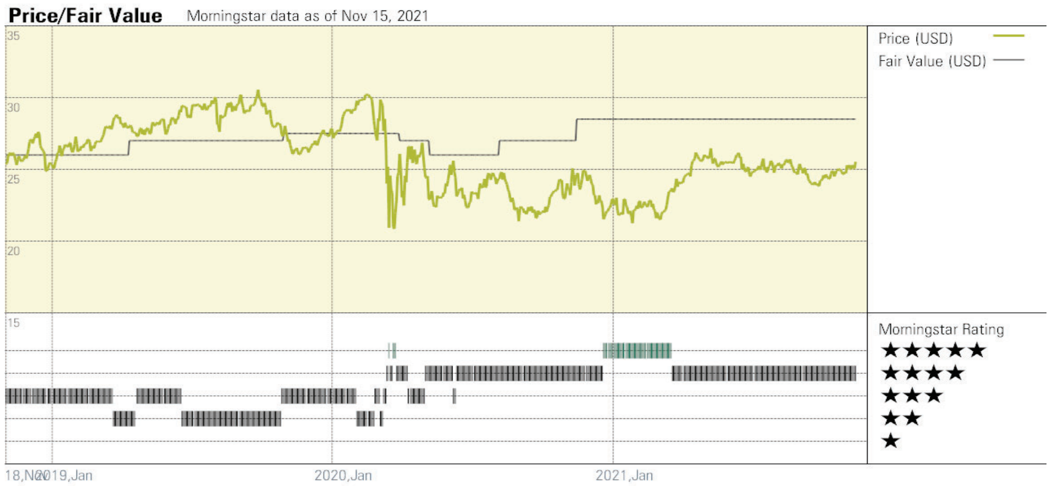
Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report. Morningstar's Uncertainty Rating serves as a useful data point with respect to sensitivity analysis of the assumptions used in our determining a fair value price.

NiSource Inc NI (NYSE) | ★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
25.54 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	



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NiSource Inc NI (NYSE) | ★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
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UBS

Global Research | 16 August 2021

Gas Distribution
Question Bank

Equities

Americas

Gas Utilities

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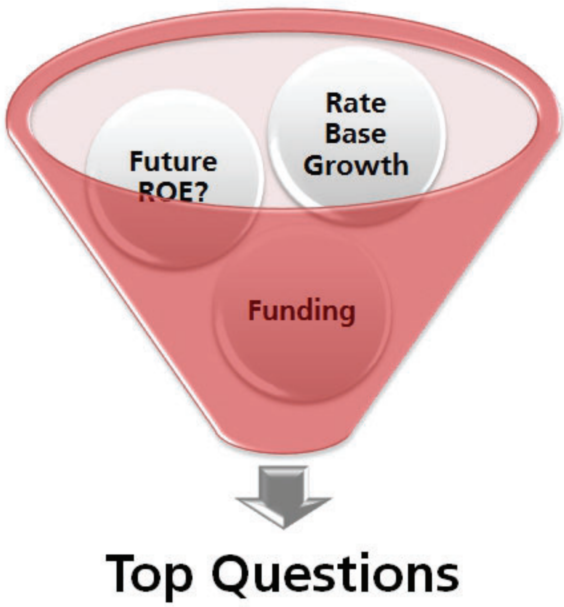
Top Questions

If you are getting ready to join virtual meetings with management teams or attend sector conferences, these are the top questions we would ask.



Atmos Energy Corp (ATO)

1. Post Winter Storm Uri, what are the learnings from the event and is there potential for future investments in storage? How could ATO increase the diversification of its natural gas supply?

2. ATO filed its application to participate in the Texas securitization bill, has there been any update on the formal procedure schedule from the Texas RRC?

3. With FY3Q earnings, ATO reaffirmed '21 EPS guidance of $4.90-$5.10/share. Management also noted it expects FY21 EPS ending at the upper end of its guidance range. What are key risks that the management currently sees? What could push EPS into the lower end of the range or above the range for the year?

4. Is the $0.06/share tax benefit recognized YTD due to timing differences expected to reverse in FY4Q?

5. ATO has recognized a roughly $22MM YoY increase in bad debt, are any further increases expected or does ATO assume no additional costs as the economy recovers across its jurisdictions?

6. Can management discuss some of the RNG and CNG opportunities it is evaluating? How are conversations progressing in ATOs jurisdictions around RNG legislation?

7. Is there a risk of an equity block offering in 2022+? Would ATO consider selling some smaller LDCs?

8. How does ATO expect the average ROE to change in '21 and beyond? Is there a risk of a lower ROE as interest rates remain low?

Notes

CenterPoint Energy Inc (CNP)

1. What has been the progress on the acquisition of ENBL by ET? What would be the tax implications related to the potential sale of the interest in ENBL/ET? How quickly does management plan to reduce its midstream exposure?

2. CNP has noted a roughly $16B investment plan; however, with ~$1.5B of additional opportunities can we see the potential for the 5-year plan to be increased to ~$17.5B+?

3. Where does management expect the $1B in reserve capital investment opportunities previously identified to be spent?

4. With the plan to pull forward O&M from 2022 into 2021, should we expect 2022s O&M decline to be towards the higher end of the 1-2% annual reduction target?

5. How should we think about the funding of incremental growth going forward? Will it be funded with the incremental LDC sale proceeds, as well as the tax mitigation strategies of $250MM management discussed? Is there the potential for the incremental growth to be funded without equity as ET has appreciated in value since the announced merger with ENBL?

6. CNP raised its full-year EPS range with earnings; are there any headwinds we should be aware of in 2H as to why the guide wasn't raised more? What would cause CNP to come in above its guidance range?

7. The Electric business has seen strong customer growth, does management expect this to continue going forward?

8. What are the next milestones on the LDC sale and ENBL merger with ET? Are both expected to close before year end?

9. With the passing of the Natural Gas Innovation Act in Minnesota, what opportunities does this present for CNP? Does it have plans to submit an innovation plan? What could capital spend look like?

10. Can management discuss some of the potential additional opportunities resulting from the Texas bills that went into effect? Will these be longer-term or near-term opportunities?

11. On the 2Q call management noted that it has confidence that it will generate at least $1B in incremental tax reductions resulting in at least $250MM in additional cash, is there potential for this number to move higher?

12. Has there been any update on the Integrated Resource Plan in Indiana? How is the resource mix is expected to change in the coming years?

13. Has there been any update on the hydrogen pilot in Minnesota? What are the opportunities related to potential hydrogen economy around CNP's footprint in Texas? Could CNP accelerate pipeline replacement to make its pipelines hydrogen ready?

14. CNP noted that it is preparing a roll-out of its transition to net zero. What are the key drivers at the electric and gas utilities? Does management look at opportunities to connect its LDCs to renewable natural gas (RNG) supply or invest in RNG facilities?

15. Roughly 75% of capital is recovered via a regulatory mechanisms. Could CNP further reduce the regulatory lag?

Notes

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NiSource (NI)

1. Given NI's 2021 equity issuance it no longer plans to issue a block equity offering in 2022-2023. Would NI still consider some asset monetization to fund renewables capex in the future? What FFO/debt is expected to be in 2022-2023?

2. Can management discuss the next steps in the IRP process, will we likely hear more color on the 3Q earnings call? How should we be thinking about the potential capex for the IRP process? Can we look a 2018 as a guide?

3. Is there any initial color management can provide on the NIPSCO Electric 5-year plan that was filed in June?

4. Can management provide an update on the progress of the Pennsylvania, Ohio, Kentucky and Maryland rate cases?

5. How could energy transition and focus on decarbonization impact the gas utility? Does management see opportunities to invest in RNG or hydrogen blending pilots? Would potential tax credits incentivize investments?

6. With 13 of the 14 proposed renewable energy projects receiving approval, when is the remaining project expected to be approved?

7. How should we think about the potential financial impacts or benefits from the Safety Management System program?

Notes

Northwest Natural Holdings Inc (NWN)

1. With the multi-year settlement for the Washington rate case filed by NWN, is there any update on when we should expect an order from the commission? Any update on the process?

2. How does NWN plan to achieve its vision of carbon neutrality by 2050?

3. Looking at the partnership with Tyson Foods RNG partnership. NWN exercised its first option for an ~$8MM project. What are the expected returns? When should we expect the next projects to be announced?

4. Can management provide an update on its work on hydrogen with the electric utility in Eugene?

5. NWN initiated a request for proposal for additional RNG purchase or investment opportunities, can management provide an update on this?

6. Can management provide an update on its outlook for customer growth?

7. Does management see an opportunity to acquire additional water utilities in 2021+? Is there any annual run-rate that we should look for? Is there an update on the progress on the new wastewater facility at NWN's Sunriver, Oregon facility?

Notes

ONE Gas Inc. (OGS)

1.With 2021 EPS guidance reaffirmed, what would cause OGS to come in above or below the full-year guide?

2. With Securitization filings being made in all three states for OGS, is there any update on the process?

3. Is there any initial feedback from the Oklahoma rate case?

4. Has OGS had any dialogue with the agencies now that it has filed the securitization bills?

5. With all three of OGSs states having passed energy choice legislation, can management discuss some of the RNG opportunities it is exploring? How big of an opportunity does it see RNG becoming? Is there an update on the collaboration with Vanguard Renewables? What hydrogen opportunities does OGS see?

6. OGS has seen strong growth in its customer levels does management expect this trend to continue? What long-term customer base growth does OGS see now?

7. Is there a possibility to further reduce a regulatory lag with respect to capex rate recoverability?

8. Does OGS plan to continue to use to utilize its ATM program going forward?

Notes

Southwest Gas Holdings (SWX)

1. SWX filed a request for $74MM increase (related to VSP and COYL spending) in Arizona with a decision expected by the end of the year. What key risks does SWX see as it relates to the amount requested or timing of the recovery?

2. Has SWX filed its Nevada rate case? Are plans still to file the Arizona rate case by the end of the year?

3. With its $4.00-$4.20 EPS guidance range of 2021 reaffirmed with 2Q earnings, what would cause SWX to come in at the higher or lower end of the range?

4. Is the pending Riggs Distler acquisition still on track to close in 3Q, what are the next key dates we should be watching? Will management provide guidance at the close?

5. Customer growth across SWX's service territories has been strong, does management expect this level of growth to continue?

6. Has there been any update on SWX's proposed voluntary carbon offset program application filed with the Nevada PUC for its customers?

7. SWX has slowed its rate base growth to 7.5% CAGR between '21-'25. What are the key drivers of a decrease in CAGR from planned 8.6% between '20-'24? When will SWX replace all of its bare steel and cast iron pipelines?

8. Does SWX expect any changes to capital sources? What are the key sensitivities to the use of ATM program?

9. What opportunities is SWX currently pursuing to include RNG in the energy offering? Would management also consider hydrogen blending?

10. What is the cost for new houses to use only electricity vs. natural gas heating & cooking across SWX's jurisdictions?

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Spire Inc (SR)

1. With three quarters of earnings for the year, and what implies a larger than historical 4Q loss, what are the main headwinds for 4Q, what could cause SR to come in above its guidance range for the year?

2. With the evidentiary hearings having concluded as well as the rebuttal testimony, can management provide an update on the next steps on the MO rate case? How is the process going?

3. Can management provide a timeline on the next steps for the STL pipeline following its request to FERC to grant a temporary certificate for the pipeline as well as its request to ask the DC Circuit Court to reconsider its decision to vacate the FERC order authorizing the pipeline?

4. Can management discuss its investment with Energy Capital Ventures and its focus?

5. Can management discuss its plans for RNG in the future with the new legislation in Missouri?

6. How has SR been applying technology to reduce costs and drive better customer experience? How scalable are these initiatives?

7. The recent equity offering reduced SR's future equity needs. Will SR balance its 2022-2023 equity needs with ATM program?

8. Has there been any update on the lawsuits filed on the marketers in Missouri?

9. SR targets to be carbon neutral by mid-century, what are the main drivers of that reduction? Are RNG and hydrogen projects being evaluated? What are the potential returns? What has been the challenges to accelerate RNG initiatives?

10. With energy choice laws in Missouri, Alabama, and Mississippi, is natural gas the preferred energy sources among SR's customers? What is the difference in cost for customers to switch from natural gas to electric heating?

11. Would SR be interested in M&A?

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UGI Corp. (UGI)

1. Given YTD earnings, can management discuss some of the headwinds it sees in FY4Q21 vs. FY4Q20 as the quarter is implying a larger loss?

2. Can management discuss the agreement UGI Energy Services entered into with the Hamilton RNG JV? How will it be structured? Will UGI market the RINS and LCFS credits?

3. Is there an update on the regulatory process for the JV with SHV Energy for the production of rDME? Once finalized can facilities be built in Europe and the US? Do the economics on the facilities in the US work before RINS & credits?

4. Can management provide an update on the Mountaineer acquisition, is there a chance it can close this fiscal vs. calendar year?

5. What has been the progress on cost optimization and transformation initiatives at UGI's LPG businesses?

6. What has been the drilling activity in the Northeast? Has it improved with higher natural gas prices? What have been the returns on the UGI Appalachia acquisition?

7. What is the opportunity related to bio-LPG in the US and Europe?

8. Would management consider buybacks if leverage was below 4x or could UGI look at dividend growth acceleration?

9. Can management provide an update on how it is thinking about PennEast following the impairment taken?

Notes

Valuation Method and Risk Statement

Risks include, but are not limited to, the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects, and ability to continue to reinvest in the business for growth. We use SOTP of P/E multiples for Regulated Assets and EV/EBITDA for non-regulated assets to calculate our price targets.

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Buy	FSR is > 6% above the MRA.	53%	32%
Neutral	FSR is between -6% and 6% of the MRA.	36%	30%
Sell	FSR is > 6% below the MRA.	11%	21%
Short-Term Rating	**Definition**	**Coverage**[3]	**IB Services**[4]
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 30 June 2021.
1:Percentage of companies under coverage globally within the 12-month rating category.
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Company Name	Reuters	12-month rating	Price	Price date
Atmos Energy Corp[16]	ATO.N	Buy	US$101.47	13 Aug 2021
CenterPoint Energy Inc[16]	CNP.N	Neutral	US$26.90	13 Aug 2021
NW Natural[16]	NWN.N	Neutral	US$53.53	13 Aug 2021
NiSource Inc.[13,16]	NI.N	Buy	US$25.47	13 Aug 2021
ONE Gas Inc[16]	OGS.N	Neutral	US$73.21	13 Aug 2021
Southwest Gas Holdings[3,4,5,16]	SWX.N	Buy	US$71.48	13 Aug 2021
Spire Inc[16]	SR.N	Buy	US$72.26	13 Aug 2021
UGI Corp[16,20]	UGI.N	Buy (CBE)	US$48.09	13 Aug 2021

Source: UBS. All prices as of local market close.
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UBS

WOLFE RESEARCH

UTILITIES & MIDSTREAM

Regulateds – Market Overweight
Clean Energy – Market Overweight
IPPs – Market Weight
Oil/Liquids Infrastructure – Market Weight

September 26, 2021

UTILITIES, MIDSTREAM & CLEAN ENERGY

Utilities, Midstream & Clean Energy Conference is here!

- **Conference preview and questions for managements**
  We look forward to seeing you virtually at our Wolfe Utilities, Midstream & Clean Energy conference this Tues-Thurs 9/28-9/30. Participating companies are on the right and there is still time to register (here). No canned presentations at this conference – it's a mix of CEO/CFO chats and discussions with key industry players. This report includes questions to ask and model summaries for participating cos and highlighted themes below.

- **Industry thought-leaders: Where's the best opportunities?**
  Our conference gives a rare opportunity to hear from strategic and PE thought leaders. Top utilities investment bankers, George Bilicic from Lazard and Jeff Holzschuh from Morgan Stanley, will talk to key strategic trends. Nomura Greentech will talk to the key themes they are seeing in Clean Energy. We have leading PE and infra investors to discuss where they are seeing opportunities – Jonathan Bram from GIP, Andrew Gilbert from ECP, David Foley from Blackstone and Paul Segal from LS Power. Finally, Moody's will give us the latest from the credit side on both utilities and midstream.

- **Figuring out of the GREEN Playbook; the key players are here**
  Investors are looking for ways to play the energy transition but also wary of current supply chain and inflation pressures. We will hear two of the leading CEOs, Jim Robo from NEE and Andres Gluski from AES, as well as the Yieldcos (CWEN, AY), Resi solar (NOVA) and Offshore wind (Orsted, AGR, ES). The Biden infra plan and clean energy credits could be a big catalyst. EEI will give us the lay of the land on DC and other regulatory developments. Quanta will also talk to their opportunities in transmission and renewables.

- **Don't forget the other key players in energy transition – Utilities & Power**
  Often overlooked, utilities are investing more than anyone in energy transition; we have CEOs from most of them here. Climate change remains in focus; ETR will be very topical given Ida impacts and of course the CA utilities EIX and PCG keep doing more to address fire risks. Nuclear is in focus post the IL law and potential PTCs – EXC and PEG will be here. NRG and VST CEOs will talk to the transitions of their companies and power markets along with representatives from PJM and EPSA.

- **Midstream – lots of tailwinds**
  Midstream is performing well with tailwinds from commodity prices and inflation as well as better capital return discipline. Many of the key players will be at the conference including DTM, EPD, ET, TRGP, PAA and ETRN.

Exhibit 1: Conference Participants

Companies – Questions to Ask	
AES Corp.	Eversource Energy
Alliant Energy	Exelon
Ameren	FirstEnergy Corp.
American Electric Power	NextEra Energy
American Water	NextEra Energy Partners
Avangrid	NiSource
CenterPoint Energy	NRG Energy
Clearway Energy	OGE Energy Corp.
CMS Energy	Ørsted
Consolidated Edison	PG&E Corp.
Dominion Energy	Plains All American Pipeline
DT Midstream	Portland General
DTE Energy	PPL Corp.
Duke Energy	PSEG
Edison International	Southern Company
Emera	Sunnova Energy Int'l
Energy Transfer	Targa Resources
Entergy Corp.	Vistra Corp.
Enterprise Products Partners	WEC Energy Group
Equitrans Midstream Corp.	Xcel Energy
Evergy	
Other Conference Participants / Companies	
Atlantica Sustainable Infrastructure	
Atmos Energy	
Blackstone Energy Partners – David Foley	
EEI – Brad Viator & Eric Grey	
Electric Power Supply Association – Todd Snitchler	
Energy Capital Partners – Andrew Gilbert	
Global Infrastructure Partners – Jonathan Bram	
Lazard – George Bilicic	
LS Power – Paul Segal	
Moody's – Mike Haggarty & Arvinder Saluja	
Morgan Stanley – Jeff Holzschuh	
Nomura Greentech – Derek Bentley & Jeff McDermott	
PJM Interconnection, LLC – Asim Haque	
Quanta Services, Inc. – Duke Austin	

Source: Wolfe Utilities, Midstream & Clean Energy Research

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Note: All Exhibits in this report priced as of 9/24/21
**Mark-to-Market estimates are as of 9/16/21*

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DAY 1 AGENDA – TUESDAY, SEPTEMBER 28, 2021

TIME	PANELS, PRESENTATIONS & FIRESIDE CHATS
8:00 – 9:00am ET	**Private Equity, Infra and Strategic Views** Energy Capital Partners – Andrew Gilbert, Partner Global Infrastructure Partners - Jonathan Bram, Partner Lazard - George Bilicic, Vice Chairman, Global Head, Power Energy & Infrastructure
9:00 – 9:35am ET	**CenterPoint Energy** Jason Wells, EVP & CFO
9:35 – 10:10am ET	**Alliant Energy** John Larsen, Chairman, President & CEO
10:15 – 11:00am ET	**EEI – DC and Public Policy Views** Brad Viator, VP, External Affairs Eric Grey, Executive Director, Government Relations
11:00 – 11:40am ET	***BREAK***
11:40 – 12:20pm ET	**Renewables Plays** Clearway Energy – Chad Plotkin, CFO Sunnova Energy International – Robert Lane, CFO
12:20 – 1:00pm ET	**Moody's** Mike Haggarty, Team Managing Director Arvinder Saluja, CFA, Vice President Senior Credit Officer
1:00 – 1:40pm ET	**WEC Energy Group** Gale Klappa, Executive Chairman
1:40 – 2:20pm ET	**NRG Energy** Mauricio Gutierrez, CEO
2:20 – 3:10pm ET	**Private Equity Views** Blackstone Energy Partners - David Foley, CEO LS Power - Paul Segal, CEO
3:10 – 3:45pm ET	**Enterprise Products Partners L.P.** Chris Nelly, EVP, Finance, Sustainability & Treasurer
3:45 – 4:30pm ET	**Edison International** Pedro Pizarro, CEO
4:30 – 5:15pm ET	**PG&E Corporation** Patti Poppe, CEO

DAY 2 AGENDA – WEDNESDAY, SEPTEMBER 29, 2021

TIME	PANELS, PRESENTATIONS & FIRESIDE CHATS
8:00 – 8:40am ET	**Ameren** Warner Baxter, President & CEO
8:45 – 9:30am ET	**Consolidated Edison** Tim Cawley, President & CEO
9:35 – 10:20am ET	**Dominion Energy** Robert "Bob" Blue, Chairman, President & CEO
10:25 – 11:00am ET	**Public Service Enterprise Group** Ralph Izzo, Chairman & CEO
11:00 – 11:45am ET	**DTE Energy** Jerry Norcia, CEO
11:50 – 12:30pm ET	**Entergy Corporation** Leo Denault, CEO
12:35 – 1:15pm ET	**Southern Company** Dan Tucker, CFO
1:20 – 2:00pm ET	**FirstEnergy Corp.** Steve Strah, President & CEO
2:05 – 2:45pm ET	***BREAK***
2:45 – 3:30pm ET	**AES Corporation** Andres Gluski, CEO Steve Coughlin, CFO & VP
3:30 – 4:15pm ET	**Evergy** David Campbell, CEO
4:15 – 5:00pm ET	**Strategic Views** Morgan Stanley - Jeff Holzschuh, Chairman

DAY 3 AGENDA – THURSDAY, SEPTEMBER 30, 2021

TIME	PANELS, PRESENTATIONS & FIRESIDE CHATS
8:00 – 8:40am ET	**CMS Energy** Rejji Hayes, CFO
8:45 – 9:30am ET	**Equitrans Midstream Corp** Tom Karam, CEO
9:30 – 10:20am ET	**Power Markets and Clean Energy** Electric Power Supply Association - Todd Snitchler, President & CEO PJM Interconnection, LLC - Asim Haque, VP, State Policy and Member Services
10:25 – 11:00am ET	**Quanta Services, Inc.** Duke Austin, CEO
11:00 – 11:45am ET	**Duke Energy** Steve Young, EVP & CFO
11:45 – 12:30pm ET	**American Electric Power** Lisa Barton, EVP & COO Julie Sloat, EVP & CFO
12:30 – 1:20pm ET	**NextEra Energy** Jim Robo, CEO
1:20 – 2:00pm ET	**Nomura Greentech** Derek Bentley, Managing Director Jeff McDermott, Capital Advisor
2:00 – 2:40pm ET	**NiSource** Joe Hamrock, CEO
2:45 – 3:30pm ET	**Vistra Corp.** Curtis Morgan, CEO Jim Burke, President & CFO

COMPANIES ONLY HOSTING 1x1 MEETINGS

American Water
Atlantica Sustainable Infrastructure
Atmos Energy
Avangrid
DT Midstream, Inc.
Emera, Inc.
Energy Transfer
Eversource Energy
Exelon
OGE Energy Corp.
Plains All American Pipeline, LP
Portland General Electric
PPL Corporation
Targa Resources
Ørsted
Xcel Energy

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Comparables Tables

Exhibit 2: Utility Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
AES Corp.	AES	$23.44	664	$15,561	15.2x	14.0x	13.1x	12.4x	2.6%	5.0%	39%	7.0x	18%
Alliant Energy	LNT	$57.11	250	$14,292	21.9x	20.7x	19.7x	18.7x	2.8%	5.9%	62%	2.5x	45%
Ameren	AEE	83.57	257	21,490	22.2x	20.5x	19.2x	18.1x	2.6%	7.0%	58%	2.3x	42%
American Electric	AEP	82.05	500	41,046	17.5x	16.4x	15.5x	14.6x	3.6%	5.7%	63%	1.9x	37%
Avangrid	AGR	50.70	387	19,631	24.2x	21.1x	19.9x	N/A	3.5%	0.0%	84%	1.0x	71%
CenterPoint Energy	CNP	25.41	502	12,762	20.0x	18.5x	17.1x	15.7x	2.5%	8.0%	49%	2.1x	35%
CMS Energy	CMS	60.76	290	17,599	21.1x	21.1x	19.2x	17.5x	2.9%	6.7%	61%	3.0x	32%
Con Edison	ED	73.00	353	25,797	17.1x	15.7x	15.3x	14.6x	4.3%	1.3%	73%	1.3x	44%
Dominion	D	74.58	823	61,386	19.3x	18.1x	17.0x	15.9x	3.4%	6.0%	65%	2.5x	40%
DTE Energy	DTE	113.71	192	21,844	15.5x	19.6x	18.2x	17.2x	3.9%	7.2%	60%	1.8x	35%
Duke Energy	DUK	98.46	769	75,737	19.1x	18.2x	17.2x	16.1x	4.0%	2.0%	76%	1.6x	42%
Edison International	EIX	57.57	380	21,860	12.7x	12.6x	11.8x	11.1x	4.6%	4.0%	58%	1.5x	36%
Emera*	EMA	58.04	257	14,887	20.9x	18.2x	17.2x	16.2x	4.4%	4.0%	93%	1.8x	38%
Entergy	ETR	100.85	201	20,266	16.7x	15.8x	14.8x	14.1x	4.0%	6.0%	67%	1.9x	30%
Evergy	EVRG	63.15	228	14,392	18.8x	17.8x	16.4x	15.6x	3.4%	6.0%	65%	1.6x	45%
Eversource Energy	ES	82.67	324	26,785	21.7x	20.3x	19.0x	18.0x	2.9%	6.2%	63%	2.0x	43%
Exelon	EXC	49.24	978	48,148	17.1x	21.8x	20.7x	19.5x	3.1%	0.0%	53%	1.5x	44%
FirstEnergy	FE	36.83	540	19,900	14.6x	14.0x	13.2x	N/A	4.2%	0.0%	62%	2.7x	23%
Fortis*	FTS	57.09	471	26,901	20.9x	19.5x	18.4x	17.6x	3.6%	6.0%	75%	1.6x	43%
NextEra Energy	NEE	80.70	1,962	158,314	31.8x	29.9x	27.6x	25.8x	1.9%	10.0%	61%	4.3x	41%
NiSource	NI	24.01	392	9,422	18.0x	17.0x	15.9x	14.1x	3.7%	6.0%	67%	2.0x	40%
OGE Energy	OGE	33.67	200	6,740	14.7x	15.8x	15.0x	14.4x	4.7%	2.0%	70%	1.9x	43%
PG&E	PCG	9.94	529	5,260	9.9x	9.2x	8.4x	7.7x	0.0%	N/A	0%	0.9x	33%
Pinnacle West	PNW	72.55	113	8,183	14.4x	15.7x	15.1x	14.3x	4.5%	2.0%	64%	1.4x	43%
Portland General	POR	48.32	89	4,320	17.4x	17.3x	16.8x	16.4x	3.5%	7.1%	61%	1.6x	45%
PPL Corp.	PPL	28.42	770	21,872	14.5x	16.9x	15.5x	N/A	5.8%	0.0%	85%	1.5x	53%
PSEG	PEG	60.70	506	30,689	16.9x	18.0x	17.2x	N/A	3.4%	4.1%	57%	1.9x	48%
Sempra	SRE	129.77	282	36,582	16.0x	15.5x	14.8x	14.1x	3.5%	8.0%	56%	1.7x	51%
Southern Company	SO	63.16	1,059	66,875	18.8x	18.1x	16.8x	15.4x	4.2%	3.9%	78%	2.3x	35%
WEC Energy Group	WEC	90.00	315	28,389	22.2x	21.0x	19.7x	18.5x	3.0%	7.1%	67%	2.6x	43%
Xcel Energy	XEL	63.32	538	34,094	21.3x	20.0x	18.8x	17.7x	2.9%	6.4%	62%	2.3x	37%
Average					**18.5x**	**18.0x**	**16.9x**	**16.0x**	**3.5%**	**4.8%**	**63%**	**2.1x**	**40%**
Average (ex EIX & PCG)					**19.0x**	**18.5x**	**17.4x**	**16.5x**	**3.5%**	**4.8%**	**65%**	**2.2x**	**41%**

Source: Wolfe Utilities & Power Research

Exhibit 3: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Free Cash Flow Yield 2021E	Free Cash Flow Yield 2022E	Free Cash Flow Yield 2023E	Free Cash Flow Yield 2024E
NRG Energy	NRG	42.96	245	10,516	9.3x	7.0x	6.3x	N/A	8.8%	16.0%	19.1%	N/A
Vistra Corp	VST	17.56	487	8,559	10.9x	5.0x	5.4x	N/A	4.6%	27.2%	24.4%	N/A
Average					**10.1x**	**6.0x**	**5.9x**	**N/A**	**6.7%**	**21.6%**	**21.7%**	**N/A**

Source: Wolfe Utilities & Power Research

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Exhibit 4: Midstream Comparables

Name	Ticker	Rating	Price	Market Cap	EV / EBITDA 2020	2021	2022	2023	Dividend Yield 2020	2021	2022	2023	FCF Yield Before Divs 2020	2021	2022	2023	Debt / EBITDA 2020	2021	2022	2023	Price / Earnings 2020	2021	2022	2023
C-corps:																								
Cheniere Energy Inc	LNG	OP	94.67	23,786	13.3	10.4	8.8	8.3	N/A	N/A	1.4%	1.5%	(4.6%)	6.3%	11.6%	14.1%	7.8	6.0	5.1	4.9	N/A	25.8	10.6	10.5
DT Midstream, Inc	DTM	OP	45.25	4,383	10.6	9.8	9.2	8.6	N/A	5.4%	5.7%	6.1%	6.6%	9.1%	8.2%	8.9%	4.6	4.1	3.8	3.4	17.7	15.3	14.0	12.8
Enbridge Inc.*	ENB	PP	40.03	81,242	12.8	12.4	11.3	10.9	6.4%	6.6%	7.0%	7.4%	3.5%	2.9%	8.3%	8.8%	4.6	4.7	4.3	4.1	20.9	18.5	16.6	15.7
Equitrans Midstream	ETRN	OP	10.00	4,217	8.1	8.1	8.4	7.5	6.0%	6.0%	6.0%	6.0%	9.4%	10.8%	1.0%	16.9%	5.3	5.2	5.5	4.7	9.4	12.6	10.7	7.5
Kinder Morgan Inc	KMI	UP	16.53	37,343	10.0	8.7	9.6	9.3	6.4%	6.5%	6.7%	6.9%	6.8%	12.9%	9.6%	10.8%	4.6	3.9	4.3	4.0	18.6	12.7	16.4	15.7
ONEOK, Inc.	OKE	PP	57.47	25,608	14.1	11.6	11.2	10.9	6.5%	6.5%	6.5%	6.5%	(1.1%)	6.9%	8.3%	8.6%	4.9	4.2	4.0	3.8	40.6	17.3	16.3	15.8
Plains GP Holdings LP	PAGP	PP	10.66	7,188	8.0	8.7	8.0	7.6	6.8%	6.8%	6.8%	6.8%	1.5%	14.6%	16.6%	17.6%	4.4	4.6	4.1	3.8	6.7	10.6	6.9	6.3
Targa Resources Corp.	TRGP	OP	47.42	10,847	12.3	9.6	8.2	7.3	0.8%	0.8%	2.1%	2.6%	2.4%	9.2%	11.8%	13.0%	5.0	3.7	3.3	2.9	N/A	26.8	16.7	13.4
TC Energy Corp*	TRP	PP	49.67	48,220	11.8	11.7	11.0	10.8	5.2%	5.5%	5.9%	6.2%	(3.5%)	0.5%	2.9%	5.3%	4.7	4.9	4.8	4.8	13.3	29.7	13.6	13.5
Williams Companies	WMB	OP	25.40	30,945	10.7	9.9	9.7	9.4	6.3%	6.7%	7.1%	7.5%	5.8%	7.7%	8.3%	8.7%	4.3	3.8	3.7	3.5	148.4	22.3	22.3	20.7
C-corp Average:					**11.2**	**10.1**	**9.5**	**9.0**	**5.5%**	**5.6%**	**5.5%**	**5.7%**	**2.7%**	**8.1%**	**8.7%**	**11.3%**	**4.7**	**4.4**	**4.2**	**3.9**	**34.4**	**19.2**	**14.1**	**13.2**
MLPs:																								
Cheniere Energy Partners	CQP	PP	40.81	24,993	13.6	14.0	13.0	11.4	6.3%	6.5%	6.7%	8.3%	5.5%	7.7%	12.5%	13.6%	6.4	5.9	4.9	4.5	17.6	13.1	9.8	9.0
Energy Transfer LP	ET	OP	9.28	25,669	8.9	6.6	7.5	7.0	9.9%	6.6%	7.2%	8.7%	3.9%	26.3%	22.2%	23.8%	5.6	3.9	4.2	3.8	N/A	4.7	7.3	6.7
Enterprise Products Partners LP	EPD	OP	21.45	47,860	9.4	8.8	8.9	8.5	8.3%	8.4%	8.6%	8.8%	5.3%	11.2%	12.0%	13.3%	3.7	3.5	3.4	3.2	10.3	9.8	10.1	9.6
Magellan Midstream Partners	MMP	PP	46.20	10,454	11.3	10.8	10.4	9.7	8.9%	8.9%	8.9%	8.9%	5.5%	10.1%	10.9%	12.0%	3.7	3.6	3.3	3.1	12.0	10.5	10.8	10.1
MPLX LP	MPLX	PP	28.76	29,528	9.8	9.3	8.9	8.6	9.6%	9.6%	9.6%	9.6%	10.2%	12.6%	13.1%	13.4%	4.0	3.7	3.6	3.5	N/A	10.4	9.5	9.1
Plains All American LP	PAA	PP	10.03	7,188	7.9	8.5	7.8	7.4	7.2%	7.2%	7.2%	7.2%	1.6%	15.5%	17.6%	18.7%	4.4	4.6	4.1	3.8	6.3	10.0	6.5	5.9
MLP Average					**9.5**	**8.8**	**8.7**	**8.2**	**8.8%**	**8.1%**	**8.3%**	**8.6%**	**5.3%**	**15.2%**	**15.2%**	**16.2%**	**4.3**	**3.8**	**3.7**	**3.5**	**9.5**	**9.1**	**8.8**	**8.3**
Midstream Average					**10.8**	**9.7**	**9.3**	**8.9**	**6.8%**	**6.5%**	**6.4%**	**6.7%**	**3.7%**	**10.1%**	**10.4%**	**12.6%**	**4.6**	**4.1**	**4.0**	**3.7**	**16.6**	**15.7**	**12.2**	**11.3**

* Metrics calculated based on $CAD; ** D/EBITDA averages exclude LNG & CQP; *** Midstream averages exclude PAGP; **** MLP and Midstream averages exclude CQP

Source: Wolfe Midstream Research

Exhibit 5: Inverter Comparables

Name	Ticker	Price	Mkt Cap	EV/Sales 2021	2022	2023	2024	Sales Growth 2021	2022	2023	2024	P/E 2021	2022	2023	2024	Gross Margins 2021	2022	2023	2024
Inverters																			
Enphase Energy	ENPH	153.66	21,313	15.0	11.1	8.9	7.3	75%	35%	24%	20%	68.7	55.0	43.7	35.7	40.2%	39.7%	40.0%	40.1%
SolarEdge Technologies	SEDG	275.36	14,851	7.4	5.7	4.8	4.3	36%	31%	20%	14%	57.2	42.4	36.6	33.0	33.7%	32.7%	31.6%	30.7%
Generac Holdings*	GNRC	444.61	28,658	7.6	6.3	5.4	4.8	50%	18%	13%	10%	44.3	36.9	33.2	31.0	38.7%	39.5%	39.6%	42.7%
SMA Solar Technology AG*	S92	44.32	1,547	1.1	1.0	0.9	0.8	(3%)	13%	10%	6%	190.0	48.8	29.8	24.7	19.6%	21.3%	21.2%	N/A
Inverters Average				**7.8**	**6.0**	**5.0**	**4.3**	**40%**	**24%**	**17%**	**13%**	**90.1**	**45.8**	**35.9**	**31.1**	**33.0%**	**33.3%**	**33.1%**	**37.9%**

Sources: Wolfe Clean Energy Research; FactSet
*Not covered by Wolfe Research, estimates based on consensus
**Prices and Market Caps in USD

Exhibit 6: Hydrogen Play Comparables

Name	Ticker	Price	Mkt Cap	P/E 2021	2022	2023	2024	EV/EBITDA 2021	2022	2023	2024	Gross Margins 2021	2022	2023	2024	Sales Growth 2021	2022	2023	2024
Ballard Power Systems	BLDP	14.74	4,637	(54.1)	(65.2)	(92.3)	(164.3)	(42.8)	(55.3)	(99.0)	(619.7)	17%	20%	22%	25%	(0%)	43%	17%	29%
Bloom Energy Corp.	BE	19.02	2,864	(24.8)	(187.6)	88.0	32.6	(120.0)	78.7	35.1	20.9	23%	29%	30%	33%	23%	24%	13%	12%
Plug Power	PLUG	26.97	15,950	(83.1)	(753.6)	160.5	57.4	(68.9)	837.1	83.0	36.9	2%	27%	31%	34%	N/A	59%	44%	41%
FuelCell Energy*	FCEL	6.97	2,654	(25.8)	(48.1)	(69.7)	(139.4)	(67.3)	(233.9)	359.7	166.4	(9%)	15%	25%	21%	8%	57%	62%	37%
ITM Power PLC*	ITM	5.92	3,238	(109.1)	(215.3)	(403.2)	577.1	(128.5)	(908.9)	518.0	189.8	(25%)	4%	23%	36%	438%	191%	84%	46%
NEL ASA*	NEL	1.67	2,356	(25.3)	(58.5)	(111.6)	287.6	(50.8)	(89.8)	(2612.3)	74.0	33%	34%	27%	N/A	25%	68%	55%	37%
Hydrogen Plays Average				**(53.4)**	**(107.3)**	**(194.8)**	**241.8**	**(82.2)**	**(410.9)**	**(578.2)**	**143.4**	**(1%)**	**18%**	**25%**	**29%**	**157%**	**105%**	**67%**	**40%**

Sources: Wolfe Clean Energy Research; FactSet
*Not covered by Wolfe Research, estimates based on consensus
**Prices and Market Caps in USD

Exhibit 7: Panel Comparables

Name	Ticker	Price	Mkt Cap	P/E 2021	2022	2023	2024	EV/EBITDA 2021	2022	2023	2024	Gross Margins 2021	2022	2023	2024	EPS Growth 2021	2022	2023	2024
Peers:																			
Canadian Solar*	CSIQ	33.72	2,051	16.0	8.6	8.9	N/A	7.4	5.2	4.5	N/A	15%	19%	18%	N/A	(11%)	87%	(3%)	N/A
JA Solar*	002459	9.75	14,169	51.4	30.4	23.4	N/A	N/A	N/A	N/A	N/A	14%	16%	17%	N/A	28%	69%	30%	N/A
JinkoSolar Holding*	JKS	42.34	2,089	18.4	15.8	10.2	N/A	10.8	9.4	7.5	N/A	19%	22%	23%	N/A	(30%)	16%	55%	N/A
LONGi Green Energy*	601012	12.65	67,131	37.0	28.3	23.0	16.3	27.7	21.0	17.0	10.8	22%	21%	20%	20%	37%	31%	23%	42%
Trina Solar*	688599	8.27	16,343	56.8	32.0	24.4	N/A	N/A	N/A	N/A	N/A	14%	15%	15%	N/A	47%	78%	31%	N/A
Panels Average				**35.9**	**23.0**	**18.0**	**16.3**	**15.3**	**11.9**	**9.7**	**10.8**	**17%**	**19%**	**18%**	**20%**	**14%**	**56%**	**27%**	**42%**
First Solar	**FSLR**	**91.15**	**9,936**	**21.0**	**82.8**	**26.0**	**16.6**	**9.7**	**20.6**	**10.9**	**7.1**	**25%**	**18%**	**23%**	**25%**	**16%**	**(75%)**	**218%**	**57%**

Sources: Wolfe Clean Energy Research; FactSet
*Not covered by Wolfe Research, estimates based on consensus
**Prices and Market Caps in USD

Exhibit 8: Offshore Wind Comparables

Company Name	Ticker	Price	Mkt Cap	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	P/E 2021	P/E 2022	P/E 2023	P/E 2024	Dividend Yield 2021	Dividend Growth 2021-2024
AES Corp.	AES	23.44	15,686	10.8	10.4	10.1	9.7	15.2	14.0	13.1	12.4	2.6%	5.0%
EDP Renovaveis SA*	EDPR	25.96	25,473	15.7	14.4	13.7	13.3	42.7	39.0	34.1	31.7	0.4%	11.1%
Grenergy Renovables SA*	GRE	39.83	1,086	28.0	17.5	13.9	10.6	52.1	26.2	17.8	15.5	N/A	N/A
Iberdrola SA*	IBE	10.80	69,349	9.4	8.8	8.4	8.2	16.3	14.5	13.4	12.4	4.7%	7.0%
NextEra Energy, Inc.	NEE	80.70	159,432	18.0	17.0	15.9	14.8	31.8	29.9	27.6	25.8	1.9%	10.0%
Neoen SA*	NEOEN	42.00	4,474	20.3	18.0	16.0	14.1	100.2	68.4	46.7	36.9	0.1%	217.3%
RWE AG*	RWE	37.54	25,513	6.7	6.7	7.8	6.0	17.6	18.0	23.2	21.9	2.8%	4.4%
Solaria Energía y Medio Ambiente SA*	SLR	17.35	2,182	33.1	19.6	16.0	12.9	52.3	29.2	21.4	15.0	N/A	N/A
Offshore Wind Average				**17.7**	**14.1**	**12.7**	**11.2**	**41.0**	**29.9**	**24.7**	**21.4**	**2.1%**	**42.5%**
Offshore Wind Median				**16.8**	**15.7**	**13.8**	**11.7**	**37.3**	**27.7**	**22.3**	**18.7**	**2.2%**	**8.5%**
Ørsted A/S	**ORSTED**	**904.40**	**60,725**	**18.7**	**19.0**	**17.9**	**18.0**	**36.9**	**38.7**	**36.8**	**38.8**	**1.3%**	**10.2%**

Sources: Wolfe Clean Energy Research; FactSet
*Not covered by Wolfe Research, estimates based on consensus
**Prices in USD except ORSTED (DKK); Market Caps in USD

Exhibit 9: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div Yield
Clearway Energy	CWEN	31.83	202	6,421	12.3x	11.4x	11.9x	12.6x	4.2%
NextEra Energy Partners	NEP	78.30	177	13,880	11.0x	9.3x	9.1x	8.8x	3.4%
Atlantica Yield*	AY	35.76	111	3,963	11.3x	10.6x	10.2x	10.3x	4.8%
Brookfield Renewable Partners*	BEP	38.21	275	10,506	24.6x	23.2x	22.2x	21.4x	3.2%
Average					**14.8x**	**13.6x**	**13.3x**	**13.2x**	**3.9%**

Source: Wolfe Utilities & Power Research; *Not covered by Wolfe Research, estimates based on consensus

Exhibit 10: Wolfe Research EPS Estimates for Utilities vs. Consensus

		2021E		2022E		2023E		2024E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
AES Corp.	AES	1.54	1.54	1.67	1.68	1.79	1.80	1.89	1.90
Alliant Energy	LNT	2.61	2.58	2.76	2.74	2.90	2.89	3.06	3.07
Ameren	AEE	3.77	3.77	4.08	4.04	4.36	4.33	4.61	4.59
American Electric	AEP	4.69	4.69	5.01	4.97	5.30	5.26	5.62	5.61
American Water	AWK	4.24	4.25	4.58	4.61	4.95	4.98	5.34	5.33
Avangrid	AGR	2.10	2.18	2.40	2.39	2.55	2.52	N/A	2.68
CenterPoint Energy	CNP	1.27	1.43	1.37	1.41	1.49	1.51	1.61	1.59
CMS Energy	CMS	2.88	2.71	2.87	2.88	3.16	3.12	3.48	3.40
Consolidated Edison	ED	4.26	4.25	4.66	4.53	4.78	4.74	4.99	4.94
Dominion	D	3.87	3.87	4.13	4.11	4.38	4.37	4.70	4.64
DTE Energy	DTE	7.34	5.81	5.81	5.91	6.24	6.23	6.62	6.67
Duke Energy	DUK	5.15	5.22	5.40	5.47	5.74	5.78	6.13	6.13
Edison International	EIX	4.54	4.53	4.56	4.66	4.89	4.96	5.19	5.18
Emera*	EMA	2.78	2.81	3.20	3.07	3.37	3.22	3.57	3.49
Entergy	ETR	6.04	6.00	6.38	6.35	6.80	6.74	7.17	7.10
Evergy	EVRG	3.35	3.36	3.54	3.53	3.84	3.77	4.04	4.01
Eversource Energy	ES	3.80	3.83	4.08	4.09	4.35	4.37	4.60	4.64
Exelon	EXC	2.89	2.76	2.26	3.33	2.38	3.39	2.52	3.40
FirstEnergy	FE	2.52	2.54	2.64	2.59	2.78	2.70	N/A	2.73
Fortis*	FTS	2.74	2.70	2.92	2.89	3.10	3.04	3.24	3.24
NextEra Energy	NEE	2.53	2.52	2.70	2.74	2.92	2.94	3.13	3.16
NiSource	NI	1.34	1.35	1.41	1.42	1.51	1.53	1.70	1.69
OGE Energy	OGE	2.30	2.22	2.14	2.16	2.25	2.23	2.34	2.34
PG&E	PCG	1.01	1.01	1.08	1.10	1.18	1.23	1.30	1.32
Pinnacle West	PNW	5.03	5.03	4.61	4.81	4.82	5.03	5.08	5.20
Portland General	POR	2.78	2.76	2.79	2.79	2.88	2.90	2.94	2.96
PPL Corp.	PPL	1.96	1.21	1.68	1.65	1.83	1.84	N/A	1.91
PSEG	PEG	3.58	3.55	3.38	3.46	3.54	3.60	N/A	3.81
Sempra	SRE	8.10	8.14	8.38	8.45	8.74	8.94	9.21	9.34
Southern Company	SO	3.36	3.34	3.48	3.54	3.76	3.83	4.10	4.11
WEC Energy Group	WEC	4.05	4.05	4.29	4.30	4.57	4.57	4.86	4.88
Xcel Energy	XEL	2.98	2.98	3.17	3.17	3.37	3.37	3.57	3.59

Source: Wolfe Utilities & Power Research, FactSet
*Estimates in $CAD

Exhibit 11: Wolfe Research EBITDA Estimates for IPPs v. Consensus

		2021E		2022E		2023E		2024E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
NRG Energy	NRG	1,900	1,948	2,340	2,442	2,400	2,529	N/A	2,559
Vistra Corp	VST	1,643	1,665	3,444	3,347	3,077	3,211	N/A	3,098

Source: Wolfe Utilities & Power Research, FactSet

WOLFE RESEARCH

September 26, 2021

Exhibit 12: Wolfe Research EBITDA Estimates for Midstream v. Consensus

		2021E		2022E		2023E	
Company Name	**Ticker**	**WR**	**Cons**	**WR**	**Cons**	**WR**	**Cons**
Cheniere Energy Inc	LNG	$4,886	$4,853	$5,565	$5,386	$5,606	$5,541
Cheniere Energy Partners LP	CQP	2,567	2,926	2,676	3,209	2,953	3,454
DT Midstream, Inc	DTM	750	753	788	788	831	828
Enbridge Inc.*	ENB	13,983	14,048	15,278	15,542	15,741	15,951
Energy Transfer LP	ET	13,180	13,283	11,250	11,513	11,430	11,733
Enterprise Products Partners LP	EPD	8,450	8,416	8,250	8,351	8,430	8,558
Equitrans Midstream	ETRN	1,130	1,114	1,245	1,251	1,480	1,412
Kinder Morgan Inc	KMI	7,900	7,903	7,040	7,032	7,105	7,114
Magellan Midstream Partners	MMP	1,400	1,379	1,400	1,406	1,475	1,449
MPLX LP	MPLX	5,435	5,421	5,560	5,527	5,605	5,584
ONEOK, Inc.	OKE	3,369	3,318	3,473	3,498	3,528	3,552
Plains All American LP	PAA	2,200	2,192	2,580	2,337	2,640	2,454
Plains GP Holdings LP	PAGP	2,200	2,189	2,580	2,337	2,640	2,454
Targa Resources Corp.	TRGP	1,985	1,952	2,300	2,124	2,415	2,254
TC Energy Corp*	TRP	9,464	9,426	10,060	9,924	10,278	10,335
Williams Companies	WMB	5,384	5,382	5,443	5,456	5,572	5,573

Sources: Wolfe Midstream Research; Factset; Bloomberg

EBITDA estimates in millions unless otherwise noted

*Note: WR Estimates/consensus in $CAD

Exhibit 13: Wolfe Research Sales Estimates for Inverters v. Consensus

		2021E		2022E		2023E		2024E	
Company Name	**Ticker**	**WR**	**Cons**	**WR**	**Cons**	**WR**	**Cons**	**WR**	**Cons**
Enphase Energy	ENPH	1,355	1,338	1,830	1,790	2,270	2,229	2,735	2,613
SolarEdge Technologies	SEDG	1,990	1,971	2,610	2,552	3,130	3,074	3,570	3,315
Generac Holdings*	GNRC		3,719		4,397		4,947		5,429
SMA Solar Technology AG*	S92		997		1,126		1,239		1,316

Sources: Wolfe Clean Energy Research; FactSet

*Not covered by Wolfe Research, estimates based on consensus

**Sales estimates in USD millions, except SMA Solar (EUR millions)

Exhibit 14: Wolfe Research EBITDA Estimates for Hydrogen Plays v. Consensus

		2021E		2022E		2023E		2024E	
Company Name	**Ticker**	**WR**	**Cons**	**WR**	**Cons**	**WR**	**Cons**	**WR**	**Cons**
Ballard Power Systems	BLDP	(70)	(65)	(59)	(53)	(34)	(31)	(6)	6
Bloom Energy Corp.	BE	46	57	131	131	193	204	272	266
Plug Power	PLUG	(158)	(106)	14	33	147	165	336	310
FuelCell Energy*	FCEL		(32)		(10)		7		15
ITM Power PLC*	ITM		(17)		(2)		4		12
NEL ASA*	NEL		(369)		(215)		(8)		265

Sources: Wolfe Clean Energy Research; FactSet

*Not covered by Wolfe Research, estimates based on consensus

**EBITDA in USD millions, except ITM (GBP millions) and NEL (NOK millions)

Exhibit 15: Wolfe Research EPS Estimates for Panels v. Consensus

		2021E		2022E		2023E		2024E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
First Solar	FSLR	4.33	4.17	1.10	2.67	3.50	3.43	5.50	4.59
Canadian Solar*	CSIQ		2.11		3.94		3.81		N/A
JA Solar*	002459		1.23		2.08		2.70		N/A
JinkoSolar Holding*	JKS		2.30		2.67		4.14		N/A
LONGi Green Energy*	601012		2.21		2.89		3.55		5.03
Trina Solar*	688599		0.94		1.67		2.20		N/A

Sources: Wolfe Clean Energy Research; FactSet
*Not covered by Wolfe Research, estimates based on consensus
**EPS in USD, except JA Solar, LONGi Green Energy, Trina Solar (CNH)

Exhibit 16: Wolfe Research EBITDA Estimates for Offshore Wind v. Consensus

		2021E		2022E		2023E		2024E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
Ørsted A/S	ORSTED	21,712	23,319	21,737	24,736	22,736	25,956	23,143	28,578
AES Corp.	AES	3,532	3,413	3,703	3,877	3,863	4,160	4,072	4,072
EDP Renovaveis SA*	EDPR		1,579		1,757		1,900		2,045
Grenergy Renovables SA*	GRE		43		84		130		180
Iberdrola SA*	IBE		10,980		11,988		12,945		13,910
NextEra Energy, Inc.	NEE	12,129	10,884	13,012	12,605	13,960	13,870	14,864	12,904
Neoen SA*	NEOEN		302		373		470		541
RWE AG*	RWE		3,202		3,302		3,005		3,181
Solaria Energía y Medio Ambiente SA*	SLR		78		144		190		245

Sources: Wolfe Clean Energy Research; FactSet
*Not covered by Wolfe Research, estimates based on consensus
**EBITDA in USD millions, except EDPR, GRE, IBE, NEOEN, RWE, SLR (EUR millions) & ORSTED (DKK millions)

Exhibit 17: Wolfe Research EBITDA Estimates for YieldCos v. Consensus

		2021E		2022E		2023E		2024E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
Clearway Energy	CWEN	$1,200	$1,188	$1,267	$1,252	$1,190	$1,267	$1,102	$1,178
NextEra Energy Partners	NEP	1,446	1,478	$1,602	1,644	$1,701	1,786	$1,847	1,888
Atlantica Yield*	AY		852		908		947		938
Brookfield Renewable Partners*	BEP		1,917		2,039		2,130		2,210

Sources: Wolfe Clean Energy Research; FactSet
*Not covered by Wolfe Research, estimates based on consensus
**EBITDA estimates in USD milllions unless otherw ise noted

Utilities

September 26, 2021

AES Corp. (AES)

1. What is the company's competitive advantage in renewables development in the U.S. and internationally? What kind of returns are you getting?
2. Are you seeing inflationary impacts on input costs for your various renewable projects? How much of your backlog is locked up (i.e., not exposed to these impacts)? Are you seeing any issues with your supply chain?
3. Can you discuss the line of sight you have to meeting your targeted 4-5 GW of signed renewable PPAs annually? How big is your pipeline? What is the split of U.S. vs international?
4. What do you see as the biggest benefit for AES from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?
5. You recently disclosed that AES and Siemens were considering strategic options for Fluence. Any updates?
6. What is your long-term vision for Uplight – how big do you see this business getting? Same question for your other strategic investments (5B, Motor, etc.)
7. AES Ohio and Indiana are both growing rate base at a 9% CAGR through 2025 – what type of projects are driving this growth? Can you discuss timing of next rate cases for each utility and how this will impact the expected earnings contribution?
8. How do you balance being able to meet EPS / parent FCF growth targets while quickly transitioning away from coal?
9. How should we think about timing for future coal retirements and sell downs? Are you in any discussions currently or have most already been announced?
10. How are discussions going with the Bulgarian government over EU competition issues related to the Maritza plant contract? What are the possible solutions and on what terms are you hoping to resolve the issue?
11. What is the latest in Chile with respect to the constitutional re-write? Do you expect any radical changes? How might this impact AES Andes' plans for future renewable investment?
12. How long do you expect currency controls to remain in place in Argentina? If cash remains trapped in for an extended period, how do you expect to offset the impact? Is there any risk of further earnings degradation?
13. What is the latest on the LNG / CCGT projects in Vietnam? What size equity investment and levered return are you targeting for these projects?
14. Now that you are investment grade rated at Fitch and S&P, when do you expect that Moody's might follow suit?
15. Which businesses do you expect to provide the bulk of the cash distributions up to AES over the next few years? At what businesses do you have leverage capacity or an ability to increase cash dividends by pushing out debt amortizations and maturities?

Exhibit 18: Financial Summary

Financial Summary	2021	2022	2023	2024
Adjusted EPS	1.54	1.67	1.79	1.89
Parent free cash flow	894	909	968	1,019
Adjusted pre-tax contribution	1,384	1,505	1,615	1,775
EBITDA (consolidated)	3,532	3,704	3,863	4,072
Dividends per share	0.60	0.63	0.66	0.70
Diluted Shares Outstanding	668	670	671	700

Pre-tax Contribution	2021	2022	2023	2024
US and Utilities	644	722	773	830
South America	435	498	548	591
MCAC	304	320	330	380
Eurasia	166	120	120	120
Corporate	(165)	(155)	(156)	(145)
Total adjusted PTC	**1,384**	**1,505**	**1,615**	**1,775**

Source: Wolfe Utilities & Power Research

Exhibit 19: Key Metrics / Modeling Assumptions

Financial Ratios	2021	2022	2023	2024
P/E Multiple	15.2x	14.0x	13.1x	12.4x
Dividend yield	2.6%	2.7%	2.8%	3.0%
Parent FCF yield	5.7%	5.8%	6.1%	6.2%
Net Debt / EBITDA	5.6x	5.5x	5.4x	5.2x
Recourse net debt / Unlevered Parent FCF	3.4x	3.4x	3.7x	3.9x
FFO / consolidated net debt	12%	12%	13%	13%
Parent FCF / debt - recourse	26%	26%	25%	23%
Debt - Recourse	3,446	3,446	3,946	4,446
Net Debt - Consolidated	19,830	20,336	20,975	21,361
Noncontrolling Interests	1,754	1,595	1,243	881
Preferred / Redeemable Stock	872	872	872	872
Market Cap	15,663	15,698	15,734	16,398
Enterprise Value	38,118	38,502	38,824	39,513

Capital Allocation	2021	2022	2023	2024
Share Repurchases	0	0	0	0
Dividends	401	422	444	486
Growth investments in subsidiaries	1,350	692	977	877

Source: Wolfe Utilities & Power Research

Alliant Energy (LNT)

1. How do you feel about your overall 5-7% EPS growth rate? What gets you to the higher or lower end in any one particular year? What is driving you towards the top-half of the guidance range in 2021?
2. You recently wrapped up a large-scale wind investment program in Iowa and are about to roll-out a big solar build program in Wisconsin and Iowa. What drives the difference in selection of resource type? Have regulatory approvals been relatively straightforward? How are these investments being recovered?
3. What percentage of the generation mix are you ultimately targeting for renewables? Do you foresee any additional capacity needs beyond the next several years? How are you making sure that reliability and affordability remains intact during this transition?
4. The treatment/recovery of your latest coal plant retirement at Edgewater in Wisconsin seemed constructive. Do you believe a similar mechanism can be used for Columbia? What is the remaining book value on your co-owned coal plants in Iowa? When do you anticipate you'll be able to announce shutdown dates there? What is the precedent for coal investment recovery in Iowa?
5. You filed a balanced rate case settlement agreement in Wisconsin earlier this year. Can you list some of the key components? When do you expect the WI PSC to approve the settlement?
6. When will you next file a rate case in Iowa? How big of a deal was the renewables rider that you are able to use?
7. What has enabled you to be so successful in achieving rate case settlements over the last decade? What is your view on Wisconsin and Iowa regulation overall? Is there anything you would change?
8. What are some of the other key components of the capital plan? What is a normalized annual capex run-rate once beyond the big renewables programs? How much runway is there on your T&D undergrounding plan and how do the costs/benefits stack up there?
9. Are you seeing any inflationary pressures within your business, particular the current solar build-out? What can you do to manage increased costs on this front?
10. Under the current capital plan, should we expect any incremental equity after 2021? How do you weigh increased capex potential versus increased equity needs? When do you expect to start moving forward with the tax equity funding for your solar investments?
11. What are your latest views on sales growth in your service territories coming out of the COVID pandemic? How are you seeing the puts and takes of having a different sales mix by customer class going forward?
12. What are your thoughts on potential consolidation in the sector? Are you a buyer or seller?
13. Where do you see future rate base opportunities at ATC? What are some of the major projects in ATC's 10-year capital plan? Do you see any potential large-scale projects coming out of the MISO plan? Does your stake in ATC still make sense as part of the business mix?
14. What do you assume as the ongoing FERC-allowed ROE for transmission in MISO? What were your thoughts on the latest FERC NOPR regarding transmission RTO adders? When can we expect final resolution on this front?

Exhibit 20: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.61	$2.76	$2.90	$3.06
Diluted Shares Outstanding	250	250	251	251
Dividends Per Share	1.61	1.71	1.81	1.92
Dividend Yield	2.8%	3.0%	3.2%	3.4%
Dividend Payout Ratio	61.7%	61.8%	62.4%	62.7%
Equity Ratio	43.0%	43.6%	45.5%	45.3%
FFO/Net Debt	16%	16%	16%	17%
Valuation Metrics				
P/E	21.9x	20.7x	19.7x	18.7x
Price/Book	2.4x	2.2x	2.0x	1.9x
Segment EPS				
IP&L	$1.38	$1.46	$1.54	$1.63
WP&L	1.06	1.14	1.21	1.28
ATC	0.14	0.14	0.14	0.15
Parent	0.03	0.02	0.01	0.00
Total EPS	**$2.61**	**$2.76**	**$2.90**	**$3.06**
IP&L Electric and Gas				
Realized ROE	9.3%	9.3%	9.3%	9.8%
Average Rate Base ex CWIP	$7,137	$7,404	$7,457	$8,103
WP&L Electric and Gas				
Realized ROE	9.9%	9.2%	9.7%	10.0%
Average Rate Base ex CWIP	$4,793	$5,068	$5,275	$5,800

Source: Wolfe Utilities & Power Research

Exhibit 21: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capital Spending ($M)				
IP&L	$375	$680	$735	$535
WP&L	$765	$780	$700	$675
Other	155	165	170	160
Total Capex	**$1,295**	**$1,625**	**$1,605**	**$1,370**
Financings ($M)				
Total Equity Issued/(Repurchased)	$25	$25	$25	$25
Total Debt Issued/(Repurchased)	525	450	325	440
Sales Forecast				
Electric	6.4%	0.8%	0.8%	0.8%
Gas	0.4%	0.4%	0.4%	0.4%

Source: Wolfe Utilities & Power Research

September 26, 2021

Ameren Corp. (AEE)

General

1. What are the upside/downside risks to your 6-8% LT EPS and dividend growth targets? What's your conviction level on meeting them?
2. Describe your 2021-25 capital plan of $17B and the investment opportunities through 2030 of $23B+. How confident are you in those opportunities and will they be incremental to your 5yr plan?
3. What do you think Congress passes from the Biden clean energy plan and tax credits? How would that impact your current plan?
4. What is the impact to your earnings/cash outlook if natural gas and purchased power prices rise?
5. How about inflationary pressure? Do you see it as manageable?
6. What are your capital structure and FFO/Debt targets? What are your equity needs through 2025?
7. What is your strategy and views on 1) M&A and 2) ESG?

Missouri

8. Incremental renewables – What is the latest on the incremental renewable investments? Would they be incremental to your 8% rate base growth? When will you file CCNs?
9. MO rate case – What did you think of the Staff rec? What are the most contested items? What's the chance of settlement? Do you have any concerns about MO regulation?
10. PISA – How has it worked? What has been the feedback from regulators/lawmakers? What happens when it expires in a couple of years? Can it be extended?
11. Wind – What are the operational issues that you've encountered with the bats and your windfarms?
12. Securitization – With or without Biden's clean energy push, do you expect to accelerate your current fleet transition schedule in MO given this spring's securitization law?

Illinois

13. IL legislation – How does it impact your business? Do you see upside to LT growth, either through increased capex or higher ROE?
14. Gas business – What earned returns do you project going forward for AEE IL gas distribution? Any upside opportunities?

Transmission

15. MISO opportunities – Describe the potential opportunities from MISO's MTEP report expected in Dec 2021? When will investors know how much can be added to your $40B+ investment opportunities through 2030?
16. FERC ROE – What is the risk from the proposed elimination of the RTO/ISO ROE adder (50bp)? Do you see any mitigation, such as higher base ROEs? What FERC ROE do you assume in your outlook?

Exhibit 22: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.77	$4.08	$4.36	$4.61
Consensus	$3.77	$4.04	$4.33	$4.59
Diluted Shares Outstanding	255	260	265	269
Indicated Dividend Per Share	$2.20	$2.35	$2.52	$2.70
Dividend Yield	2.6%	2.8%	3.0%	3.2%
Payout Ratio	56%	56%	56%	57%
Equity ratio (excl ST debt)	43%	43%	44%	44%
FFO/Net Debt	18%	18%	18%	18%
Valuation Metrics				
P/E	22.2x	20.5x	19.2x	18.1x
P/B	2.2x	2.1x	1.9x	1.8x
Segment EPS				
Ameren Missouri	$1.96	$2.10	$2.28	$2.41
Ameren Illinois (ex transmission)	1.04	1.12	1.17	1.23
Transmission (AIC and ATX)	0.90	1.01	1.06	1.12
Parent/Other	(0.14)	(0.15)	(0.15)	(0.15)
Total EPS	$3.77	$4.08	$4.36	$4.61
ROE				
Ameren Missouri	8.3%	8.4%	8.8%	8.9%
Ameren Illinois (ex transmission)	8.6%	8.7%	8.7%	8.8%
Transmission (AIC and ATX)	10.5%	10.5%	10.5%	10.5%

Source: Wolfe Utilities & Power Research

Exhibit 23: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending ($M)				
Ameren Missouri	$2,174	$1,636	$1,654	$1,706
Ameren Illinois (ex transmission)	850	888	888	888
Transmission (AIC and ATX)	725	734	734	734
Parent/Other	3	3	3	3
Total Capital Spending	$3,753	$3,262	$3,280	$3,332
Financings ($M)				
Total Equity Issued/(Repurchased)	$365	$400	$400	$400
Total Debt Issued/(Repurchased)	1,524	1,065	915	940
Sales Forecast				
Ameren Missouri	5.0%	0.2%	0.2%	0.2%
Ameren Illinois	4.9%	0.5%	0.5%	0.5%

Source: Wolfe Utilities & Power Research

September 26, 2021

American Electric Power (AEP)

1. What conviction level do have on your 5-7% EPS growth target? Are you targeting the top end? What are the key drivers?
2. What are your fleet transition opportunities in MW and dollars? And how much is incremental to your 5yr plan and your growth target?
3. What is the latest on KY Power sale process? Why is KYPSC investigating KY Power? Can the investigation delay or impede a sale?
4. If you divest KY Power, would you still need equity for North Central Wind? If not, then how much equity do you need in 2022?
5. What are your projected cash needs through 2025? What are your forecasted FFO/debt metrics? Will you need equity beyond that to fund NCW?
6. What do you think Congress passes from the Biden clean energy plan and tax credits, including for transmission? How would that impact your current capital plan?
7. What transmission opportunities do you see from MISO MTEP report in Dec or SPP planning? When will those opportunities show up in your plan? Would they be additive to your plan?
8. What is the risk to FERC ROEs? What transmission earnings growth do you project through 2025?
9. What is the latest on your OH rate case settlement?
10. Which of your pending or upcoming rate cases do you expect to be the most contentious? Which have you not yet settled? What's the 2021 calendar look like?
11. How much lag do you project across your utilities? Which are significantly under-earning?
12. What is the impact to your earnings/cash outlook if natural gas and purchased power prices rise?
13. How about inflationary pressure? Do you see it as manageable?
14. What level of growth do you expect from your nonutility contracted renewables segment? How does your tax position impact the returns from the various types of renewable projects?
15. What is your targeted dividend growth and payout?

Exhibit 24: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.69	$5.01	$5.30	$5.62
Consensus EPS	$ 4.69	$ 4.97	$ 5.26	$ 5.61
Diluted Shares Outstanding	499	517	536	546
Dividends Per Share	$2.96	$3.14	$3.33	$3.53
Dividend Yield	3.6%	3.8%	4.1%	4.3%
Dividend Payout Ratio	63%	63%	63%	63%
Equity Ratio	40%	40%	40%	40%
FFO/Net Debt	15%	15%	15%	15%
Valuation Metrics				
P/E	17.5x	16.4x	15.5x	14.6x
Price/Book	1.8x	1.7x	1.6x	1.6x
Segment EPS				
Vertically Integrated Utilities	$2.21	$2.35	$2.45	$2.59
T&D Utilities	1.11	1.20	1.27	1.35
Transmission Holding Co	1.23	1.33	1.42	1.52
Generation & Marketing	0.34	0.37	0.40	0.42
Parent and Other	(0.20)	(0.24)	(0.23)	(0.25)
Total AEP	**$4.69**	**$5.01**	**$5.30**	**$5.62**

Source: Wolfe Utilities & Power Research

Exhibit 25: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Total Capital Spending ($M)				
Regulated Operations	$5,337	$6,150	$5,061	$4,872
Transmission Holding Co	1,597	1,404	1,370	1,647
Nonutility	531	434	436	434
Total Capex	**$7,465**	**$7,988**	**$6,867**	**$6,953**
Financings ($M)				
Total Equity Issued	600	1,400	100	600
Total Debt Issued/(Repurchas	3,249	2,775	2,637	2,187

Source: Wolfe Utilities & Power Research

American Water Works (AWK)

1. What opportunities and risks do you face from the increasing focus on clean water and potential contaminants? What are you doing to ensure you customers' water is safe?
2. Are you seeing any inflationary impacts throughout the business? Has this pressured your ability to lower your O&M efficiency ratio?
3. What factors could determine whether or not you land in the top half of your 7-10% EPS CAGR?
4. Where are you at in the sale process of your NY subsidiary? How concerned are you about the local municipalities' attempting to take over parts of the water system? When do you expect the sale to close?
5. What is the latest with respect to the grand jury subpoena received at Homeowner Services? Any idea when you think the investigation will be resolved?
6. You disclosed the need for $700M of equity over the course of your 5-year plan, any sense on timing of the equity issuance? What consolidated capital structure do you target?
7. What is the unavoidable regulatory lag in the business? What states are you earning the lowest returns and what are you doing to improve them?
8. Where do you see the best opportunities for municipal tuck-in acquisitions? Can you discuss the process for getting these properties rolled into rate base? Has the COVID pandemic impacted your acquisition pipeline?
9. Is there any pending legislation which could aid in further consolidation of distressed municipal water systems? What other legislative items have passed or are currently being discussed in your major states?
10. How is Military Services performing? How many contracts do you expect the Dept. of Defense to award over the next 6-12 months?
11. How is Homeowner Services performing? What opportunities do you see to grow the business organically?
12. Water utilities already trade at big premiums to electric / gas – what opportunities do you see to expand your multiple further? How are you differentiated from peers on ESG?
13. What are your thoughts on M&A? Would you be interested in pursuing another water IOU? Are there any other states within your current portfolio that might be considered non-core?
14. At a high level, how does President Biden's infrastructure bill impact the water sector? What major benefits do you see for AWK as a result of that proposals?
15. What states do you have rate cases currently pending? When do you expect to file next in your largest jurisdictions (PA, NJ and MO)?

Exhibit 26: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.24	$4.58	$4.95	$5.34
Diluted Shares Outstanding	181	184	186	186
Dividends Per Share	$2.37	$2.60	$2.86	$3.15
Dividend Yield	1.3%	1.5%	1.6%	1.8%
Dividend Payout Ratio	56%	57%	58%	59%
Equity Ratio	38%	41%	40%	39%
FFO/Debt	14%	14%	14%	14%
Valuation Metrics				
P/E	41.7x	38.6x	35.7x	33.1x
P/B	4.7x	4.1x	4.0x	3.8x
Segment EPS				
Utilities	$4.24	$4.43	$4.75	$5.14
Market-based businesses	$0.51	$0.61	$0.66	$0.71
Parent/other	($0.51)	($0.45)	($0.46)	($0.50)
Total EPS	4.24	4.58	4.95	5.34

Source: Wolfe Utilities & Power Research

Exhibit 27: Modeling Assumptions

	2021E	2022E	2023E	2024E
Investing and Financing ($M)				
Capex	$1,900	$2,125	$2,125	$2,125
Equity Issued/(Repurchased)	10	700	10	10
Debt Issued/(Repurchased)	74	450	900	950
Utility				
Sales growth	-0.9%	-0.9%	-0.9%	-0.9%

Source: Wolfe Utilities & Power Research

September 26, 2021

Avangrid (AGR)

1. What are some of the key drivers in the 6-8% EPS growth outlook? What gives you conviction that this is achievable with reasonable conservatism, particularly given the company's prior track record?
2. What drove the strategic thinking on the PNM merger? Where do you see potential synergies? What is the opportunity set for regulated renewables in PNM's service territory?
3. Is Iberdrola interested in expanding even further in the U.S.? How do they think about M&A prospects from here?
4. Now that you have completed the latest equity offering, how do you think about funding needs from here? When will you need to issue common equity again and what financing structures are being looked at? Are you comfortable with you ~14-15% pro forma FFO/Debt target given your asset mix and how do the rating agencies view this?
5. What is AGR's story to tell from an ESG perspective? How does your business mix of 85% regulated utilities in 2022 change as we go out further in time and more renewables (offshore wind) come online?
6. How are you thinking about the impact of the Biden infrastructure and tax plan? What do certain provisions mean for your company (PTC/ITC for wind, solar, storage, hydrogen, transmission; plus direct pay)? What are the impacts from a higher tax rate, minimum book tax, or higher dividend tax?
7. How has your progress been on reaching authorized ROEs at all of your utilities? Do you have confidence that storm performance will be better going forward given some of the backlash last year in New York and Connecticut?
8. How are you feeling about the Connecticut regulatory climate following your rate freeze settlement agreement? What about in Maine where you have hit the service metrics to end the 100bps ROE penalty? Where do we stand on recovery of COVID impacts in New York?
9. How is construction going on NECEC transmission in Maine? Do any of the outstanding legal challenges or ballot referendum concern you? How much should this contribute to EPS?
10. What are your thoughts on FERC transmission ROEs and adders given the latest FERC rhetoric? When will this be settled once and for all? How should be think about impacts/sensitivities?
11. When can we expected Vineyard Wind to begin construction? How comfortable are you with the economics of the project? What will the ultimate financing structure look like?
12. What drove the changes to the JV relationship with Copenhagen? What is the status of some of the offshore wind RFPs in other states? Do you expect to win these processes? Are you still maintaining the same level of targeted returns discipline?
13. How have you been progressing on adding incremental contracted renewables projects? How competitive is the market and how much has the cost curve come down? Are you seeing any inflationary or supply chain pressures?
14. How has the market been to sell renewables development projects? Is this a sustainable earnings generator and funding strategy long-term?

Exhibit 28: Financial Summary

Financial Summary	2021E	2022E	2023E
EPS	$2.10	$2.40	$2.55
Consensus EPS	$2.18	$2.39	$2.52
Dividends Per Share	$1.76	$1.76	$1.76
Dividend Yield	3.5%	3.5%	3.5%
Dividend Payout Ratio	84%	73%	69%
FFO/Net Debt	19%	18%	18%
Net Debt/Capitalization	38%	40%	40%
Diluted Shares Outstanding	358	319	325
Valuation Metrics			
P/E	24.2x	21.1x	19.9x
Price/Book	1.1x	1.0x	1.0x
Segment EPS			
NYSE&G (Electric/Gas)	0.45	0.59	0.67
RG&E (Electric/Gas)	0.35	0.43	0.46
CMP (Electric/Transmission)	0.40	0.49	0.53
UI (Electric/Transmission)	0.30	0.35	0.35
SCG (Gas)	0.09	0.10	0.10
CNG (Gas)	0.07	0.08	0.08
Renewables	0.63	0.61	0.64
Parent / Other	(0.19)	(0.25)	(0.28)
Total EPS	**$2.10**	**$2.40**	**$2.55**

Source: Wolfe Utilities & Power Research

Exhibit 29: Modeling Assumptions

Assumptions	2021E	2022E	2022E
Capex by Segment ($M)			
NYSE&G	$743	$750	$750
RG&E	$471	$424	$424
CMP	$686	$776	$525
UI	$201	$200	$200
SCG	$97	$95	$95
CNG	$97	$95	$95
Renewables	$297	$287	$37
Parent & Other	$57	$58	$58
Total Capex	**$2,649**	**$2,685**	**$2,184**
Financing ($M)			
Total Equity Issued/(Repurchased)	$300	$300	$300
Total Debt Issued/(Repurchased)	$1,290	$965	$885

Source: Wolfe Utilities & Power Research

CenterPoint Energy (CNP)

1. You expect to grow utility EPS 8% annually through 2024 and in the top-half of 6-8% then through 2030. Can you discuss the drivers and is there potential upside to your growth targets?
2. When do you expect the ET/ENBL merger to close? What has been the hang up at the FTC for getting HSR clearance?
3. You recently disclosed that you expected to exit midstream by YE22 – what factors will drive whether you exit sooner or later next year?
4. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
5. What do you see as the biggest benefit for CNP from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?
6. How much do you plan to invest in renewables at Indiana Electric over the course of your 10-year plan? What is required for approval of these projects?
7. Given the great price (2.5x rate base) received for your AR/OK gas LDCs, would you consider additional LDC sales in the future? What would be the key determining factors? Do any of your LDCs underearn more than the others?
8. What is the latest on securitization efforts in TX regarding Storm Uri gas costs? When do you expect a resolution in your MN proceeding regarding the incremental gas costs there?
9. Can you talk about your expectation for 2% core sales growth at Houston Electric? What is driving this growth and are there incremental upsides from areas of electrification? How about growth at your gas LDCs?
10. O&M is now expected to decrease 1-2% annually through 2030. Can you talk about where you are finding these cost savings? Is the percentage of savings consistent each year through your planning period?
11. You recently committed to net-zero carbon by 2035 (Scope 1 & 2) – what are you doing specifically to achieve this? How would you characterize your ESG positioning vs peers?
12. What is your rate case calendar like over the next 1-2 years? What are your priorities for Houston Electric's next rate case?
13. Can you discuss the bills that were passed during recent the TX legislative session that positively impacted CNP? What else might you look to push forward to allow CNP to take an even more active role in hardening the system?
14. How do you see hydrogen and RNG playing a role in the gas sector long-term? Are you currently conducting any pilot projects in your jurisdictions?

Exhibit 30: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$1.27	$1.37	$1.49	$1.61
Consensus	$1.43	$1.41	$1.51	$1.59
Diluted Shares Outstanding	608	636	636	637
Dividends Per Share	$0.63	$0.68	$0.73	$0.79
Dividend Yield	2.5%	2.7%	2.9%	3.1%
parent)	49%	49%	49%	49%
Equity Ratio	36%	39%	40%	38%
FFO/Net Debt	15%	17%	15%	15%
Valuation Metrics				
P/E	20.0x	18.5x	17.1x	15.7x
Price/Book	1.7x	1.7x	1.6x	1.6x
Segment EPS				
Houston Electric	$0.65	$0.69	$0.75	$0.77
CERC	$0.35	$0.34	$0.36	$0.41
VUHI utiilities	$0.38	$0.39	$0.45	$0.52
Midstream	$0.21			
Corporate & Other	($0.12)	($0.06)	($0.08)	($0.09)
Total EPS	**$1.46**	**$1.37**	**$1.49**	**$1.61**
Adjusted Utility + Parent EPS	*$1.27*			
Adjusted ENBL EPS	*$0.19*			
Segment ROE & Rate Base				
Houston Electric Realized ROE	9.3%	9.3%	9.2%	9.2%
Houston Electric Average Rate Base	$8,020	$9,248	$10,384	$11,372
CERC Realized ROE	9.6%	9.6%	9.5%	9.5%
CERC Average Rate Base	$4,142	$4,258	$4,565	$5,204
VUHI Realized ROE	9.9%	9.9%	9.7%	9.7%
VUHI Average Rate Base	$4,925	$5,407	$6,339	$7,397
Total Average Rate Base	**$17,088**	**$18,913**	**$21,289**	**$23,973**

Source: Wolfe Utilities & Power Research

Exhibit 31: Modeling Assumptions

Capex by segment ($M)	2021E	2022E	2023E	2024E
Houston Electric	$1,807	$2,017	$1,694	$1,323
Indiana Electric	$293	$383	$1,106	$977
CERC	986	923	1,325	869
VUHI gas LDCs	414	477	575	531
Total Capex	**$3,500**	**$3,800**	**$4,700**	**$3,700**
Financings ($M)				
Equity Issued/(Repurchased)	$20	$20	$20	$20
Preferred Equity Issued/(Repurchased)	$0	$0	$0	$0
Debt Issued/(Repurchased)	$1,600	($443)	$2,200	$1,900
Sales Forecast				
Houston Electric	1.7%	1.7%	1.7%	1.8%
Natural Gas Distribution	0.5%	0.5%	0.5%	0.5%

Source: Wolfe Utilities & Power Research

September 26, 2021

Clearway Energy (CWEN)

1. Please discuss the visibility and cushion you have on the commitment to 5-8%/yr DPS growth through 2023. Longer term, roughly how much renewable capacity would you need to acquire each year in order to keep this level of growth going, and how does this compare to GIP's pace of development? As renewables accelerate, could there be upside to the growth target?
2. How are you thinking about the strategic review of the thermal business and how far in the process are you? What criteria would you like to see met to execute on a transaction? How should we think about the use of proceeds from any sale? How are you thinking about equity needs while this process continues?
3. How has the renewables acquisition market evolved and do you expect CWEN to continue to be more active in third-party M&A going forward? How do transaction prices on third party M&A deals compare to drop-downs from the sponsor?
4. How are things progressing on efforts to re-contract the California gas plants? What are your main objectives on re-contracting in order to continue to own the assets over the long run? How have the reliability issues in California shaped your discussions? What is the biggest hurdle in re-contracting – getting sufficient term, high enough prices, regulatory, etc?
5. If the California gas plants can't be re-contracted in a way that is consistent with CWEN's low risk investment profile, how confident are you that the assets could be sold at reasonable value? Who would be the likely buyer of CA gas plants? How could proceeds be allocated?
6. What are you most focused on in the Democrats' reconciliation bill? How could this impact CWEN and how might this change the pace of renewables development by your sponsor GIP?
7. How do you think about the fuel mix of the portfolio as ESG and clean energy criteria play a larger role in the investment universe? Is there a particular mix you would aspire to over time and how much do you value fuel diversity? How do you screen for inclusion in the major clean energy indices?
8. How are things progressing in reaching financial terms with GIP over the next round of 1.7 GW of co-investments? Should we assume a similar structure, capital deployment, and returns as the first portfolio drop-down transaction?
9. How has GIP's pace of renewables development changed over the past year? Are there particular types of assets and locations where they are most focused?
10. How should we think about the sponsor GIP's timeframe for its continued ownership of Clearway?

Exhibit 32: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
Adjusted EBITDA	$1,200	$1,267	$1,190	$1,102
Consensus EBITDA	$1,188	$1,252	$1,267	$1,178
Cash Available for Distribution	$340	$379	$310	$417
CAFD per Share	$1.66	$1.81	$1.46	$1.93
Dividends Per Share	$1.33	$1.42	$1.50	$1.59
Cash From Operations	$805	$860	$805	$732
Diluted Shares	204	209	212	216
Market Capitalization	$6,509	$6,650	$6,764	$6,881
Net Debt	$8,383	$8,073	$7,727	$7,483
Enterprise Value	$14,892	$14,723	$14,491	$14,364
Valuation Metrics				
EV/EBITDA	11.4x	11.8x	12.4x	13.2x
Dividend Yield	4.2%	4.5%	4.7%	5.0%
Credit Metrics				
Net Debt/EBITDA	6.9x	6.3x	6.4x	6.7x
Corporate Debt / CAFD	4.9x	4.5x	5.6x	4.4x
EBITDA/Interest Expense	2.8x	3.0x	3.0x	2.9x
Dividend Cash Payout	80%	78%	103%	82%

Source: Wolfe Utilities & Power Research

Exhibit 33: Modeling Assumptions

Segment EBITDA	2021E	2022E	2023E	2024E
Conventional	$394	$394	$285	$176
Renewables	774	840	872	894
Thermal	61	63	62	62
Corporate	(29)	(30)	(29)	(29)
Adj. EBITDA	**$1,200**	**$1,267**	**$1,190**	**$1,102**
Financings ($M)				
Equity Issued	$150	$100	$125	$125
Debt Issued / Repaid	$1,130	($293)	($328)	($244)

Source: Wolfe Utilities & Power Research

September 26, 2021

CMS Energy (CMS)

1. What gives your confidence in the 6-8% earnings growth rate long-term? How long can you sustain hitting the top-end? Are you still pointing to the IRP-related capex as an upside?
2. How are you thinking about the company's ESG position? What has the reception been to your accelerated coal shutdown announcement? Do you think this will unlock new investors?
3. What has been the feedback to your Integrated Resource Plan overall? Have you gotten any pushback? Are parties comfortable with no coal from a reliability perspective and more existing gas from an emissions perspective? Are you confident you won't need to use securitization? How are you feeling about the ability to own more renewables versus PPAs? Can a settlement be attained and when should we expect approval?
4. How are you thinking about the implications of the Biden infrastructure and tax plans? How are you feeling on chances of approval and what are the most important factors for your business?
5. Have concerns about the gas LDC business calmed down? Has the recent high gas price environment brought this back at all? How do the economics compare to electrification of heating (ie: heat pumps)? What type of role could hydrogen have in the future considering your asset base?
6. A number of storms have hit Michigan in recent months that gained political and regulatory attention. What are you doing to address this? Anything you plan to do differently or any new capex needed?
7. Where do we stand on your electric rate case? Is a settlement still possible? When is your next gas rate case?
8. What is your view on the Michigan PSC overall? Are there any changes you would like to see from a regulatory / rate-making perspective? Do think allowed ROEs will remain stable at just below 10%? What is your EPS sensitivity to ROE changes?
9. What are some of the key drivers in 2021 and 2022 guidance? What are you seeing on sales growth trends coming out of COVID peak?
10. When will you make a decision on the 2022 dividend and how should we think about the growth trajectory long-term?
11. How are you thinking about your balance sheet and current credit metric targets? Are you confident in maintaining your current ratings now that Moody's has taken action? When will equity needs resume?
12. What are some of your long-term focus areas on the cost cutting side of the equation? How long can this runway continue?
13. What is the status of closing the Enerbank sale? How material could the change in proceeds be as book equity has changed?
14. How do you think about owning unregulated contracted renewables? Will we see more of this? How do the returns on this type of investment compare to regulated utility returns?
15. Anything else do to on the strategic front after Enerbank and the IRP? Do you look at M&A opportunities? Are you a buyer or seller? Do you think you need more scale long-term?

Exhibit 34: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.88	$2.87	$3.16	$3.48
Diluted Shares Outstanding	287	288	288	288
Dividends Per Share	$1.74	$1.77	$1.90	$2.03
Dividend Yield	2.9%	2.9%	3.1%	3.3%
Dividend Payout Ratio	61%	62%	60%	58%
Equity Ratio	27%	31%	30%	29%
FFO/Net Debt	12%	14%	13%	13%
Valuation Metrics				
P/E	21.1x	21.1x	19.2x	17.5x
Price/Book	2.9x	2.8x	2.7x	2.5x
Segment EPS				
Consumers	$3.08	$3.32	$3.63	$3.95
Enterprises	0.13	0.13	0.13	0.13
Enerbank	0.22			
Parent	(0.56)	(0.58)	(0.60)	(0.60)
Total EPS	**$2.88**	**$2.87**	**$3.16**	**$3.48**
Consumers Energy				
Electric				
Realized ROE	10.0%	9.7%	9.5%	9.3%
Average Rate Base	$12,466	$13,391	$14,622	$15,907
Gas				
Realized ROE	9.7%	9.5%	9.3%	9.2%
Average Rate Base	$8,167	$8,985	$9,799	$10,512

Source: Wolfe Utilities & Power Research

Exhibit 35: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Total CapEx by Segment ($M)				
Electric Capital	$1,400	$1,800	$2,008	$1,908
Gas Capital	1,100	1,200	1,100	1,000
Total Capex	**$2,500**	**$3,000**	**$3,108**	**$2,908**
Financings ($M)				
Total Equity Issued/(Repurchased)	$100	$0	$0	$0
Total Debt Issued/(Repurchased)	950	1,350	1,450	1,150
Sales Forecast				
Electric	2.4%	1.0%	1.0%	1.0%
Gas	0.8%	0.8%	0.8%	0.8%

Source: Wolfe Utilities & Power Research

September 26, 2021

Consolidated Edison (ED)

1. What are upside/downside risks to your 4-6% EPS growth target? Do you expect the growth to be uniform through your planning period?
2. Do you see any upsides to your ~6% rate base CAGR over the next 3-5 years? When do you expect to get clarity on Phase II of your transmission proposals in NY? How much of the estimated $5.4B in capex for the 8 projects do you expect to go to CECONY?
3. When do you expect to be able to collect disconnect/late fees from residential and commercial customers? What does your 2021 EPS guidance assume? How much of an earnings headwind is this on a quarterly basis?
4. Can you discuss the petition you recently filed with the NY PSC to establish a surcharge recovery mechanism for disconnect/late fees that were foregone in 2020? When do you expect a ruling from the commission on your request?
5. Assuming MVP is completed in 2022, what is your strategy with respect to your stake in the project long-term? What does your long-term EPS and financing guidance assume with respect to MVP?
6. What opportunities are there for CECONY to earn above the allowed level under the current rate plan? Do you expect to be able to earn any EAMs in 2021?
7. NY has very aggressive clean energy coals. How realistic is it to meet those goals without sacrificing reliability and still keeping customer bills affordable?
8. What is your role in the New York's clean energy future? What are the implications for CECONY's gas business? Is there any chance you will be able to own renewables at your utilities in the future?
9. Are you actively involved in any RNG or hydrogen pilot projects at your gas LDCs?
10. What's the latest with the offshore wind in New York? Can you talk about Transco's signed MoU with ES/Ørsted on the Sunrise Wind Project – what exactly is your role? Any interest in investing in offshore wind in the future?
11. You have disclosed a $700M equity need in aggregate over 2022-23 – best to assume 50/50 split? What could impact whether you need more or less next year?
12. Do you foresee the ability to spend more on renewables over time or is the $400M/yr. run rate your target long-term? Any interest in doing more M&A (i.e., the SRE deal) or is there a preference to grow the business organically? What type of returns do you see for projects?
13. Are you seeing any cost inflation for inputs in your solar projects? How much of your backlog is already locked up (i.e., not subject to these impacts)? Have you seen an issues in your supply chain?
14. What do you see as the biggest benefit for ED from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?
15. What is your targeted earnings mix long-term (i.e., regulated vs unregulated)?

Exhibit 36: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.26	$4.66	$4.78	$4.99
Diluted Shares Outstanding	348	357	362	368
Dividends Per Share	$3.10	$3.20	$3.29	$3.39
Dividend Yield	4.3%	4.4%	4.5%	4.6%
Dividend Payout Ratio	73%	69%	69%	68%
Equity Ratio	49%	48%	48%	48%
FFO/Net Debt	14%	14%	15%	15%
Valuation Metrics				
P/E	17.1x	15.7x	15.3x	14.6x
Price/Book	1.2x	1.2x	1.2x	1.1x

Segment EPS	2021E	2022E	2023E	2024E
Consolidated Edison of NY	$3.70	$4.01	$4.19	$4.37
Orange & Rockland	0.19	0.21	0.22	0.23
Competitive Businesses	0.42	$0.49	$0.43	$0.44
Parent	($0.05)	($0.05)	($0.05)	($0.06)
Total ED EPS	**$4.26**	**$4.66**	**$4.78**	**$4.99**
Consolidated Edison of NY				
Earned ROE	8.1%	8.5%	8.6%	8.6%
Average Rate base ($M)	33,162	35,033	36,938	39,064
Orange & Rockland				
Earned ROE	8.0%	8.1%	8.2%	8.2%
Average Rate base ($M)	1,733	1,892	2,001	2,104
Total Average Rate base ($M)	34,895	36,924	38,939	41,168

Source: Wolfe Utilities & Power Research

Exhibit 37: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
Consolidated Edison of NY	$3,540	$3,475	$3,705	$3,605
Orange & Rockland	211	267	267	267
Competitive Businesses	297	465	447	400
Total Capex	**4,048**	**4,207**	**4,419**	**4,272**
Financings ($M)				
Total Equity Issued/(Repurchased)	$880	$450	$450	$600
Total Debt Issued/(Repurchased)	1,343	1,315	1,415	1,115
Utility Sales Forecast				
Consolidated Edison of NY	0%	0%	0%	0%
Orange & Rockland	0%	0%	0%	0%

Source: Wolfe Utilities & Power Research

Dominion Energy (D)

1. What are the drivers behind your 6.5% annual EPS growth expectation? What are potential upsides/downsides to your base case?
2. Can you talk about the different aspects of the Virginia Clean Economy Act? What is the total opportunity set for future capital investments? How likely is it that VEPCO will be able to own the second slug of offshore wind? How do these programs impact your 6.5% EPS growth expectation?
3. With all of the renewable investments you will be adding in Virginia over the next couple of decades, how do you intend to keep customer bills manageable? What percentage annual bill increases do you foresee to meet the targets set out in the Clean Economy Act?
4. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
5. What do you see as the biggest benefit for D from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?
6. What are risks from cost inflation for your offshore wind project specifically? How much of your costs are locked up currently? How confident are you in bringing the project online below the $125/MWh cost cap?
7. Can you discuss the SCC Staff's recent testimony in VEPCO's triennial review? Where are Staff and the Company furthest apart on key issues? In a scenario where Staff's recommendation was approved, would you need to issue more equity for the $300M+ in customer refunds?
8. As part of the T1 review, Staff sees a $212M revenue sufficiency on a go-forward basis. Is it fair to believe this would likely still be the case in the T2 review - meaning, a $212M revenue reduction would be a worst-case outcome in the T2 review? Can you discuss potential offsets to any revenue sufficiency in the T2 review (CCROs, etc.)?
9. Can you talk about the transformation of VEPCO's rate base from base rate recovery to rider-based recovery over the next few years?
10. There is a Governor election in Virginia in 2022 - do you see the political dynamic shifting at all in the state? If a Republican candidate were to win, how might this impact the investments you plan to make through the Clean Economy Act?
11. How should we think about equity financing needs once investments in renewables really start to ramp up in the middle of the decade?
12. Can you talk about the DESC's most recent IRP? Do you see the ability to accelerate coal retirements and add more renewables under your preferred plan?
13. You have been one of the more vocal companies in the sector with respect to applications for hydrogen and renewable natural gas. Can you discuss any projects you are working on currently and what you believe is the potential for both longer-term?
14. What are your current views on M&A? Do you have any interest in adding or selling gas LDC(s)? What are your long-term plans for Cove Point and Millstone?

Exhibit 38: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.87	$4.13	$4.38	$4.70
Diluted Shares Outstanding	810	825	841	848
Dividends Per Share	$2.52	$2.67	$2.83	$3.00
Dividend Yield	3.4%	3.6%	3.8%	4.0%
Dividend Payout Ratio	65%	65%	65%	64%
Equity Ratio	37%	37%	37%	37%
FFO/Net Debt	15%	15%	15%	15%
P/E	19.3x	18.1x	17.0x	15.9x
Price/Book	2.5x	2.4x	2.2x	2.1x
Segment EPS				
Virginia Electric Power	$2.46	$2.64	$2.87	$3.21
Dominion Energy South Carolina	$0.53	$0.54	$0.55	$0.56
Contracted Generation	0.27	0.29	0.22	0.22
Cove Point	0.24	0.24	0.23	0.22
Gas Distribution	0.75	0.82	0.88	0.90
Corporate & Other	(0.39)	(0.40)	(0.38)	(0.41)
Total EPS	**$3.87**	**$4.13**	**$4.38**	**$4.70**
Utility Rate Base (YE)				
Virginia Electric Power	$27,280	$29,936	$33,629	$39,367
Dominion Energy South Carolina	$7,137	$7,542	$8,017	$8,360
Gas LDCs	$9,806	$10,664	$11,479	$12,050
Total Utility Rate Base ($M)	**$44,223**	**$48,142**	**$53,126**	**$59,776**
Realized Operating ROE				
Virginia Electric Power	14.9%	14.8%	14.8%	14.5%
Dominion Energy South Carolina	9.6%	9.6%	9.6%	9.6%

Source: Wolfe Utilities & Power Research

Exhibit 39: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capital Spending by Segment ($M)				
Virginia Electric Power	$4,160	$4,410	$5,527	$7,677
Dominion Energy South Carolina	1,000	900	1,000	900
Gas Distribution	1,500	1,300	1,300	1,100
Cove Point	45	45	45	45
Merchant Generation / Other	155	155	155	155
Total Capex	**$6,860**	**$6,810**	**$8,027**	**$9,877**
Financings ($M)				
Total Equity Issued/(Repurchased)	$300	$500	$500	$700
Total Converts Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	$3,267	$2,400	$2,550	$4,800
Sales Forecast				
Volume Growth	1.0%	1.0%	1.0%	1.0%

Source: Wolfe Utilities & Power Research

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DTE Energy (DTE)

1. Now that the DTM spin is done what is the key message and reason to own DTE going forward?
2. What benefits have you noticed since the DTM spin? Any change in the way you manage the company?
3. You typically do a big five-year plan refresh at EEI. What can we expect this year? Do you see upsides to the utility capital plan? Is there more to do on the non-utility side?
4. What is your conviction in achieving the 5-7% EPS growth target? Historically you've grown above this level – can that continue? What is helping you offset the near-term pressure from the REF cliff and equity converts?
5. How would you describe the company's ESG position? You've alluded to plans of accelerating coal shutdowns – when will we hear more? How much coal in rate base is left and how do you plan to manage this?
6. Your voluntary renewables program has been very successful. What opportunities are you seeing in terms of wind and solar additions? When will you file your next IRP and what should we expect to hear?
7. How are you thinking about the Biden clean energy plan – tax credits and CEPP? How would this impact your plan and what is the likelihood it gets done?
8. How are you feeling about your gas LDC business from an ESG perspective and given the spike in natural gas prices? How are you protected from this volatility and is there any risk investment upsides are crowded out?
9. What is the latest on the recent storm in Michigan? This got a lot of attention in the political/regulatory arena – should we expect an adverse impact? Will there be more capex needed? What is the impact on customer rates and O&M?
10. The RNG business has gotten a lot of focus at the Power and Industrials segment. Are you seeing the potential for an acceleration in growth? In what parts of the country are there opportunities? Where do you see competition coming from?
11. What is the latest on your pending gas rate case? Is a settlement still possible? How much further can you push out for next electric rate case filing?
12. How are you thinking about balance sheet metrics and credit post-spin? How much cushion in the plan do you have and for how long can you minimize equity needs?
13. What is your target for regulated earnings percentage going forward? Could this vary at all?
14. Any change in strategic vision post-spin? Would you consider M&A? Is the P&I business a core segment long-term?

WOLFE RESEARCH

Utilities, Midstream & Clean Energy

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Exhibit 40: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$7.34	$5.81	$6.24	$6.62
Consensus EPS	$5.81	$5.91	$6.23	$6.67
Dividends Per Share	$4.42	$3.53	$3.78	$4.04
Dividend Yield	3.9%	3.1%	3.3%	3.6%
Dividend Payout Ratio	60%	61%	61%	61%
FFO/Net Debt	14%	13%	13%	13%
Diluted Shares Outstanding	194	197	205	205
Valuation Metrics				
P/E	19.7x	19.6x	18.2x	17.2x
Price/Book	1.7x	1.6x	1.6x	1.6x
Segment EPS				
DTE Electric	4.47	4.85	5.00	5.30
DTE Gas	1.09	1.16	1.24	1.32
Gas Storage & Pipelines				
Power & Industrial	0.79	0.51	0.68	0.71
Energy Trading	0.18	0.10	0.09	0.09
Parent & Other	(0.76)	(0.81)	(0.79)	(0.80)
Total EPS	**$5.77**	**$5.81**	**$6.24**	**$6.62**
DTE Electric				
Realized ROE	10.0%	9.9%	9.7%	9.5%
Average Rate Base	$22,277	$24,018	$25,718	$27,376
DTE Gas				
Realized ROE	9.5%	9.2%	9.3%	9.0%
Average Rate Base	$5,521	$5,999	$6,467	$6,924

Source: Wolfe Utilities & Power Research

Exhibit 41: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
DTE Electric	$2,800	$2,800	$2,800	$2,800
DTE Gas	$600	$600	$600	$600
Gas Storage & Pipelines				
Power & Industrial	$240	$240	$240	$240
Total Capex	**$3,640**	**$3,640**	**$3,640**	**$3,640**
Financing ($M)				
Total Equity Issued/(Repurchased)	$50	$0	$50	$140
Total Debt Issued/(Repurchased)	$1,955	($950)	$1,175	$1,210
Sales Forecast				
DTE Electric	1.1%	0.0%	0.0%	0.0%
DTE Gas	1.0%	1.1%	1.0%	1.0%

Source: Wolfe Utilities & Power Research

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Duke Energy (DUK)

General

1. What are the upside/downside risks to your 5-7% LT EPS growth target? What is your conviction on hitting the midpoint or better?
2. How much is M&A, including asset sales, part of the strategy from here? What is the rationale for the regional mix?
3. Where do things stand now with Elliott? Are you interacting with them? Do you expect a settlement?
4. What do you think Congress passes from the Biden clean energy plan and tax credits? How would that impact your current capital plan?
5. What is the impact to your earnings/cash outlook if natural gas and purchased power prices rise?
6. How about inflationary pressure? Do you see it as manageable?
7. What is your projected LT dividend growth?
8. What is your projected FFO/Debt? When will you next need equity?

NC legislation, fleet transition

9. What is the latest on NC legislation? Why has it stalled in the Senate? Are you confident it will pass? Is there a drop date deadline?
10. Describe the fleet transition options you are recommending in your Carolinas IRPs. What are the high level choices that have to be made on costs vs carbon reductions?
11. How much renewables ($ and MW) do you project through your forecast period if your base case IRP path were followed? How much incremental if the House energy legislation is enacted? What is the split between the utility and CR segment?
12. How do the new gas plants in some of your IRP scenarios fit in from a decarbonization perspective? Would you use RNG or hydrogen?
13. If there is no NC legislation this year, how would that impact your capital plan and rate case strategy in NC?

Other

14. What is the latest on fleet transition opportunities in IN? What about the appeal to your IN rate case?
15. Describe the recent FL rate plan for 2022-24. Where do you expect to earn within your 8.85-10.85% ROE band? Do you see the ROE mechanism being triggered allowing another 25bp on top of the range?

Exhibit 42: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$5.15	$5.40	$5.74	$6.13
Diluted Shares Outstanding	769	769	769	769
Indicated Dividend Per Share	$3.93	$4.01	$4.09	$4.17
Dividend Yield	4.0%	4.1%	4.2%	4.2%
Payout Ratio	76%	74%	71%	68%
Equity ratio (excl ST debt)	42%	40%	40%	39%
FFO/Net Debt	13%	12%	13%	13%
Valuation Metrics				
P/E	19.1x	18.2x	17.2x	16.1x
EV/EBITDA	12.7x	12.7x	12.3x	12.0x
P/B	1.6x	1.6x	1.5x	1.5x
FCF/Yield	(2.4)%	(4.9)%	(3.0)%	(1.9)%
Segment EPS				
Electric	$5.07	$5.29	$5.62	$6.00
Gas	0.54	0.60	0.66	0.70
Commercial	0.28	0.29	0.29	0.29
Parent/Other	(0.75)	(0.79)	(0.83)	(0.87)
Total EPS	**$5.15**	**$5.40**	**$5.74**	**$6.13**
ROE on Regulated Rate Base (ex CWIP)				
Carolinas	10.2%	9.6%	9.6%	9.7%
Progress	9.9%	9.6%	9.6%	9.7%
Florida	10.1%	10.1%	10.1%	10.1%
Indiana	9.7%	9.7%	9.7%	9.7%
Ohio-KY	9.6%	9.6%	9.6%	9.6%
Gas	9.5%	9.6%	9.6%	9.6%

Source: Wolfe Utilities & Power Research

Exhibit 43: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending ($M)				
Electric	$8,450	$10,400	$10,100	$10,025
Gas	1,150	1,275	1,150	1,000
Commercial	425	800	475	400
Parent/Other	350	275	275	275
Total Capital Spending	$10,375	$12,750	$12,000	$11,700
Financings ($M)				
Total Equity Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	3,085	6,825	4,550	4,675
Sales Forecast				
Carolinas	4.0%	0.5%	0.5%	0.5%
Progress	4.0%	0.5%	0.5%	0.5%
Florida	1.0%	0.5%	0.5%	0.5%
Indiana	4.0%	0.5%	0.5%	0.5%
Ohio-KY	3.0%	0.5%	0.5%	0.5%
Gas	1.5%	1.5%	1.5%	1.5%

Source: Wolfe Utilities & Power Research

Edison International (EIX)

1. What is the investment case for EIX stock? Why do you believe the stock continues to trade at a deep discount to utility peers?
2. What are the drivers of your 5-7% EPS growth and 6-8% rate base growth target through 2025?
3. What did you think of the GRC decision? What is the plan for covered conductor spend? What's your overall view of CA regulation?
4. What do you expect from the off-cycle Cost of Capital filing? What are the next steps? What is the impact of a ROE cut from the CoC mechanism being triggered for 2022?
5. How have your performed operationally this fire season? How have you improved your PSPS program?
6. What is the latest on your Wildfire Mitigation Plan? When do you expect to get a decision on your next wildfire safety certificate?
7. What are your thoughts on the AB 1054 Wildfire Fund and liability cap? Is there anything you can do to provide better conviction to investors this model will work?
8. What is the latest on the 2017/18 fires/mudslides? How much incremental debt/equity do you anticipate to fund settlements/payments?
9. What are the next steps for cost recovery? How will you show whether the costs are prudent? Do you expect any recoveries?
10. Will the $250M/yr of equity put you at the midpoint of your 15-17% FFO/debt target? If the CoC mechanism is triggered and ROE is cut, do you need more equity?
11. Do you see any investment opportunities to address the reliability issues in the state?
12. What are the L-T opportunities in CA generally, such as EVs, electrification, batteries, grid hardening?
13. What do you expect from NEM 3.0? Do you view residential solar as a threat or an opportunity? Would you partner with solar/storage developers?
14. What is the latest in your FERC transmission business? What is the risk to earnings if FERC cuts incentives? What portion of your overall rate base is transmission?
15. What dividend growth do you expect over the next few years? Will you keep it low given uncertainty and credit pressure? Or stick with current payout target of 45-55% of SCE earnings?

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Exhibit 44: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.54	$4.56	$4.89	$5.19
Consensus	$4.53	$4.66	$4.96	$5.18
Diluted Shares Outstanding	380	383	387	391
Dividends Per Share	$2.65	$2.75	$2.85	$2.95
Dividend Yield	4.6%	4.8%	5.0%	5.1%
Dividend Payout Ratio (EIX)	58%	60%	58%	57%
Dividend Payout Ratio (SCE)	52%	53%	51%	50%
Cons. Equity Ratio	37%	36%	36%	35%
SCE Equity Ratio (adjusted)	51%	51%	51%	51%
FFO/Net Debt	14%	11%	15%	14%
Valuation Metrics				
P/E	12.7x	12.6x	11.8x	11.1x
EV/EBITDA	8.0x	8.1x	8.0x	8.0x
Price/Book	1.5x	1.4x	1.3x	1.3x
Segment EPS				
Southern California Edison (SCE)	$5.08	$5.18	$5.55	$5.91
Parent/Edison Energy	(0.54)	(0.62)	(0.66)	(0.72)
Total EPS	**$4.54**	**$4.56**	**$4.89**	**$5.19**
SCE Rate Base, ROE				
Average Rate Base ($M)	$35,567	$37,767	$40,925	$44,099
ROE ex O&M/fin savings, EE	10.2%	9.9%	9.9%	9.9%

Source: Wolfe Utilities & Power Research

Exhibit 45: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Total Capital Spending ($M)				
SCE	$5,303	$5,293	$5,479	$5,987
Total Capex	**$5,303**	**$5,293**	**$5,479**	**$5,987**
Financings ($M)				
Total Equity Issued/(Repurchased)	$100	$250	$250	$250
Total Debt Issued/(Repurchased)	2,000	1,450	2,300	2,550
SCE over/(under) allowed, $/sh				
Costs excluded from authorized	($0.22)	($0.21)	($0.21)	($0.21)
Financing, operating variances	$0.39	$0.38	$0.37	$0.37
AB 1054 safety spend (no ROE)	600	-	-	-

Source: Wolfe Utilities & Power Research

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Emera (EMA)

1. Can you talk about the key drivers of your 7.5-8.5% rate base CAGR through 2023? How should we think about EPS growth in relation to your rate base growth and dividend growth target of 4-5%/yr.?
2. Can you discuss the key aspects of your pending settlement in TECO's rate case? How confident are you in earning above the 9.95% ROE midpoint going forward - could you earn at the top end?
3. Can you talk about the balance sheet and steps you have taken/are taking to improve your credit metrics relative to peers? What level of equity/hybrid financing does your capital plan require over the next few years?
4. When do you expect to get your payout ratio within your targeted 70-75% range?
5. At 3Q20, you unveiled the potential Atlantic Loop transmission project in Canada. Can you talk about what would need to happen for the project to move forward? What is the size of the potential capital investment for EMA?
6. Can you comment on the recent trend in the sector to simplify business mixes with a bias towards becoming a pure-play utility? How do you view your non-utility businesses in that context?
7. How are managing through the FX headwinds this year? Have you found offsets elsewhere in the business? Do you still view the 1.33 FX rate as the correct rate for the long term?
8. How are the Caribbean utilities performing? Has Grand Bahama fully recovered from Hurricane Dorian? Are COVID restrictions on tourism still having a big impact on these utilities?
9. What is your view on M&A? Do you have any desire to pursue a large-scale acquisition, similar to the size of the TECO deal?
10. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
11. How has your gas marketing business performed amidst the recent rise in natural gas prices? Should we view the higher prices as a tailwind for that business?
12. What do you see as the biggest benefit for your U.S. utilities from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?

WOLFE RESEARCH

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Exhibit 46: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.78	$3.20	$3.37	$3.57
Consensus EPS	$2.81	$3.07	$3.22	$3.49
Dividends Per Share	$2.57	$2.68	$2.78	$2.89
Dividend Yield	4.4%	4.6%	4.8%	5.0%
Dividend Payout Ratio	92%	84%	83%	81%
FFO/Net Debt	11%	12%	12%	12%
Equity Ratio	34%	33%	34%	34%
Avg Diluted Shares Outstanding	255	262	269	275
Valuation Metrics				
P/E	20.9x	18.2x	17.2x	16.2x
Price/Book	1.7x	1.7x	1.6x	1.6x
Segment EPS				
Florida Electric Utility	$1.95	$2.22	$2.33	$2.46
Canadian Electric Utility	$0.95	$1.03	$1.03	$1.04
Other Electric Utilities	$0.13	$0.15	$0.15	$0.15
Gas Utilities & Infrastructure	$0.81	$0.89	$0.93	$0.97
Parent & Other	(1.06)	(1.09)	(1.08)	(1.05)
Total EPS	**2.78**	**3.20**	**3.37**	**3.57**
	4%	*15%*	*5%*	*6%*
Florida Electric Utility				
Realized ROE	9.3%	10.4%	10.3%	10.3%
Average Rate Base	$9,311	$10,602	$11,438	$12,341
Canadian Electric Utility				
Realized ROE	8.7%	9.1%	9.2%	9.2%
Average Rate Base	$4,438	$4,594	$4,774	$5,027
Other Electric Utilities				
Realized Return on Rate Base	7.0%	7.5%	7.7%	7.6%
Average Rate Base	$984	$1,035	$1,037	$1,081
Gas Utilities & Infrastructure				
Realized ROE	10.1%	10.1%	10.1%	10.1%
Average Rate Base	$2,783	$3,249	$3,559	$3,902
Total Utility Average Rate Base	$17,515	$19,479	$20,808	$22,352

Source: Wolfe Utilities & Power Research

Exhibit 47: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment (C$M)				
Florida Electric Utility	$1,360	$1,370	$1,360	$1,360
Canadian Electric Utility	$395	$365	$380	$380
Other Electric Utilities	$70	$100	$100	$100
Gas Utilities & Infrastructure	$520	$610	$530	$530
Parent & Other	$15	$260	$10	$10
Total Capex	**$2,360**	**$2,705**	**$2,380**	**$2,380**
Financing (C$M)				
Total Equity Issued/(Repurchased)	$425	$375	$375	$375
Total Hybrids Issued	$425	$0	$0	$0
Total Debt Issued/(Repurchased)	$700	$1,025	$650	$575
Sales Forecast				
Florida Electric Utility	1.0%	1.0%	1.0%	1.0%
Canadian Electric Utility	0.2%	0.2%	0.2%	0.2%
Gas Utilities & Infrastructure	1.0%	1.0%	1.0%	1.0%

Source: Wolfe Utilities & Power Research

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Entergy Corp. (ETR)

1. Are you still targeting the upper half of the 2021-23 EPS outlook, despite the 2020-21 storm costs?
2. What happened with the NOLA City Council? What is the risk to ETR? Is there risk to your regulatory relations with the LaPSC?
3. What is the sales impact from Ida? Will you be able to get federal relief for any of the $2.1-2.6B cost? How do you feel on securitization?
4. What are the upside/downside risks to your EPS growth outlook of 5-7% through 2024?
5. What is your dividend growth target? Any risk to your target of growing the dividend in line with EPS growth next month?
6. On the 2Q21 call you suggested potentially higher capex than the $21B plan for 2020-24? Do you see renewables investments beyond the $1.4B in your plan?
7. By how much can you reduce your originally planned $2.5B equity needs through 2024, given your 14% downgrade threshold at Moody's? How much preferred equity will you do?
8. What FFO/debt do you project? What is it if you exclude the roughly $4.5B of storm restoration costs? Is there any risk of credit downgrades?
9. What is the latest in the SERI proceedings at FERC? What is the risk to earnings or equity needs? Can you settle the Grand Guld prudency case?
10. What is the upside/downside to your sales growth outlook? What is the potential impact from rising natural gas and purchased power prices to sales and rates?
11. How much inflationary pressures are you seeing? Are they manageable? How much pension risk do you have at current rates? What's your assumed discount rate and rate of return on assets?
12. With your multiyear FRP extensions in AR and LA approved, when are the next major rate cases or FRP extensions?
13. Describe your Mitsubishi collaborative and Invenergy partnerships. What is your hydrogen and renewables strategies? What would be the impact on your business from Biden's clean energy and tax credits, including the hydrogen PTC?
14. Do you anticipate M&A in your region? Are you a buyer or a seller?
15. Are you on track to completely exit the merchant business next spring? What are the remaining approvals needed for Palisades? Aside from de-risking decommissioning, what are the financial implications of the nuke sales?

Exhibit 48: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
Utility net parent EPS	$6.04	$6.38	$6.80	$7.17
Consensus	$6.00	$6.35	$6.74	$7.10
Diluted Shares Outstanding	201	206	211	217
Dividends Per Share	$4.03	$4.27	$4.53	$4.80
Dividend Yield	4.0%	4.2%	4.5%	4.8%
Payout Ratio on Utility net Parent	67%	67%	67%	67%
Equity Ratio	34%	34%	36%	37%
FFO/Net Debt	13%	14%	13%	13%
Parent Debt/Total Debt	21%	20%	20%	19%
Valuation Metrics				
P/E	16.7x	15.8x	14.8x	14.1x
EV/EBITDA	11.5x	9.5x	9.9x	9.8x
Segment EPS				
Utility	$7.40	$7.70	$8.08	$8.42
Parent & Other	($1.36)	($1.32)	($1.28)	($1.24)
Utility net parent/other	**$6.04**	**$6.38**	**$6.80**	**$7.17**
Utility segment				
Earned utility book ROE	9.0%	9.1%	9.4%	9.5%
Average Rate Base ($M)	$31,749	$33,376	$35,458	$38,018

Source: Wolfe Utilities & Power Research

Exhibit 49: Modeling Assumptions

	2021E	2022E	2023E	2024E
Total Capital Spending				
Utilities	3,415	3,510	4,560	4,635
Entergy Nuclear	10	5	0	0
Parent & Other	60	45	40	41
Total Capex	**$3,485**	**$3,560**	**$4,600**	**$4,676**
Financings ($M)				
Total Equity Issued/(Repurchased)	$400	$400	$700	$600
Total Debt Issued/(Repurchased)	575	850	775	1,125

Source: Wolfe Utilities & Power Research

Evergy (EVRG)

1. What are some of the key messages from your Analyst Day last week? What do you think investors are missing and what will it take for EVRG to become a premium utility?
2. David and Kirk, now that you've been at EVRG for almost a year, what do you see as areas where you can add value and spur improvement? What are some of EVRG's existing strengths?
3. What is your conviction in your long-term EPS target of 6-8% growth? What brings you to the top-end of low-end of the range? What levers can you pull to offset unexpected headwinds in any given year?
4. Please summarize your latest Integrated Resource Plan. How are you thinking about the fleet transition overall and why not retire coal sooner? How do securitization laws change/help with this transition? How concerned are you about reliability? What is your pitch to ESG investors?
5. What caused you to pull forward some of your wind plans while pushing out your solar plans? Is there any concern that supply chain and inflation issues could last longer? How confident are you that you will be able to own these assets in rate base?
6. Please discuss the wind PPA buyout opportunity. How should we think about the economics and rate impact of this? How accepting do you think the PPA counter-parties and regulators will be to this?
7. How could the Democratic tax incentive proposals change your plans? What about the CEPP and higher corporate tax rate?
8. Can you please preview your upcoming rate cases in both states? What will be the key items you are looking to recover? How big could the rate ask be? How will you address the Sibley issue in Missouri? Do you expect it to be contentious or will settlements be achievable?
9. What do you expect to be the long-term cadence of rate case filings? Do you have the necessary regulatory mechanisms to file less frequently? What are the prospects for renewing PISA legislation? Are you concerned about regulatory lag in Missouri if this isn't renewed?
10. How are you tracking on regional rate competitiveness? Particularly in Kansas, has the noise around this calmed down?
11. How are you tracking on your cost cutting targets? What will it take to get to first quartile? How much rate headroom could you create?
12. Where do you see transmission opportunities long-term within SPP? When will these become more evident?
13. How are you tracking on credit metrics? When do you become a cash taxpayer? How long can you avoid equity issuances?
14. Where do we stand in terms of Elliott and Bluescape's involvement in the stock? Is there anything more they are looking for that hasn't been addressed? Is M&A officially off the table?

Exhibit 50: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.35	$3.54	$3.84	$4.04
Consensus EPS	$3.36	$3.53	$3.77	$4.01
Dividends Per Share	$2.17	$2.30	$2.44	$2.59
Dividend Yield	3.4%	3.6%	3.9%	4.1%
Dividend Payout Ratio	65%	65%	64%	64%
FFO/Net Debt	16%	16%	16%	16%
Diluted Shares Outstanding	228	229	229	229
Valuation Metrics				
P/E	18.8x	17.8x	16.4x	15.6x
Price/Book	1.6x	1.5x	1.5x	1.4x
Segment EPS				
MO/KS Metro (KCP&L)	1.31	1.34	1.42	1.43
Missouri West (GMO)	0.43	0.49	0.54	0.60
Kansas Central (Westar)	1.77	1.87	2.04	2.16
Parent & Other	(0.16)	(0.16)	(0.16)	(0.16)
Total EPS	**$3.35**	**$3.54**	**$3.84**	**$4.04**
KCP&L				
Realized ROE	9.9%	9.9%	10.2%	10.1%
Average Rate Base	$6,132	$6,300	$6,463	$6,621
GMO				
Realized ROE	10.2%	10.2%	10.1%	10.2%
Average Rate Base	$1,872	$2,121	$2,362	$2,597
Westar				
Realized ROE	10.1%	9.9%	10.1%	10.0%
Average Rate Base	$8,195	$8,852	$9,504	$10,151

Source: Wolfe Utilities & Power Research

Exhibit 51: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
KCP&L	$586	$605	$598	$617
GMO	$391	$403	$399	$411
Westar	$977	$1,008	$997	$1,028
Parent & Other	$0	$0	$0	$0
Total Capex	**$1,953**	**$2,016**	**$1,993**	**$2,055**
Financing ($M)				
Total Equity Issued/(Repurchased)	$115	$0	$0	$0
Total Debt Issued/(Repurchased)	$450	$550	$550	$525
Sales Forecast				
KCP&L	3.7%	0.5%	0.5%	0.5%
GMO	3.6%	1.0%	1.0%	1.0%
Westar	0.0%	0.0%	0.0%	0.0%

Source: Wolfe Utilities & Power Research

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Eversource Energy (ES)

General

1. What's the upside/downside risks to your LT EPS growth target of the upper half of 5-7%?
2. How would Biden's clean energy plan and tax credits impact your business?
3. When do you anticipate adding offshore wind into your growth target? How much EPS could the three projects add in the first full year of operations?
4. How much new equity do you project through 2026? Do you need any more to fund offshore wind?
5. Will you grow the dividend in line with EPS, even after incorporating offshore wind? What's your target payout ratio?
6. What are your thoughts on M&A? Do you see consolidation in electric, gas or water?

CT regulatory risk

7. What happened with CT regulation this year? How are your relations with regulators (PURA) now?
8. What's your take on the recently issued draft decision in the interim rate decrease proceeding? If it stands, what is the earnings risk and would you need more equity?
9. Does the draft decision give you a path to lessen the 90bp ROE reduction and by when? What is the status of your appeal in state court?
10. Do you still think you can settle the case? When will you file a full rate case?

Offshore wind

11. What is the status of your projects with JV partner Ørsted? Can you meet the timelines? What are the key risks to meeting them?
12. How has Biden's offshore wind goals impacted your pending projects and longer-term strategy? What do you think of the changes at BOEM and in the key administrative offices (Commerce, Energy, Interior, Labor)?
13. What is your potential offshore wind market opportunity? Which states are driving that?
14. What ROE do you expect from your pending projects? Is it still mid-teens? What is your hurdle rate for future offshore wind projects?
15. How will offshore wind impact customer bills and reliability?
16. What are risks from cost inflation for your offshore wind projects? How much of your costs are locked up right now?

Other

17. What is the latest on your MA electric utility? How about your MA gas utility business? How is performance-based ratemaking working? When will you file a next round of rate cases in MA?
18. Do you expect to earn your allowed returns at each of your utilities (excluding CL&P) through your planning period?
19. What are the investment opportunities outside of your 2021-25 capital plan? What is the upside from AMI, grid mod, EV, storage, water investments if approved?
20. What is the risk from the proposed elimination of the RTO/ISO ROE adder (50bp) and general tone on ROEs from FERC? What FERC ROE do you assume in your outlook?

Exhibit 52: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.80	$4.08	$4.35	$4.60
Diluted Shares Outstanding	342	345	349	353
Dividends Per Share	$2.41	$2.56	$2.72	$2.89
Dividend Yield	2.9%	3.1%	3.3%	3.5%
Dividend Payout Ratio	63%	63%	63%	63%
Equity ratio	44%	43%	43%	43%
FFO/Net Debt	14%	14%	13%	14%
Valuation Metrics				
P/E	21.7x	20.3x	19.0x	18.0x
P/B	2.0x	1.9x	1.8x	1.7x
Segment EPS				
Electric Distribution	$1.65	$1.75	$1.83	$1.93
Electric Transmission	1.52	1.63	1.70	1.74
Gas Distribution	0.50	0.58	0.67	0.77
Water	0.12	0.13	0.14	0.15
Parent/Unregulated/Other	0.01	(0.00)	0.01	0.02
Total EPS	**$3.80**	**$4.08**	**$4.35**	**$4.60**
Subsidiary EPS				
NSTAR Electric	$1.36	$1.45	$1.54	$1.62
Connecticut Light & Power	1.34	1.44	1.47	1.50
Public Service Co. of New Hampshire	0.47	0.49	0.52	0.55
Water	0.12	0.13	0.14	0.15
Yankee Gas	0.22	0.24	0.27	0.30
NSTAR Gas	0.19	0.21	0.23	0.26
Columbia Gas	0.09	0.12	0.17	0.21
Parent/Unregulated/Water	0.01	(0.00)	0.01	0.02
Total EPS	**$3.80**	**$4.08**	**$4.35**	**$4.60**

Source: Wolfe Utilities & Power Research

Exhibit 53: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending by Segment ($M)				
Electric Distribution	$1,457	$1,580	$1,628	$1,564
Transmission	1,065	915	853	761
Gas Distribution	636	654	699	662
Water	149	143	154	162
Gas Pipelines	0	0	0	0
Other	217	249	211	194
Total Capital Spending	**$3,524**	**$3,541**	**$3,545**	**$3,343**
Financings ($M)				
Total Equity Issued/(Repurchased)	$0	$233	$233	$233
Total Debt Issued/(Repurchased)	1,825	1,450	1,400	1,125
Sales Growth Forecast				
NSTAR Electric	0.0%	0.0%	0.0%	0.0%
Connecticut Light & Power	0.0%	0.0%	0.0%	0.0%
Public Service Co. of New Hampshire	0.0%	0.0%	0.0%	0.0%
Western Massachusetts Electric Co.	0.0%	0.0%	0.0%	0.0%
Yankee Gas	2.0%	2.0%	2.0%	2.0%
NSTAR Gas	2.0%	2.0%	2.0%	2.0%

Source: Wolfe Utilities & Power Research

Exelon Corp. (EXC)

General

1. How does the recent IL legislation impact your businesses?
2. What is the latest on your merchant SpinCo? When will you complete the spin?
3. When will you give a long-term outlook for RemainCo and SpinCo?
4. How would Biden's clean energy plan and tax credits impact your businesses?
5. How have rising natural gas and power prices impacted your businesses?
6. Have you seen inflationary pressures? Are they manageable?

ExGen/SpinCo

7. How will you layout the growth outlook for SpinCo? Will you provide EBITDA guidance? What is a good EBITDA base year?
8. What modeling disclosures will you provide? Will you forecast 3-years out, as you previously did before PJM auctions were put on hold?
9. What is the breakdown of EBITDA by wholesale generation and retail supply? Do you still see $2-4/MWh margin in the retail business?
10. How about nuclear vs nonnuclear EBITDA? How much of your EBITDA comes from ZECs or state support in 2022 or 2023?
11. Have you seen any progress on support for your nuclear plants in other states, like PA?
12. What are the prospects for nuclear PTCs? How much upside do you project if the language in the pending House bill were enacted?
13. When will the next PJM auction occur? Do you see prices going up or down from last June's auction? How does the recent IL law impact your view of the auction?
14. What level of O&M reductions do you project next year and beyond? Do you see potential for consolidation in the merchant space, particularly nuclear operators?
15. How much leverage will SpinCo carry? Do you have a targeted D/EBITDA coverage?
16. Will SpinCo pay a dividend? What's the payout target?

Utilities/RemainCo

17. What is the investment story for RemainCo? What are its ESG credentials?
18. What is your conviction on 6-8% LT EPS growth for RemainCo? What are your payout and dividend growth targets?
19. How much equity does RemainCo need to fund growth? Where do you anticipate FFO/debt?
20. Are there any key rate cases next year? What is the latest on the ComEd franchise agreement with Chicago? Any risk to earnings?

Exhibit 54: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS (utility/parent only post '21)	$2.89	$2.26	$2.38	$2.52
Consensus EPS	$2.76	$3.33	$3.39	$3.40
Dividends Per Share	$1.53	$1.35	$1.43	$1.51
Payout on Utility net Parent	73%	60%	60%	60%
Equity ratio	45%	35%	35%	35%
FFO/Net Debt	17%	14%	14%	15%
Diluted Shares Outstanding	982	987	993	999
Valuation Metrics				
P/E	19.7x	21.8x	20.7x	19.5x
Dividend Yield	3.1%	2.8%	2.9%	3.1%
Segment EPS - Utility post '21				
Generation	$0.79			
ComEd	0.81	0.87	0.91	0.95
PECO	0.54	0.60	0.64	0.70
BGE	0.41	0.45	0.47	0.50
Pepco	0.60	0.64	0.67	0.72
Parent	(0.26)	(0.29)	(0.32)	(0.34)
Total EPS	**$2.89**	**$2.26**	**$2.38**	**$2.52**
Utility, net Parent EPS	**$2.09**	**$2.26**	**$2.38**	**$2.52**
ExGen Key Stats				
Adjusted EBITDA		$2,479	$2,272	
Mark to Market Adj EBITDA				
Free Cash Flow	1,045	1,359	1,224	
FFO/Net Debt	52%	87%	129%	
Realized ROE by Utility				
ComEd	8.9%	9.0%	9.0%	9.1%
PECO	11.0%	11.0%	11.0%	11.0%
BGE	10.0%	10.0%	10.0%	10.0%
Pepco	9.8%	9.9%	9.9%	9.9%
Average Rate Base ($M)	$45,914	$49,767	$53,153	$56,670

Source: Wolfe Utilities & Power Research

Exhibit 55: Modeling Assumptions

Assumptions - Utility post '21	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
ComEd	$2,400	$2,450	$2,500	$2,325
PECO	1,250	1,275	1,275	1,400
BGE	1,200	1,250	1,225	1,200
Pepco	1,675	1,725	1,700	1,825
Generation (EXC interest)	600			
Nuclear Fuel (EXC interest)	650			
Parent/other	0	0	0	0
Total Capex	**$7,775**	**$6,700**	**$6,700**	**$6,750**
Financings - Utility post '21				
Equity Issued/(Repurchased)	$200	$267	$267	$267
Debt Issued/(Repurchased)	2,475	2,400	2,275	1,850
Midwest % Hedged	**95.5%**	**90.0%**	**60.0%**	
Hedge/Retail Price ($/MWh)	27.00	27.00	27.00	
Wholesale Mkt Price ($/MWh)	30.69	34.56	29.67	
Mid-Atlantic % Hedged	**99.5%**	**90.0%**	**60.0%**	
Hedge/Retail Price ($/MWh)	34.50	34.50	34.50	
Wholesale Mkt Price ($/MWh)	33.38	38.62	33.07	
Power Generated / Purchased (TWh)				
Midwest	97.3	97.3	97.3	
Mid-Atlantic	49.7	49.7	49.7	
ERCOT	20.3	20.3	20.3	
New York	16.4	16.4	16.4	
New England	3.8	4.2	4.2	
Other	6.8	6.8	6.9	
Total	**194.3**	**194.8**	**194.8**	
Capacity Revenue ($M)				
PJM	921	689	520	
Other	112	106	82	
Total	**1,033**	**795**	**602**	
Nuke subsidies ($M)				
IL - Clinton and QC ZECs	235	235	235	
IL - Braidwood, Byron, Dresden	-	(174)	(53)	
NJ	86	86	86	
NY	343	350	377	
Total	**664**	**497**	**645**	

Source: Wolfe Utilities & Power Research

FirstEnergy (FE)

1. What is the status of all the noise/news around the Ohio investigation in the wake of the DoJ settlement? What litigation still needs to be worked out – shareholders, SEC, FERC, other states? Are you confident at this point that there will be now further separations/terminations of FE employees?
2. How are talks progressing on a comprehensive Ohio rate agreement? Do you believe parties are still willing to work something out? What is the timeline? How should we think about the potential outcomes? How big could refunds and/or rate credits be? What is your current normalized ROE and how much risk is there to it? Is it possible the 2024 rate case filing can be pulled forward?
3. How are you thinking about the Ohio regulatory climate overall? What did you think of the DCR and corporate separation audits? What are the remaining audits and what is the risk there is any issue? What are your thoughts on new PUCO Chair French and where is she focused? What about legislation that is seeking to end ESPs? Is there anything else to monitor at the regulatory or legislative level?
4. How is the asset sale process going and do we still expect an announcement in Q4? How do you weigh your different subsidiaries as candidates? Do you still think 30x P/Es are achievable?
5. How are you thinking about your balance sheet and equity needs going forward? What is your current FFO/Debt and where would you like to be relative to your thresholds? How soon could the rating agencies move you back to investment grade? Should we expect any ongoing equity once beyond the asset sale?
6. When do you expect to file your next rate cases in any other jurisdictions? What is your risk from lower FERC transmission ROEs or removal of the RTO adder? Do you see the opportunity for any large-scale transmission projects long-term?
7. Can you describe the FE Forward initiative? What are the benefits from a cash flow and cost savings perspective? Could this create capex opportunities long-term?
8. Are you seeing any pressures from inflationary costs or rising power/nat gas prices?
9. What do you believe Icahn's intentions are? How has their Board presence helped?
10. Once Ohio is resolved and the asset sale concludes, where are you focused? Would you consider M&A at all? Any other strategic ideas?
11. When can you resume giving a long-term EPS growth rate? What about giving 2022 guidance? When could dividend growth resume?
12. What are you seeing in terms of load growth across your service territories? How are things looking coming out of the peak of COVID?

Exhibit 56: Financial Summary

Financial Summary	2021E	2022E	2023E
EPS	$2.52	$2.64	$2.78
Consensus EPS	$2.54	$2.59	$2.70
Dividends Per Share	$1.56	$1.56	$1.56
Dividend Yield	4.2%	4.2%	4.2%
Dividend Payout Ratio	62%	59%	56%
FFO/Net Debt	11%	12%	13%
Diluted Shares Outstanding	545	552	566
Valuation Metrics			
P/E	14.6x	14.0x	13.2x
Price/Book	2.6x	2.3x	2.0x
Segment EPS			
Distribution	2.19	2.22	2.27
Transmission	0.88	0.95	1.02
Parent & Other	(0.55)	(0.53)	(0.51)
Utilities (ex-DMR) Net-Parent	**$2.52**	**$2.64**	**$2.78**
Total EPS	*$2.52*	*$2.64*	*$2.78*

Source: Wolfe Utilities & Power Research

Exhibit 57: Modeling Assumptions

Assumptions	2021E	2022E	2023E
Capex by Segment ($M)			
Ohio Edison	$305	$279	$259
Cleveland Illuminating	$213	$195	$180
Toledo Edison	$72	$66	$61
Met-Ed	$183	$181	$170
Penelec	$168	$167	$156
WestPenn Power	$214	$212	$199
Jersey Central Power & Light	$180	$175	$170
MonPower	$224	$237	$227
Potomac Edison	$126	$133	$128
FE Transmission	$750	$845	$853
Transmission Other	$350	$463	$423
Parent & Other	$90	$65	$55
Total Capex	**$2,875**	**$3,018**	**$2,880**
Financing ($M)			
Total Equity Issued/(Repurchased)	$105	$460	$640
Total Debt Issued/(Repurchased)	($321)	$484	$234
Sales Forecast			
Ohio Distribution	0.0%	0.0%	0.0%
Pennsylvania Distribution	0.4%	0.4%	0.4%
New Jersey Distribution	1.0%	1.0%	1.0%
West Virginia / Maryland Distributior	0.0%	0.0%	0.0%

Source: Wolfe Utilities & Power Research

September 26, 2021

NextEra Energy / NextEra Energy Partners (NEE / NEP)

1. The stock is outperforming again after a weak start this year. The main pushback if any is valuation – how do you address NEE premium vs utility peers to a skeptical investor?
2. What is your high level view of the Biden clean energy plan? What are the chances it passes in current form and what provisions are at most risk of change? What do certain provisions mean for your company (PTC/ITC for wind, solar, storage, nuclear, hydrogen, transmission; plus direct pay)? What are the impacts from a higher tax rate, minimum book tax, or higher dividend tax?
3. Do you still have high conviction in hitting the top-end of your 6-8% EPS growth rate through 2023? What are some of the key drivers to the growth trajectory and how does the business mix of utilities and renewables evolve over time?
4. How are you tracking on renewables origination targets? Are you seeing any pressure on returns from increased competition, inflation, or supply chain? Has any of this seen a greater impact within wind versus solar (ie: tariffs and domestic content)? How do solar and wind economics compare right now? How are you seeing PPA demand evolve in the C&I and utility RFP market?
5. Where else are you seeing growth avenues within clean energy – hydrogen, resi solar, community solar, clean tech investing, bitcoin mining? What is the latest on the hydrogen front in particular as you have been talking to that for some time now? How much capital do you expect to deploy in these verticals in the coming years? Still skeptical on offshore wind?
6. What are your thoughts on the impact of EV adoption for the sector? What about electrification in general and how much demand can this add to the sector?
7. Can you walk us through some of the key components of your FP&L rate case settlement? Do you expect any pushback from the FL PSC? Does this change your outlook at the utility business at all? Where do you see rate base growth tracking long-term?
8. How interested are you in pursuing additional regulated M&A? Is there anything else on the table after Santee Cooper again failed to materialize? Where do you see opportunities from growth within your transmission business or potentially building out a water business?
9. What is the current funding strategy and how much capacity do you have on the balance sheet for M&A? What are the preferred ways to use this capacity, and how pressing of a need is it? How much can we expect in terms of equity needs going forward How much can the business mix change and still maintain the same credit thresholds? What are other ways to recycle capital beyond NEP and will this become more prevalent?
10. What is the investment proposition for NEP and why is it still important to NEE? Could the renewables MLP structure provision in the Biden tax bill attracting any new company formation?
11. How are you thinking about the growth opportunities for NEP? How do you balance convertible portfolio financings like the KKR deals last year to fund NEE drop-downs and the Brookfield acquisition this year?
12. Please review why a successful NEP is important for the outlook of NEE. What are the ways in which NEE can support NEP if its cost of capital increases? How long can you continue distribution growth at 15% based on NEE's current backlog?

Exhibit 58: Financial Summary (NEE)

Financial Summary	2021	2022	2023	2024
EPS	$2.53	$2.70	$2.92	$3.13
Consensus	$2.52	$2.74	$2.94	$3.16
Diluted Shares Outstanding	2,001	2,001	2,001	2,001
Dividends Per Share	$1.54	$1.69	$1.86	$2.05
Dividend Yield	1.9%	2.1%	2.3%	2.5%
Dividend Payout Ratio	61%	63%	64%	65%
Equity Ratio	37%	37%	38%	40%
FFO/Net Debt	21%	21%	20%	20%
Valuation Metrics				
P/E	31.8	29.9	27.6	25.8
EV/EBITDA	18.0	17.0	15.9	14.9
Price/Book	4.7	4.4	4.2	3.6
FCF Yield	0%	-1%	1%	1%
Segment EPS	$1.12	$1.20	$1.31	$1.31
Florida Power & Light	$1.27	$1.36	$1.46	$1.55
NextEra Resources	$1.14	$1.22	$1.33	$1.44
Gulf Power	$0.12	$0.13	$0.14	$0.16
Corporate & Other	($0.00)	($0.01)	($0.01)	($0.02)
Total	**$2.53**	**$2.70**	**$2.92**	**$3.13**

Source: Wolfe Utilities & Power Research

Exhibit 59: Modeling Assumptions (NEE)

	2021	2022	2023	2024
Total Capital Spending by Segment ($M)				
FP&L	5,725	5,725	5,725	5,725
Resources	5,950	6,900	6,900	6,900
Parent	45	45	45	45
Total Capex	**11,720**	**12,670**	**12,670**	**12,670**
Financings ($M)				
Total Equity Issued/(Repurchased)	0	0	0	0
Total Debt Issued/(Repurchased)	1,626	3,538	2,375	2,375
Sales Forecast				
FP&L	1%	1%	1%	1%

Source: Wolfe Utilities & Power Research

Exhibit 60: Financial Summary (NEP)

Financial Summary	2021E	2022E	2023E	2024E
Adjusted EBITDA	$1,446	$1,602	$1,701	$1,847
Consensus EBITDA	$1,644	$1,786	$1,888	
Cash Available for Distribution	$659	$720	$743	$793
Cash Distributed to Common Units	$471	$556	$657	$788
Cash Distributed to GP/IDRs	$128	$154	$185	$225
Coverage Ratio	1.4x	1.3x	1.1x	1.0x
Dividends Per Share	$2.60	$2.99	$3.43	$3.95
Dividend Yield	3.3%	3.8%	4.4%	5.0%
Cash Flow from Operation	$835	$876	$887	$937
Diluted Shares Outstanding	186	187	196	203
Market Capitalization	14,531	14,618	15,369	15,870
Net Debt	$2,026	$975	$1,526	$2,289
Enterprise Value	$16,556	$15,592	$16,895	$18,158
Valuation Metrics				
EV/EBITDA	11.5x	9.7x	9.9x	9.8x
CAFD Yield	4.5%	4.9%	4.8%	5.0%

Source: Wolfe Utilities & Power Research

Exhibit 61: Modeling Assumptions (NEP)

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
Maintenance	$10	$10	$10	$10
Growth	$733	$320	$320	$640
Total Capex	**$743**	**$330**	**$330**	**$650**
Financing ($M)				
Total Equity Issued/(Repurchased)	$50	$100	$100	$100
CEPF Issued less Cash Buyouts	$1,727	$960	($551)	($362)
CEPF Equity Buyouts	$664	$100	$960	$703
Total Debt Issued/(Repurchased)	($13)	($14)	($221)	($716)

Source: Wolfe Utilities & Power Research

September 26, 2021

NiSource (NI)

1. Do you expect your 5-7% annual EPS growth (2021-23) to be uniform at the midpoint? On your 7-9% EPS CAGR target (2021-24), how convicted are you in achieving this?
2. You recently stated that you are seeing 10%+ rate base growth at each of your gas LDCs. What type of projects are driving this level of growth? How long do you expect these growth rates to sustain?
3. What is your current view on strategic M&A? Do the recent robust valuation markers impact your thinking at all with respect to potentially selling any of your gas LDCs? What type of criteria do you look at for evaluating asset sales?
4. What will be the timing for when your different renewable projects will go into service? How do you anticipate managing the regulatory lag until you have the projects reflected in rate base?
5. Are you seeing any cost inflation for inputs in your renewable projects? What is the communication like with your developers on these projects – are they all currently on track/budget? What protections do you have in your contracts should something go awry?
6. Can you discuss the process for getting approval of the renewable projects from the IURC? When do you expect to file your next electric rate case at NIPSCO? Any concern about getting full recovery of the renewable investments?
7. What might we expect to see in your preferred IRP plan later this fall? Do you expect to own the next leg of renewable/replacement generation? How likely is it that the Michigan City retirement date will be accelerated?
8. When do you expect to get intervenor testimony in the OH rate case? Do you foresee the ability to settle in OH?
9. Last year you announced a multi-year strategic initiative to improve your cost structure across the company. What specifically do you intend to pursue? What level of O&M are you targeting long-term?
10. How would you describe the company's investment proposition from and ESG perspective? Do you get much pushback having a large portion of earnings coming from gas LDCs? What do you think is the right earnings mix long-term between gas and electric?
11. How do you see hydrogen playing a role in the sector long-term? Are there opportunities to use your existing LDC infrastructure for hydrogen or renewable natural gas? Are you working on any pilot programs?
12. What do you see as the biggest benefit for NI from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?

Exhibit 62: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$1.34	$1.41	$1.51	$1.70
Diluted Shares Outstanding	415	443	451	477
Dividends Per Share	$0.89	$0.94	$1.00	$1.06
Dividend Yield	3.7%	3.9%	4.2%	4.4%
Dividend Payout Ratio	67%	67%	66%	62%
Equity Ratio	38%	38%	36%	36%
FFO/Net Debt	15%	15%	14%	15%
Valuation Metrics				
P/E	18.0x	17.0x	15.9x	14.1x
Price/Book	1.9x	1.8x	1.7x	1.8x
EV/rate base	1.3x	1.3x	1.2x	1.2x
Segment EPS				
Gas Distribution	$1.08	$1.12	$1.21	$1.26
NIPSCO Electric	0.54	0.55	0.60	0.72
Parent & Other	(0.29)	(0.27)	(0.30)	(0.29)
Total EPS	**$1.34**	**$1.41**	**$1.51**	**$1.70**

Source: Wolfe Utilities & Power Research

Exhibit 63: Modeling Assumptions

Model Assumptions	2021E	2022E	2023E	2024E
Capital Spending by Segment ($M)				
Gas Distribution	$1,385	$1,435	$1,535	$1,535
Electric	590	1,090	1,940	490
Parent	25	25	25	25
Total Capex	**$2,000**	**$2,550**	**$3,500**	**$2,050**
Financings ($M)				
Total Equity Issued/(Repurchased)	$290	$290	$115	$40
Total Hybrids Issued/(Repurchased)	$863	$0	$863	$0
Total Debt Issued/(Repurchased)	$0	$650	$1,650	$400

Source: Wolfe Utilities & Power Research

NRG Energy (NRG)

1. How is integration going on Direct Energy? Are there any areas that have been surprising and are you seeing any further opportunities to leverage the broader platform?
2. What is the company's exposure to higher power prices in 2022? Should we expect pressure on retail margins or are you comfortable fully passing through higher supply costs? Does Direct Energy benefit from higher gas prices and volatility?
3. How has the retail market in Texas evolved after winter storm Uri? Are you seeing changes in competitive behavior and pricing of risk in the market?
4. What potential market reforms are you focused on in Texas that could have implications for the business and strategy?
5. How is the broadening of the consumer strategy progressing? Where are you seeing success in cross-selling? How is customer count trending? Where have you seen challenges in expanding your business with customers?
6. How are efforts going to broaden the investor base and appeal to consumer focused investors? What types of disclosures do you think you need to provide to help you in this effort?
7. How are you thinking about capital allocation in 2022? Are you seeing many opportunities to invest in growth, or is it more likely most FCF is used for buybacks?
8. What is the latest timing for receiving offset money from winter storm Uri? Are you optimistic you will be successful in getting incremental recoveries (i.e., heat rate call option dispute, other issues)?
9. What's the latest outlook for the PJM coal plants? Are the retirements still on track or could you extend operations given higher gas and power prices? Are there any opportunities to take advantage of the sites in Illinois for solar development?
10. How is construction progressing on the solar projects the company has PPA contracts with? How many new contracts for solar supply would you look to add each year?

WOLFE RESEARCH

Utilities, Midstream & Clean Energy

September 26, 2021

Exhibit 64: Financial Summary

	2020A	2021E	2022E	2023E
EBITDA Estimates - Wolfe	$2,004	$1,900	$2,340	$2,400
EBITDA - Mark-to-market	N/A	N/A	2,478	2,504
Consensus EBITDA	N/A	1,948	2,442	2,529
Free Cash Flow (Wolfe basis)	$1,678	$938	$1,594	$1,653
Shares Outstanding	244	243	212	183
Market Capitalization	$10,497	$10,430	$9,109	$7,853
Net Debt	$4,768	$7,165	$7,266	$7,287
Enterprise Value	$15,265	$17,595	$16,375	$15,140
Valuation Metrics				
EV/EBITDA	7.6x	9.3x	7.0x	6.3x
FCF Yield	15.9%	8.8%	16.0%	19.1%
Dividend Yield	2.8%	3.0%	3.3%	3.5%
Credit Metrics				
Net Debt / EBITDA (GAAP)	2.4x	3.8x	3.1x	3.0x
Net Debt / EBITDA (NRG basis)	2.2x	3.5x	2.9x	2.9x

Source: Wolfe Utilities & Power Research

Exhibit 65: Modeling Assumptions

Segment EBITDA	2020E	2021E	2022E	2023E
Retail	$1,000	$993	$1,650	$1,825
Generation	1,008	921	704	590
Corporate	(4)	(15)	(14)	(15)
Adj. EBITDA	**$2,004**	**$1,900**	**$2,340**	**$2,400**
		1948	2442	2529
Capital Allocation ($M)	**2020A**	**2021E**	**2022E**	**2023E**
Maintenance Capex	156	190	200	200
Environmental Capex	3	10	10	10
Growth Capex, net	-	-	-	-
Total Capital Spending	**159**	**200**	**210**	**210**
Share Repurchases	228	100	1,300	1,300
Debt Issuance / Repayment	2,816	(755)	-	-
Commodity / Retail Prices	**2020E**	**2021E**	**2022E**	**2023E**
NYMEX Natural Gas ($/MMBtu)	$2.00	$2.77	$3.20	$2.81
ERCOT-Hou ATC Power ($/MWI	20.85	29.61	39.14	33.32
Retail Margin ($/MWh)	26.00	18.45	25.71	26.31
Generation by Region (TWh)	**2020E**	**2021E**	**2022E**	**2023E**
Gulf Coast	36.9	35.6	35.6	35.3
East / West	8.6	8.3	4.3	3.4
Renewables	1.4	1.1	1.1	1.1
Total Generation	**46.9**	**45.0**	**41.0**	**39.8**

Source: Wolfe Utilities & Power Research

September 26, 2021

OGE Energy (OGE)

1. What upsides/downsides do you see to your 5% EPS growth target for OG&E?
2. You pointed to the lower half of your 2021 utility guidance range earlier this year. Can you talk about some of the puts and takes baked into that expectation? What could help you get back toward the midpoint or higher?
3. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
4. Rate base growth is a more modest than the sector average, but you have recently hinted at incremental capex being added in the future - when will you refresh your capital plan next?
5. Since the ET/ENBL transaction was announced, ET's unit price is up about 30% – does that impact the timing of your exit from midstream? How should we think about use of proceeds?
6. How much tax leakage do you anticipate when you eventually sell your ET/ENBL units? Are there any strategies that you are working on to minimize the tax bill?
7. What do you see as the biggest benefit for OGE from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?
8. When do you anticipate filing your next rate case in Oklahoma? Should we expect the case to be fairly straight forward?
9. Securitization legislation was recently passed in Oklahoma to help deal with Winter Storm Uri costs. Can you talk about the steps from here and when you expect to receive the proceeds from the bonds?
10. You recently filed a draft IRP in OK and AR. Can you discuss the planned retirements and expected replacement capacity? How much of the replacement capacity do you expect to own in rate base?
11. How would you characterize the current regulatory environment in Oklahoma? Do you have the ability to earn your authorized 9.50% ROE?
12. What is your expectation for long-term load growth in your service territories? What does this translate to on a revenue or EPS basis?
13. What is your L-T dividend growth guidance? Do you have a targeted payout ratio? How might your thinking evolve here once you exit midstream?
14. Do you have any equity needs in the foreseeable future? Once you exit midstream, what credit metrics will you target?
15. What is your current view on M&A? Would you consider expanding OGE's utility footprint into any other states?

Exhibit 66: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.30	$2.14	$2.25	$2.34
Consensus	$2.22	$2.16	$2.23	$2.34
Diluted Shares Outstanding	200	200	200	200
Dividends Per Share	$1.60	$1.63	$1.66	$1.69
Dividend Yield	4.7%	4.8%	4.9%	5.0%
Dividend Payout Ratio	70%	76%	74%	72%
Equity Ratio	44%	48%	47%	46%
FFO/Net Debt	17%	20%	19%	19%
Valuation Metrics				
P/E	14.7x	15.8x	15.0x	14.4x
P/E (utility only)	18.9x	17.5x	16.6x	15.9x
Price/Book	1.8x	1.7x	1.7x	1.6x
Segment EPS				
OG&E	$1.78	$1.92	$2.04	$2.14
Midstream	0.51	0.22	0.22	0.22
Parent & Other	0.00	(0.01)	(0.01)	(0.02)
Total EPS	**$2.30**	**$2.14**	**$2.25**	**$2.34**
OG&E				
Realized W/A ROE	9.2%	9.4%	9.5%	9.5%
Average rate base	$7,296	$7,724	$8,090	$8,496

Source: Wolfe Utilities & Power Research

Exhibit 67: Modeling Assumptions

Model Assumptions	2021E	2022E	2023E	2024E
Spending by Segment ($M)				
Transmission	$150	$110	$115	$105
Distribution	300	310	285	320
Generation	105	85	125	125
Reliability and resiliency	295	280	285	285
Total Capex	**$850**	**$785**	**$810**	**$835**
Financings ($M)				
Total Equity Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	$1,300	($650)	$260	$280
OG&E Sales Forecast				
Residential	(0.9%)	1.0%	1.0%	1.0%
Commercial	5.1%	1.0%	1.0%	1.0%
Industrial	3.7%	1.0%	1.0%	1.0%
Oilfield	0.2%	1.0%	1.0%	1.0%
Public Authorities and other	9.0%	1.0%	1.0%	1.0%

Source: Wolfe Utilities & Power Research

September 26, 2021

PG&E Corp (PCG)

1. What is the investment case for PCG stock? Why do you believe the stock continues to trade at the deepest discount to utility peers? What can you do to lift the price?
2. What are the risks to your 10% EPS CAGR through 2024? What are you projected equity needs?
3. How has new management acclimated to their roles this year? What have been your early accomplishments? How have regulators and policymakers responded?
4. What is the latest on the Dixie Fire? What was your role and what evidence suggests you were prudent? What is the risk from here? Have costs exceeded the ~$1B threshold under AB 1054?
5. How have you improved your PSPS program? What are the fast-trips that you have executed? What has been the pushback?
6. What is the latest on your Wildfire Mitigation Plan? When do you expect to get a decision on your next wildfire safety certificate?
7. What has been the feedback to your 10k miles of undergrounding proposal? When will you provide more detail and provide a dollar amount? Is $2M/mile a reasonable estimate? How will you fund the undergrounding?
8. What are your thoughts on the AB 1054 Wildfire Fund and liability cap? Is there anything you can do to provide better conviction to investors this model will work?
9. What is the latest on the 2019 Kincade and 2020 Zogg fires? What is the risk from criminal charges in both fires? Why are you confident no law was violated?
10. What is the latest on the six-step enhanced oversight and enforcement process under PCG's plan of reorganization? What is the risk you are moved to step 2 from step 1?
11. What do you expect from the off-cycle Cost of Capital filing? What are the next steps? What is the impact of a ROE cut from the CoC mechanism being triggered for 2022?
12. How is your relationship overall with the CPUC?
13. What do you expect the FV Trust will do with its 24% of the stocks outstanding? Do you have strategies to deal with this stock overhang?
14. Do you see any investment opportunities to address the reliability issues in the state?
15. What are the L-T opportunities in CA generally, such as EVs, electrification, batteries, grid hardening?
16. What do you expect from NEM 3.0? Do you view resi solar as a threat or an opportunity? Would you partner with solar/storage developers?
17. What is the latest in your FERC transmission business? What is the risk to earnings if FERC cuts incentives? What portion of your overall rate base is transmission?
18. Given your Gas LDC and GT&S businesses are over 25% of total rate base, do you have an opinion on the ESG debate over gas? How does gas fit into your LT strategy?
19. When can you resume paying the dividend? Do you need any regulatory or legal approval before resumption?
20. When do you expect the stock to join the S&P 500 Index? Will the 3Q21 charge related to the grantor trust impact the timing of joining the index?

Exhibit 68: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
Operating EPS	$1.01	$1.08	$1.18	$1.30
Consensus	$1.01	$1.10	$1.23	$1.32
Diluted Shares Outstanding	2,135	2,141	2,141	2,141
Dividends Per Share	$0.00	$0.00	$0.00	$0.39
Dividend Yield	0.0%	0.0%	0.0%	3.9%
Dividend Payout Ratio	0%	0%	0%	30%
Equity Ratio	38%	39%	41%	42%
FFO/Total Debt	4%	14%	16%	18%
Cash on hand ($millions)	$1,594	$1,095	$1,250	$466
Valuation Metrics				
P/E	9.9x	9.2x	8.4x	7.7x
Price/Book	0.9x	0.9x	0.8x	0.7x
Segment EPS				
Utility	$1.04	$1.10	$1.20	$1.31
Parent	(0.03)	(0.03)	(0.02)	(0.02)
Total	**$1.01**	**$1.08**	**$1.18**	**$1.30**
Utility				
Realized ROE ex safety spend	9.0%	9.1%	8.5%	8.7%
Avg Rate Base ex safety spend	$47,182	$49,421	$57,798	$62,004

Source: Wolfe Utilities & Power Research

Exhibit 69: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending ($M)				
Electric Distrn (incl wildfire)	$3,800	$3,700	$4,200	$3,900
Gas Distribution	1,100	1,100	1,200	1,200
Generation	300	300	300	200
Common Plant	700	800	800	800
Electric Transmission	1,400	1,600	1,600	1,600
Cornerstone	0	0	0	0
Other	0	0	0	0
Total Capex	**$8,000**	**$8,300**	**$9,000**	**$8,600**
Financings ($M)				
Equity Issued/(Repurchased)	$200	$0	$0	$0
Debt Issued/(Repurchased)	(1,485)	1,370	1,671	419
Wildfire legislation				
Annual mandated safety spend	$1,300	$900	$0	$0
Fund contributions	(193)	(193)	(193)	(193)
Sales Forecast				
Electric Customer Growth	0.0%	0.0%	0.0%	0.0%
Gas Customer Growth	1.8%	1.8%	1.8%	1.8%

Source: Wolfe Utilities & Power Research

Portland General Electric (POR)

1. At Q2 you raised your FY21 guidance – do you still feel confident in being able to achieve your revised guidance range? How have the elevated gas and power prices impacted your power cost adjustment mechanism (PCAM) since Q2?
2. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
3. You have pointed to a 4-6% L-T EPS growth target off a 2019 base – what are upsides or downsides to that target? Any capex upside opportunities in the outer years of your plan?
4. There has been a good amount of damage done to your system recently from extreme weather events. Can you talk about what investments are you making to harden your system? Do you see elevated risk from these types of events going forward?
5. Can you discuss your recent IRP action plan? When do you expect to launch RFPs for the renewable and firm capacity needs? Any indication of what will be utility-owned vs PPAs?
6. Can you talk about your Green Future Impact program? Recently the OPUC issued an order to expand the program by 200 MW – what is the possibility of POR being able to build and own a portion of those renewable resources? Are these incremental to what you will procure in the RFP?
7. What is your latest with respect to your pending rate case in Oregon? When should we expect to see intervenor testimony? How do you feel about being able to reach a settlement?
8. What do you see as the biggest benefit for POR from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?
9. The Commodity Futures Trading Commission (CFTC) and Division of Enforcement at the SEC opened an investigation into the company for the 2020 energy trading losses. Can you talk about a likely timeline for the investigation and any potential outcomes? Any other outstanding legal items related to the trading losses?
10. What steps can you take, or have you taken to reduce the earnings volatility of the company? Has there been discussions to replace the Power Cost Adjustment Mechanism (PCAM) with the OPUC?
11. You have historically guided to 70-80bps of structural regulatory lag – is there anything that can be done to close that gap?
12. What is your guidance for O&M going forward? Do you have the opportunity to meaningfully cut costs in order to offset some of the company's structural lag?

Exhibit 70: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.78	$2.79	$2.88	$2.94
Diluted Shares Outstanding	90	90	90	90
Dividends Per Share	$1.70	$1.79	$1.89	$1.99
Dividend Yield	3.5%	3.7%	3.9%	4.1%
Dividend Payout Ratio	63%	64%	66%	68%
Equity Ratio	46%	47%	47%	47%
FFO/Net Debt	18%	21%	20%	20%
Valuation Metrics				
P/E	17.4x	17.3x	16.8x	16.4x
Price/Book	1.6x	1.6x	1.5x	1.5x
Realized ROE	8.8%	8.7%	8.8%	8.8%
Average Rate Base ($M)	$5,490	$5,706	$5,843	$5,976

Source: Wolfe Utilities & Power Research

Exhibit 71: Modeling Assumptions

	2021E	2022E	2023E	2024E
Total Capital Spending ($M)				
Hydro Relicensing	$0	$0	$0	$0
Ongoing capital expenditures	585	550	550	550
Other IRP Renewable Investments	15	0	0	0
Operations Center	100	0	0	0
Total Capex	**$700**	**$550**	**$550**	**$550**
Financings ($M)				
Total Equity Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	$140	$0	$0	$0
Sales Forecast				
POR	1.3%	1.0%	1.0%	1.0%

Source: Wolfe Utilities & Power Research

PPL Corp. (PPL)

1. What EPS growth do you project for pro forma PPL? Off what base EPS? What are the drivers?
2. What level of earnings do you project for your legacy KY/PA utilities and NEC? How should we view the growth/decline of your parent drag?
3. What attracted you to NEC? When do you expect a decision from RI regulators? What have intervenors said?
4. How are you tracking on your $500M share buyback program by YE21?
5. What are your plans for the $2.5-3.0B of net proceeds scheduled for buybacks? Do you see additional opportunities in expanding/acquiring US utilities and renewables?
6. Why are you targeting a 16-18% FFO-to-debt?
7. When do you expect to cut the dividend? What is your pro forma dividend policy? What payout target do you envision?
8. What portion of pro forma rate base is coal? What is your fleet transition strategy? How do you expect to achieve that? Is there an active or upcoming proceeding that will inform your plans?
9. What is your fleet transition strategy in KY? How would Biden's clean energy plan and tax credits impact fleet transition?
10. What is the impact to your earnings/cash outlook if natural gas and purchased power prices rise?
11. How about inflationary pressure? Do you see it as manageable?
12. What is your rate case schedule in PA? What are your earned returns?
13. With your ROE challenge at FERC complete, what level of earnings do you project at PA transmission?

WOLFE RESEARCH

Utilities, Midstream & Clean Energy

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Exhibit 72: Financial Summary

Financial Summary	2021E	2022E	2023E
EPS	$1.96	$1.68	$1.83
Consensus EPS	1.21	1.65	1.84
Dividends Per Share	1.66	1.05	1.14
Dividend Yield	5.8%	3.7%	4.0%
Dividend Payout Ratio	85%	63%	63%
Diluted Shares Outstanding	767	711	669
FFO/Net Debt	11%	16%	16%
Valuation Metrics			
P/E	14.5x	16.9x	15.5x

Segment EPS	2021E	2022E	2023E
Kentucky		$0.74	$0.80
Narragansett (RI)		0.22	0.25
Pennsylvania		0.74	0.81
Parent & Other		(0.03)	(0.03)
Total EPS		**$1.68**	**$1.83**

Source: Wolfe Utilities & Power Research

Exhibit 73: Modeling Assumptions

Capex Assumptions	2021E	2022E	2023E
Kentucky	$1,200	$800	$800
Narragansett (RI)	252	275	299
Pennsylvania	900	800	600
Parent & Other	0	0	0
Total Capex	**$2,352**	**$1,875**	**$1,699**
Regulated Utility Assumptions			
Kentucky Regulated:			
Total Average Rate Base	$11,094	$11,403	$11,456
Equity Ratio	53.0%	53.0%	53.0%
Earned ROE	8.3%	9.3%	9.3%
Pennsylvania Regulated:			
Total Average Rate Base	$9,318	$9,636	$9,823
Transmission ROE	10.70%	10.73%	10.77%
Distribution ROE	9.3%	9.0%	9.0%
Narragansett Regulated:			
Total Average Rate Base	$3,052	$3,327	$3,626
Equity Ratio	51%	51%	51%
Earned ROE	10.1%	9.6%	9.6%
Hedges on UK			
Hedged GBP-USD price	$1.32	NA	NA
% hedged	8%	0%	0%
Assumed market price	$1.40	$1.40	$1.40

Source: Wolfe Utilities & Power Research

September 26, 2021

PSEG (PEG)

1. What are some of the key messages from your Analyst Day earlier this week? What do you think investors are missing about the PEG story?
2. How do you think about the ESG and renewables positioning of the new PSEG? Have you started to see new interest from investors that had not owned PEG in the past given your pivot toward being primarily regulated and out of fossil merchant generation?
3. How much visibility do you have on your long-term utility capex programs? Which ones will need to come up for renewal/extension? Are there any more clean energy spend programs still to come? How long can your current rate base growth trajectory continue? Any reason utility earnings won't track that?
4. When will the fossil sale close? Any expected issues with approvals?
5. What is your vision for the future of your nuclear fleet? Do you think the PTCs in the Democrat bill will hold up and how would these financially impact your plants given the NJ ZEC structure? What solutions can you pursue at the state level beyond the current 3-year ZEC program? Do you see yourself as the long-term owner of these assets?
6. What are your target credit metrics and how much cushion do you have versus thresholds? Were you surprised Moody's didn't lower your FFO/Debt target post-fossil sale? Can anything be done to lower this or is it possible this moves higher as you do more offshore wind? Now that you paid down debt at Power, do you anticipate re-levering there or at the parent at some point? How do you plan to fund offshore wind growth? How long can you go without issuing equity?
7. What is your view on the overall regulatory climate in New Jersey and the BPU? When do you expect to file your next PSE&G rate case in New Jersey?
8. What are your thoughts on the FERC NOPR regarding transmission ROE adders and the supplemental NOPR on removing RTO adders? What is your exposure to this and where do you think this ultimately settles out? Do you see any opportunities for large-scale projects in PJM?
9. How big is the investment opportunity for offshore wind-related transmission? How competitive do you envision the New Jersey solicitation process being? What type of returns do you expect? When will we know more?
10. What does the BOEM approval process look like for Ocean Wind? How are you thinking about returns targets and earnings contribution from the project? What does the opportunity set look like for future offshore wind bids? Are you concerned at all about the long-term impact this will have on customer rates and the PJM capacity market?
11. Where do you see the future of the PJM auction given all the delays and rule changes?
12. Where do we stand with respect to PSEG-LI in the aftermath of Hurricane Isaias? How do plan to regain some trust following the backlash faced on Long Island?
13. Are you seeing any pressures from rising inflation and power / natural gas costs?
14. What are your thoughts on M&A?

Exhibit 74: Financial Summary

Financial Summary	2021E	2022E	2023E
EPS	$3.58	$3.38	$3.54
Mark to Market EPS	$3.64	$3.39	$3.65
Consensus EPS	$3.55	$3.46	$3.60
Dividends Per Share	$2.04	$2.12	$2.20
Dividend Payout Ratio	57%	63%	62%
FFO/Debt	20%	21%	22%
Diluted Shares Outstanding	507	507	508
Valuation Metrics			
P/E	16.9x	18.0x	17.2x
EV/EBITDA	11.9x	12.4x	12.2x
Dividend Yield	3.4%	3.5%	3.6%
FCF Yield	0.8%	(0.2%)	(0.4%)
Segment EPS			
PSE&G	$2.87	$3.00	$3.19
PSEG Power	$0.74	$0.44	$0.41
PSEG Holdings/Parent	($0.02)	($0.06)	($0.07)
Total EPS	**$3.58**	**$3.38**	**$3.54**

Source: Wolfe Utilities & Power Research

Exhibit 75: Modeling Assumptions

Assumptions	2021E	2022E	2023E
Segment Capex($M)			
PSE&G	$2,725	$2,925	$3,085
PSEG Power	320	320	322
Parent & Holdings	25	30	25
Total Capex	**$3,070**	**$3,275**	**$3,432**
Financings ($M)			
Equity Issued/(Repurchased)	-	-	-
Debt Issued/(Repurchased)	$800	($1,235)	$990
Sales Forecast			
PSE&G Electric	0.0%	0.0%	0.0%

Source: Wolfe Utilities & Power Research

September 26, 2021

Southern Company (SO)

General

1. What are the drivers of your 5-7% LT EPS growth target? What is the shape of that growth both during Vogtle construction and post completion?
2. What is the breakdown of EPS growth by segment (electric utility, gas LDC, midstream, Southern Power)?
3. What level of electric rate base growth through 2025 do you project across your states? What are the drivers?
4. Do you expect to earn your allowed ROEs in your electric utilities? Can you earn above the allowed in any states?
5. What is your fleet transition strategy? What should we expect from your ELG filing next month and the Georgia Power IRP filing in Jan?
6. What do you expect from the Georgia Power rate case next year?
7. How are sales tracking given the in-migration growth in the Southeast?
8. How would Biden's clean energy plan and tax credits impact fleet transition?
9. What level of growth do you project for your Southern Company Gas unit? Can you earn your allowed ROEs at the LDCs?
10. What is the impact to your earnings/cash outlook if natural gas and power prices rise?
11. Are you seeing inflationary pressures? Do you view it as manageable?
12. Do you see more corporate level M&A in the regulated space? What is SO's strategy? What is the latest plan for Southern Power?

Vogtle

13. What is the latest on Vogtle? When do you expect to start and finish fuel load?
14. When do you anticipate Unit 3 to be online? How about Unit 4?
15. What do you expect from the GA PSC Staff next VCM testimony?
16. What happens if there are further delays or cost overruns? What delays/overruns are embedded in your EPS outlook?
17. When is prudency determined? What is the risk of disallowances? Vogtle 3 and 4 would represent how much of GA Power rate base when complete?
18. How do you view the GA PSC? Do expect continued support from all commissioners? Will the current five commissioners hear the Vogtle 3 prudency review?
19. As Vogtle comes online and generates cash, will dividend growth rise faster than $0.08/yr? What would be your payout target?
20. How much incremental free cash flow do you project once Unit 3 is online? And then Unit 4?

Exhibit 76: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.36	$3.48	$3.76	$4.10
Diluted Shares Outstanding	1,060	1,078	1,096	1,096
Dividends Per Share	$2.64	$2.72	$2.80	$2.88
Dividend Yield	4.2%	4.3%	4.4%	4.6%
Dividend Payout Ratio	78%	78%	74%	70%
Equity Ratio	34%	34%	34%	35%
FFO/Net Debt (unadjusted)	17%	17%	17%	15%
Valuation Metrics				
P/E	18.8x	18.1x	16.8x	15.4x
Price/Book	2.3x	2.3x	2.2x	2.1x
Segment EPS				
Alabama Power	$1.17	$1.21	$1.24	$1.31
Georgia Power	1.76	1.81	1.99	2.18
Mississippi Power	0.15	0.15	0.16	0.16
Southern Power	0.21	0.22	0.24	0.25
Southern Company Gas	0.55	0.59	0.63	0.70
Parent/Other	(0.48)	(0.50)	(0.50)	(0.50)
Total EPS	**$3.36**	**$3.48**	**$3.76**	**$4.10**
Average Rate Base ($M)	$63,133	$67,270	$71,549	$75,841
Earned Return	11.3%	11.1%	10.8%	11.0%
Realized ROE by Utility				
Alabama Power	11.6%	11.4%	11.3%	11.3%
Georgia Power	10.9%	10.6%	11.2%	11.6%
Mississippi Power	8.7%	8.7%	8.7%	8.7%
Southern Company Gas	10.1%	9.9%	9.8%	9.8%

Source: Wolfe Utilities & Power Research

Exhibit 77: Modeling Assumptions

Model Assumptions	2021E	2022E	2023E	2024E
Total Capital Spending ($M)				
Alabama Power	$2,100	$2,100	$2,100	$2,000
Georgia Power	4,000	3,400	3,600	3,600
Mississippi Power	300	300	300	300
Southern Company Gas	0	0	0	0
Other	100	0	0	0
Southern Power	700	200	200	100
Total Capex	**$7,200**	**$6,000**	**$6,200**	**$6,000**
Financings ($M)				
Total Equity Issued/(Repurchased)	$200	$0	$0	$0
Total Debt Issued/(Repurchased)	3,196	1,684	1,332	2,100
Sales Forecast				
Alabama Power	2.8%	0.0%	0.5%	0.5%
Georgia Power	2.8%	0.0%	0.5%	0.5%
Gulf Power	2.8%	0.0%	0.5%	0.5%
Mississippi Power	2.8%	0.0%	0.5%	0.5%
Southern Company Gas	1.0%	1.0%	1.0%	1.0%

Source: Wolfe Utilities & Power Research

Vistra Energy (VST)

1. What impacts are you seeing from some of the recent market conditions, particular the spike in natural gas? Does this have any long-term implications are the company or change your point of view on commodities at all?
2. How did Texas summer go for your business? Why do you think there was minimal volatility and no peak demand record – just weather? Did you notice any changes in reliability since Uri?
3. What is your view on the ERCOT market overall? What were some of the biggest changes made at the legislature post-Uri? What still needs to be done? Where do you think the rhetoric goes around incenting dispatchable generation and allocating costs to renewables? What do you see the long-term impact on the market being from the proliferation of solar/storage?
4. What is the latest on your renewables funding strategy and when can we expect an update? What is the latest on the Moss Landing battery issue? What opportunities are you seeing from the Illinois coal-to-solar legislation? Are you still planning to buildout ERCOT renewables primarily as merchant or can you find PPAs with your retail business or other parties?
5. Are you concerned at all about the future of capacity markets in PJM and New England? How do you see this ultimately playing out?
6. How do you feel about your retail/wholesale business mix overall and where would you like this to go? How do you envision your generation fleet changing over time?
7. What is your pitch to ESG investors? What is the long-term opportunity from electrification and how does VST fit into that? What is your view on resi solar and EVs?
8. When can we learn more on your latest capital allocation strategy? How much room for buybacks do you think can be created? Are you still targeting investment grade and how much debt paydown will be needed if your EBITDA declines along with power forwards?
9. What opportunities are you seeing for retail acquisitions? Is it possible to grow this business without M&A?
10. What is the long-term risk for outside involvement in the electric sector – either big oil building renewables at low returns or someone trying to encroach in the retail space? What about Tesla building a presence in Texas?
11. What are the key competitive advantages of your retail business relative to peers? What are your expectations for margins and customer retention over the next several years?
12. What are the implications for VST from the Biden clean energy plan? Tax incentives and CEPP?
13. What would it take for VST to consider taking the company private if public market valuations don't improve?

Exhibit 78: Financial Summary

Financial Summary	2020A	2021E	2022E	2023E
Wolfe Research Adj. EBITDA	$3,766	$1,643	$3,444	$3,077
MTM EBITDA	3,766	N/A	3,582	3,301
Consensus EBITDA		1,665	3,347	3,211
Free Cash Flow	2,436	395	2,240	1,886
Diluted Shares Outstanding	491	486	469	440
Market Capitalization	8,624	8,540	8,243	7,733
Net Debt	8,905	9,354	8,931	8,913
Enterprise Value	17,529	17,895	17,173	16,646
Valuation Metrics				
EV/EBITDA	4.7x	10.9x	5.0x	5.4x
FCF Yield	28.2%	4.6%	27.2%	24.4%
FCF/share	$4.96	$0.81	$4.77	$4.28

Segment EBITDA	2020A	2021E	2022E	2023E
Retail (TXU)	$949	$596	$981	$1,018
Luminant / ERCOT	$1,579	$78	$1,519	$1,255
PJM	$742	$670	$599	$454
New England / New York	$255	$177	$174	$218
MISO / IPH	$70	$49	$43	$19
CA / Corporate / Other	$25	$74	$128	$113
EBITDA	**$3,620**	**$1,643**	**$3,444**	**$3,077**

Source: Wolfe Utilities & Power Research

Exhibit 79: Modeling Assumptions

Capital Spending ($M)	2020A	2021E	2022E	2023E
Maintenance	$591	$511	$486	$486
Environmental	73	73	73	73
Nuclear Fuel	83	108	89	83
Growth	377	428	760	760
Total Capital Spending	**$1,124**	**$1,120**	**$1,408**	**$1,402**
Share Repurchases ($M)	**$0**	**$125**	**$700**	**$750**
Debt Issuance ($M)	**$0**	**$3,176**	**($2,845)**	**($295)**
Dividend Payment ($M)	**$266**	**$292**	**$357**	**$358**
Overall Hedge Profile	98%	88%	75%	24%

Commodity Prices	2020A	2021E	2022E	2023E
NYMEX Natural Gas	$2.00	$2.77	$3.20	$2.81
Houston Ship Channel Gas	$1.95	$2.72	$3.15	$2.76
PJM West ATC Power	$19.81	$26.75	$31.62	$29.29
ERCOT North ATC Power	$19.53	$27.75	$36.01	$30.80
PJM Spark Spread	$10.49	$10.49	$13.26	$13.41
ERCOT Spark Spread	$11.94	$14.91	$21.40	$17.15
NE/NY Spark Spread	$10.81	$10.70	$13.86	$15.17

Generation Volume (TWh)	2020A	2021E	2022E	2023E
Luminant / ERCOT	83.1	84.5	85.9	86.2
PJM	52.9	52.0	46.9	43.0
New England / New York	19.0	16.3	16.3	16.3
MISO / IPH	11.7	11.5	11.3	5.6
California	1.8	1.8	1.8	1.8
Total Generation	**168.5**	**166.1**	**162.1**	**153.0**

Source: Wolfe Utilities & Power Research

WEC Energy Group (WEC)

1. You are already off to a strong start in 2021 – what drove the guidance raise? You also indicated a strong bias to the upper-half of your 5-7% earnings growth target long-term – what is driving this?
2. You typically update your capex plan at EEI. What should we expect this time? In what spend categories are you seeing more opportunities?
3. How do you expect to handle the fleet transition from a regulatory perspective – what sort of approvals are needed? Do you envision securitization coming into play for the coal retirements? What sort of impact does this plan have on rates? What is the opportunity for fuel and O&M savings as an offset?
4. Are you still thinking about converting Power the Future coal plants to gas? What would the cost and regulatory process be? Does the recent spike in gas prices give you any pause? How much coal are you left with after the 1.4 GWs of announced retirements within your current plan?
5. How are you thinking about the implications of the Biden clean energy tax credits and the CEPP? What about the impact of higher rates and/or inflation?
6. How do you view the gas LDC business long-term? Do you see any risks and/or political pressures?
7. WEC has a long track record of reducing O&M costs. How much more room is there to run on this trajectory? What are the key drivers behind the cost cutting? What are you seeing in terms of customer rate impact from high power and nat gas prices? How will this impact your fuel band?
8. Do you see any lingering impacts from COVID19 on sales growth? What is your long-term sales outlook? How does Foxconn and other economic development in the state factor into this?
9. What enabled you to reach a rate case stay-out agreement in Wisconsin? What will be some of the key components of the case when you file next year?
10. What is your view of the WI PSC? Are you concerned at all about having enough rate headroom in the future?
11. What is the latest on the System Modernization Program in Illinois? Is there a risk to formulaic rates and riders in future legislation? What would the regulatory process look like otherwise?
12. Can you talk a little bit more about the non-utility energy infrastructure portion of your capital plan? It seems you are once again tracking well within the five-year plan – how big do you envision this business becoming? What sort of returns are you targeting? When do you become a cash taxpayer based on the current plan?
13. Where do you see the future of ATC? What are your thoughts on the latest transmission ROE notice of proposed rulemaking from FERC? What potential opportunities are you seeing from the MISO process?
14. What are you latest thoughts on M&A? Your stock continues to trade at one of the highest multiples in the sector – aren't you tempted to use this currency? What would be the key drivers for seeking additional growth through M&A?

Exhibit 80: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.05	$4.29	$4.57	$4.86
Consensus EPS	$4.05	$4.30	$4.57	$4.88
Dividends Per Share	$2.71	$2.90	$3.10	$3.32
Dividend Yield	3.0%	3.2%	3.4%	3.7%
Dividend Payout Ratio	67%	68%	68%	68%
FFO/Net Debt	15%	14%	14%	14%
Diluted Shares Outstanding	317	317	317	317
Valuation Metrics				
P/E	22.2x	21.0x	19.7x	18.5x
Price/Book	2.6x	2.5x	2.4x	2.3x
Segment EPS				
WEPCO	1.33	1.38	1.48	1.60
WI Gas	0.24	0.27	0.30	0.32
ATC	0.45	0.49	0.52	0.56
Non-Utility	1.03	1.09	1.17	1.21
WPS (Gas/Electric)	0.73	0.78	0.81	0.85
PGL (Gas)	0.52	0.57	0.61	0.65
NSG (Gas)	0.05	0.06	0.07	0.07
Parent & Other	(0.32)	(0.36)	(0.38)	(0.40)
Total EPS	**$4.05**	**$4.29**	**$4.57**	**$4.86**

Source: Wolfe Utilities & Power Research

Exhibit 81: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
WEPCO	$934	$1,032	$1,375	$1,375
WI Gas	$234	$256	$234	$234
ATC	$258	$289	$253	$253
Non-Utility	$640	$505	$434	$305
WPS (Gas/Electric)	$579	$538	$444	$444
PGL (Gas)	$510	$517	$599	$599
NSG (Gas)	$65	$65	$62	$62
Other Regulateds	$115	$126	$109	$109
Parent & Other	$17	$10	$4	$4
Total Capex	**$3,351**	**$3,337**	**$3,514**	**$3,385**
Financing ($M)				
Total Equity Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	$1,737	$1,475	$1,620	$1,445
Sales Forecast				
Electric (WEPCO + WPS)	1.1%	1.0%	1.3%	1.3%
Gas (WI Gas + WPS + PGL +NSG)	0.6%	1.2%	1.2%	1.2%

Source: Wolfe Utilities & Power Research

Xcel Energy (XEL)

1. Can you talk about the underlying assumptions for your 2021 guidance? Do you see a bias toward one half of the guidance range?
2. What are upside/downside risks to your L-T 5-7% EPS growth target? Do you expect the growth to be uniform through 2025?
3. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
4. What do you see as the biggest benefit for XEL from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?
5. You recently announced the $1.7B Colorado Power Pathway transmission project. How likely is it that the incremental portion ($700M) gets added your base capex plan? What regulatory approvals do you need for this project?
6. Can you talk about future transmission opportunities to connect renewables more broadly? What is the investment opportunity set in MISO/SPP? How much of this investment do you expect to own? How much detail will MISO provide when it releases its set of initial projects later this year?
7. Can you discuss your IRP filing in Minnesota? Of the 5.75 GW of proposed utility-scale renewables, how much do you anticipate owning in rate base? When do you expect a decision from the MPUC?
8. Can you discuss your recent IRP filing in Colorado? Of the 3.9 GW of proposed utility-scale renewables, how much do you anticipate owning in rate base? When do you expect a decision from the CPUC?
9. You have several stakes in the fire on the regulatory front – what is the latest in your rate cases in TX and CO? Do you still expect to file in MN later this year?
10. Intervenors in Colorado recently recommended large disallowances for your Winter Storm Uri costs - can you discuss how they are coming to their recommendations? How confident are you that the CPUC will ultimately grant recovery of these costs?
11. What credit metrics do you target internally? What are your downgrade thresholds at the rating agencies?
12. How should we think about the timeline for announcing additional wind re-powerings/PPA buyouts? What are your state regulators' views on this strategy? How do these projects ultimately save customers money?
13. What are your latest thoughts on M&A? XEL has been on the sidelines historically – do you see that changing?

Exhibit 82: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.98	$3.17	$3.37	$3.57
Diluted Shares Outstanding	539	542	545	546
Dividends Per Share	$1.83	$1.94	$2.06	$2.18
Dividend Yield	2.9%	3.1%	3.2%	3.4%
Dividend Payout Ratio	62%	61%	61%	61%
Equity Ratio	41%	41%	41%	41%
FFO/Net Debt	17%	17%	16%	17%
	0.19			
Valuation Metrics				
P/E	21.3x	20.0x	18.8x	17.7x
Price/Book	2.2x	2.1x	2.0x	1.9x
Segment EPS				
NSP-Minnesota	$1.18	$1.28	$1.35	$1.42
NSP-Wisconsin	$0.18	$0.20	$0.22	$0.25
PS-Colorado	$1.32	$1.41	$1.50	$1.59
SPS	$0.52	$0.53	$0.57	$0.60
Parent & Other	($0.23)	($0.26)	($0.27)	($0.29)
Total EPS	**$2.98**	**$3.17**	**$3.37**	**$3.57**
Average Rate Base ($M)	$34,290	$36,797	$39,327	$41,794
Realized ROE by Utility				
NSP-MN/Dakotas	9.1%	9.2%	9.2%	9.2%
NSP-WI/MI	9.8%	9.8%	9.8%	9.8%
PSCo	8.9%	8.8%	8.9%	8.9%
SPS-TX/NM	9.3%	9.2%	9.2%	9.2%

Source: Wolfe Utilities & Power Research

Exhibit 83: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending ($M)				
NSP-Minnesota	1,823	1,700	1,690	1,820
NSP-Wisconsin	360	430	395	515
PSCo	1,696	1,832	1,752	1,697
SPS	498	705	774	739
Total Capex	**$4,376**	**$4,666**	**$4,611**	**$4,771**
Nuclear Fuel Purchases	99	79	99	99
Financings ($M)				
Equity Issued/(Repurchased)	$202	$202	$202	$202
Debt Issued/(Repurchased)	1,500	1,450	1,375	1,225

Source: Wolfe Utilities & Power Research

Midstream

September 26, 2021

DT Midstream (DTM)

1. How have things gone relative to plan since the spin over the summer? Any surprises that stick out?
2. DTM is situated in two key gas production basins - what is your view of the macro situation on gas? Do producers have to start putting foot on accelerator again given the price backdrop?
3. How are you looking at the growth potential in the Haynesville as compared to Appalachia? Can you review the 2022 EBITDA drivers? Are they all considered locked up or contracted, or how much is left for execution?
4. SWN/Indigo - how do you grow if they stick to flat volumes for the time being? One of the advantages they've laid out for the Indigo acquisition is the ability to flex between basins. If SWN stuck with flattish volumes but shifted toward the Haynesville, could that be a net positive or negative, or basically neutral?
5. What are the opportunities for a LEAP expansion? Who would drive that - new LNG projects on the coast, or producer behavior nearer term? How active are discussions on it now?
6. How is the NEXUS contracting effort going? Are you seeing more demand up toward Dawn or would new capacity still focus around industrial/utility load in Ohio and Michigan?
7. The dividend was set at roughy a 50% payout on DCF/sh. How do you see it growing over time - will it stay at about that payout going forward, so growth would roughly match DCF growth, or is there another longer term target you'd like to be at?
8. The capex plan remains roughly \$1.5B over the next 3-5 years. How much of that do you see locked in now compared to things that are still being worked on? How much visibility is there on the backlog to give you confidence in getting to the \$1B ballpark in the next 3-5 years?
9. What's the asset acquisition opportunity set look like - are there packages of assets that could be purchased at reasonable valuations that would contribute to the growth plan?
10. How do you feel about the long-term balance sheet target? Any desire to deleverage more, or well into the 3x range? What other criteria do you think you need to meet to get into the investment grade area?

Exhibit 84: Financial Summary and Modeling Assumptions

	2020	2021	2022	2023
Financial Summary				
Adjusted EBITDA	710	750	788	831
Free Cash Flow	289	399	361	392
FCF/share	2.98	4.12	3.73	4.04
Dividend Per Share	0.00	2.42	2.57	2.76
EPS	2.55	2.95	3.24	3.54
Segment EBITDA				
Gathering	362	360	392	416
Pipeline and Other	348	389	396	415
Total Segment EBITDA	**710**	**749**	**788**	**831**
Valuation and Credit Metrics				
EV / EBITDA	10.6	9.8	9.1	8.5
FCF Yield	6.6%	9.2%	8.3%	9.0%
Dividend Yield	0.0%	5.4%	5.7%	6.1%
P / E	17.7	15.2	13.8	12.7
Debt / EBITDA - adjusted	4.6	4.1	3.8	3.4

	2020	2021	2022	2023
Capex / Financing				
Sustaining capex	22	35	42	50
Growth capex	540	225	200	200
Equity issuance (repurchase)	252	1	-	-
Debt issued (repurchased)	253	(135)	-	-

Source: Wolfe Midstream Research

September 26, 2021

Energy Transfer (ET)

1. How are you thinking about capital allocation in 2022? How much incremental debt paydown do you think could be needed? How do you balance goals for increasing the distribution against unit buybacks?
2. Does the company aspire to ultimately get back to the prior distribution level or how do you think about the ideal payout ratio as a percentage of cash flow?
3. What is your run-rate expectation for capex? Are you seeing more opportunities to invest as markets have recovered and production increases modestly again? Under what scenarios would you still expect only $500-$700M/yr of growth capex in 2022-23?
4. Please give an update on regulatory approval for the Enable acquisition. What have been the areas of focus at the FTC and are asset sales likely? How might the company be able to help address the overhang created by CNP selling units post closing of the transaction?
5. Are you seeing many opportunities in the acquisition market? What types of businesses would you be interested in acquiring either in midstream or adjacent areas?
6. What is your outlook for the NGL and natural gas market into the peak winter season? How is the company positioned in the event prices remain elevated or strengthen further?
7. How important of a priority is it to eventually be upgraded to BBB at the agencies? What do you think you need to do and on what timeline to get there?
8. How are things progressing on construction of the final phases of Mariner East? What still needs to be built and what permits are needed? How can we think about the financial benefit of bringing the final phases into service?
9. Please give an update on the impacts of winter storm Uri. Are there any potential incremental recoveries from legal challenges? Have you seen upward pressure on pricing or more demand for contracts on your gas infrastructure?
10. What is the probability that you will move forward with a Lake Charles LNG export project by next year? How contracted would you need the project to be to move forward and would you look to find partners to help finance it?
11. What is the long-term strategic plan for SUN and USAC – could they be bought in by Energy Transfer? Would you consider exiting these businesses over time?
12. Isn't it nice that we can't think of any questions on DAPL in this report?

Exhibit 85: Financial Summary and Modeling Assumptions

	2020	2021	2022	2023
Financial Summary				
Adjusted EBITDA (ET basis)	10,531	13,180	11,250	11,430
Proportional EBITDA (Wolfe basis)	9,313	11,959	9,990	10,170
Free cash flow	969	6,601	5,554	5,876
FCF / unit	0.36	2.44	2.06	2.21
Distributions per unit	0.92	0.61	0.67	0.81
Segment Adjusted EBITDA				
Intrastate	863	3,434	868	886
Interstate	1,680	1,525	1,410	1,405
Midstream	1,670	1,851	2,028	1,938
NGL & Refined Products	2,802	2,918	3,357	3,547
Crude	2,258	2,070	2,206	2,257
Sunoco LP	739	748	750	745
USAC	414	400	430	455
Other	105	233	202	198
Total Adjusted EBITDA	**10,531**	**13,180**	**11,250**	**11,430**
Valuation and Credit Metrics				
EV / EBITDA (Incl. noncontrol interests)	8.9	6.6	7.5	7.0
Free cash flow yield	3.9%	26.3%	22.2%	23.8%
Distribution yield	9.9%	6.6%	7.2%	8.7%
Distribution coverage	2.32x	4.97x	3.55x	3.14x
Debt / EBITDA (Wolfe basis)	5.6	3.9	4.2	3.8
ROCE	9.8%	13.1%	10.9%	11.4%

	2020	2021	2022	2023
Capex / Financing				
Maintenance capex	520	607	652	664
Growth capex - consolidated	3,239	1,836	886	886
Equity issuance	-	-	(300)	(400)
Debt issued (repurchased)	307	(5,180)	(4,200)	(3,200)
Commodity Assumptions				
NYMEX gas price ($/MMBtu)	2.02	3.84	3.75	3.15
NGL composite ($/gallon)	0.42	0.86	0.82	0.68
WTI oil ($/bbl)	39.26	66.08	65.00	60.00
LLS-Midland spread ($/bbl)	1.61	1.41	2.00	2.00
LLS-WTI spread ($/bbl)	1.87	1.75	2.00	2.00
WTI-butane spread ($/bbl)	17.26	18.33	20.15	25.20

Source: Wolfe Midstream Research

September 26, 2021

Enterprise Products Partners (EPD)

1. What is your base case for how FCF will be allocated next year? Are you comfortable holding a lot of cash on the balance sheet if there aren't near-term opportunities to invest? How do you assess buybacks vs. reserving financial capacity for potential future opportunities?
2. The company recently issued $1B of debt which will be used in part to repay $1.4B of maturities in 1Q22. Do you anticipate any other debt repayment next year or is all other cash available for allocation?
3. How is the company thinking about distribution growth if we're in a slow growth environment but capital needs are low and the balance sheet is strong?
4. What types of businesses would you consider acquiring - midstream and lateral business areas? Is it likely you will find opportunities on this front?
5. What are you focused on in the Democrats' reconciliation bill? How do you assess the likelihood of certain items passing and does this impact your strategy or approach to capital allocation at all?
6. What is your outlook for the NGL market? Are you seeing any reduction in export activity? What are the possible scenarios as we head into winter?
7. How are production volumes tracking over the past few months and how is your outlook evolving?
8. Please give an update on the permitting progress for the SPOT offshore crude export terminal? Do you think there would be other interested partners if ENB were to back out given their purchase of Moda
9. How is the petrochemical business performing? Do you expect PGP-RGP spreads to remain wide for a prolonged period and how much can you benefit from this? How is construction going on PDH 2?
10. Are you seeing any further improvement in the processing business? What is your overall exposure to the strength in NGL and gas prices?
11. Are there any areas of your business where capacity is getting tight and new infrastructure will be needed in the next 2-3 years?

Exhibit 86: Financial Summary and Modeling Assumptions

	2020	2021	2022	2023
Financial Summary				
Adjusted EBITDA	8,056	8,450	8,250	8,430
Free Cash Flow	2,488	5,309	5,587	6,131
FCF per unit	1.13	2.41	2.56	2.86
Distributions per unit	1.79	1.81	1.84	1.90
EPS	2.08	2.18	2.12	2.24
Segment Operating Margin				
NGLs	4,182	4,388	4,469	4,477
Crude Oil	1,997	1,683	1,712	1,793
Natural Gas	927	1,172	905	936
Petrochemicals & Refined Products	1,082	1,311	1,265	1,329
Total Operating Margin	**8,188**	**8,553**	**8,351**	**8,535**
Valuation and Credit Metrics				
EV / EBITDA	9.4	8.8	8.9	8.5
FCF yield	5.3%	11.2%	12.0%	13.3%
Distribution yield	8.3%	8.4%	8.6%	8.8%
P/E	10.3	9.8	10.1	9.6
Debt / EBITDA	3.7	3.5	3.4	3.2
ROCE	11.5%	11.8%	11.5%	11.9%

	2020	2021	2022	2023
Capex / Financing				
Sustaining capex	294	436	360	367
Growth capex	3,031	1,705	900	575
Equity issuance (repurchase)	(186)	(214)	(1,000)	(1,000)
Debt issued (repurchased)	2,266	(325)	(1,400)	(1,600)

Commodity Assumptions	2020	2021	2022	2023
WTI oil ($/bbl)	39.26	66.08	65.00	60.00
Brent-WTI spread ($/bbl)	3.72	2.38	3.00	3.00
LLS-WTI spread ($/bbl)	1.87	1.75	2.00	2.00
NYMEX gas ($/MMBtu)	2.02	3.84	3.75	3.15
NGL composite ($/bbl)	17.80	36.17	34.49	28.37
Frac spread ($/bbl)	10.27	21.87	20.51	16.63
Ethane frac spread ($/bbl)	0.54	0.33	0.75	0.53

Source: Wolfe Midstream Research

September 26, 2021

Equitrans Midstream Corp. (ETRN)

1. Where do we stand on Mountain Valley Pipeline today? How far has construction progressed outside of the exclusion zone and water crossings? How are you feeling about the VA and Army Corps water permit approval processes?
2. On the Southgate extension, how is the progress on the FERC certificate side? What is your view of the North Carolina DEQ's push to wait on considering the extension until MVP mainline is closer to completion?
3. How much interest are you getting on an expansion of MVP once it is in service? How quickly can an expansion start up once there are commercial commitments?
4. Please give an update on the proposed Equitrans gas hub that had an open season earlier this year. How do the economics work with and without MVP?
5. Natural gas prices are at multi-year highs but it seems like most producers are holding production flat. What is your view of the macro situation on gas? Could we start to see volume responses from producers at some point?
6. How is the relationship with EQT? How do you feel that cooperation is going on the drilling optimization plans to keep capital spending low?
7. What is the take on the Appalachian takeaway situation? Is MVP going to be the only new way out of the region?
8. Outside of MVP where do you see the growth opportunities emerging? How do you weigh that vs. balance sheet improvement?
9. Looking forward beyond MVP and associated projects, how do you see the company's strategy evolving? Is there a desire to diversify geographically?
10. Can you review ETRN's cash flow positioning? How does the company see itself on cash flow post the dividend, with or without MVP?

Exhibit 87: Financial Summary

	2020	2021	2022	2023
Financial Summary				
Adjusted EBITDA - consolidated	$1,215	$1,130	$1,245	$1,480
Dividends per share	0.60	0.60	0.60	0.60
Free cash flow	406	467	45	732
FCF/share	$0.94	$1.08	$0.10	$1.69
EPS	1.06	$0.79	$0.94	$1.34
Segment EBITDA				
Transmission	$330	$338	$431	$603
Gathering	828	786	817	866
Water	70	30	35	48
Other	(13)	(24)	(38)	(38)
Total EBITDA	**$1,215**	**$1,130**	**$1,245**	**$1,480**
Valuation and Credit Metrics				
EV/EBITDA	8.1x	8.1x	8.4x	7.5x
FCF yield	9.4%	10.8%	1.0%	16.9%
Distribution yield	6.0%	6.0%	6.0%	6.0%
P/E	9.4x	12.6x	10.7x	7.5x
Debt/EBITDA (Consolidated)	5.3x	5.2x	5.5x	4.7x

Source: Wolfe Midstream Research

Exhibit 88: Modeling Assumptions

	2020	2021	2022	2023
Capex/Financing				
Growth capex	735	590	955	355
Equity issued / (repurchased)	(52)	0	0	0
Debt issued / (repurchased)	891	(174)	(800)	(500)

Source: Wolfe Midstream Research

September 26, 2021

Plains All American Pipeline (PAA/PAGP)

1. What is your latest outlook for Permian production growth? How has production through your infrastructure tracked vs. basin-wide activity? What do you think needs to happen to see a larger step-up in activity?
2. What do you see as the key strategic benefits of the Oryx transaction? Are there more efficient ways to redirect barrels on the combined system through long haul pipelines? How is the regulatory approval process going and do you see any potential concerns?
3. Can you talk to the trajectory of the Transportation segment next year? Do you expect material growth in volumes and EBITDA?
4. The company has executed well with the gas storage sale and Oryx JV. What else is management focused on to improve stock performance?
5. How do you see the capital allocation framework evolving over time? What percentage of FCF would you look to use for buybacks once you've reached your leverage target?
6. Moody's recently put the credit on positive outlook? How long do you expect it to take for the credit to be upgraded back to investment grade? Does getting back to IG change how you view capital allocation at all?
7. Are there other assets that could be viewed as non-core within the portfolio? Do you expect the pace of asset sales to slow after a lot of activity in recent years, or could you continue to see opportunities to monetize assets?
8. What are you focused on in the Democrats' reconciliation bill? If there was an adverse change for the MLP structure, are there options you would consider to transition to solely being treated as a C-Corp?
9. Please give an update on Permian pipeline consolidation. Are conversations active with potential partners? Are you optimistic any progress can be made over the next year?
10. When do you expect to provide 2022 financial guidance? Are you thinking about any segment changes considering the S&L segment is currently being guided to breakeven? EBITDA this year?

Exhibit 89: Financial Summary and Modeling Assumptions

	2020	2021	2022	2023
Financial Summary				
Consolidated EBITDA (PAA basis)	2,560	2,200	2,580	2,640
Consolidated EBITDA (Wolfe basis)	2,541	2,181	2,561	2,621
Free cash flow	117	1,115	1,237	1,293
FCF / unit	0.16	1.56	1.77	1.88
Distributions per unit	0.72	0.72	0.72	0.72
EPS	1.60	1.00	1.55	1.69
Segment Adjusted EBITDA				
Transportation	1,616	1,637	2,021	2,078
Facilities	731	559	511	511
Supply & Logistics	210	2	48	51
Other	3	1	0	0
Total Adjusted EBITDA	**2,560**	**2,200**	**2,580**	**2,640**
Less: Oryx proportional EBITDA			(287)	(306)
PAA proportional EBITDA	**2,560**	**2,200**	**2,293**	**2,334**
Valuation and Credit Metrics				
EV/EBITDA	7.9	8.5	7.8	7.4
Distribution yield	7.2%	7.2%	7.2%	7.2%
Distribution coverage	3.21x	2.67x	3.35x	3.56x
P/E	6.3	10.0	6.5	5.9
Net Debt / EBITDA (Wolfe basis)	4.4x	4.6x	4.1x	3.8x
ROCE	9.3%	8.4%	10.5%	10.8%

	2020	2021	2022	2023
Capex / Financing				
Sustaining capex	216	182	222	233
Growth capex	921	332	230	240
Equity issued (repurchased)	(50)	(203)	(150)	(200)
Debt issued (repurchased)	427	(1,106)	(600)	(600)

Commodity Assumptions	2020	2021	2022	2023
WTI Oil ($/bbl)	39.26	66.08	65.00	60.00
LLS Oil ($/bbl)	41.13	67.83	67.00	62.00
Midland Oil ($/bbl)	39.53	66.42	65.00	60.00
LLS-Midland differential ($/bbl)	1.61	1.41	2.00	2.00
WTI-Midland differential ($/bbl)	(0.27)	(0.34)	-	-
NGL Composite ($/bbl)	17.80	36.17	34.49	28.37
Frac spread ($/bbl)	10.27	21.87	20.51	16.63

Source: Wolfe Midstream Research

September 26, 2021

Targa Resources (TRGP)

1. Please give an update on the NGL and gas market and how TRGP is positioned for the environment. What are your market expectations into winter and could there be opportunities for the company?
2. How has Permian production been tracking both basin wide and through your infrastructure? Do you expect a larger step-up in activity next year if commodity prices remain elevated?
3. When do you anticipate buying in the DevCo and what is the financing plan? Do you still see this acquisition as 5-6x EBITDA?
4. How do you weigh the different capital allocation options next year across a dividend step up, buybacks, and paying down the legacy preferred equity? How would you look to size the dividend vs. midstream peers, the broader energy sector, and/or the broader market?
5. How might capital allocation evolve if commodity prices stay elevated, production growth continues, and the EBITDA outlook is better than expected? Could the mix of priorities change?
6. Are there any assets you view as non-core that could be monetized – Gulf Coast Express, Bakken, coastal, or any of the central G&P assets? How might capital be redeployed if you sold assets?
7. Are there any businesses or types of assets you'd be interested in acquiring that could be synergistic? Would buying out PXD's interest in the Midland plants make sense at some point over the long run?
8. How important is it to the company to achieve investment grade ratings? Over what timeline do you think this could happen and how have discussions with the agencies been going?
9. When would you expect to need to invest in new infrastructure aside from processing plants? How much excess capacity do you have on Grand Prix and LPG export facilities and when would you expect expansions to be needed under different scenarios?
10. How much of the Permian G&P volume still utilizes third party pipeline capacity? When would this shift over to Grand Prix?

WOLFE RESEARCH

Utilities, Midstream & Clean Energy

September 26, 2021

Exhibit 90: Financial Summary and Modeling Assumptions

	2020	2021	2022	2023
Financial Summary				
Consolidated EBITDA (TRGP basis)	1,637	1,985	2,300	2,415
Consolidated EBITDA (Wolfe basis)	1,570	1,925	2,240	2,355
Free cash flow	262	1,006	1,295	1,390
Free cash flow per share	1.13	4.37	5.62	6.16
Dividends per share	0.40	0.40	1.00	1.24
EPS	(7.26)	1.77	2.84	3.54
Segment Operating Margin				
Gathering and Processing	1,018	1,230	1,368	1,425
Logistics and Marketing	1,128	1,273	1,395	1,467
Other	230	(69)	0	0
Total Operating Margin	**2,375**	**2,434**	**2,763**	**2,892**
Valuation and Credit Metrics				
EV/EBITDA	12.3	9.6	8.2	7.3
FCF yield	2.4%	9.2%	11.8%	13.0%
Dividend yield	0.8%	0.8%	2.1%	2.6%
P/E	(6.5)	26.8	16.7	13.4
Debt / EBITDA (50% for prefs)	5.0x	3.7x	3.3x	2.9x
ROCE	6.5%	9.2%	10.9%	11.3%

Capex / Financing	2020	2021	2022	2023
Sustaining capex	110	117	130	134
Growth capex	598	407	405	425
Equity issuance (repurchased)	(97)	(9)	(75)	(400)
Debt issued (repurchased)	(11)	(787)	650	(600)

Commodity Assumptions	2020	2021	2022	2023
WTI Oil ($/bbl)	39.26	66.08	65.00	60.00
NGL Composite ($/gallon)	0.42	0.86	0.82	0.68
NYMEX Gas ($/MMBtu)	2.02	3.84	3.75	3.15
Waha Gas Basis ($/MMBtu)	(0.87)	1.54	(0.34)	(0.59)

Source: Wolfe Midstream Research

Clean Energy

Ørsted (ORSTED)

General

1. What is your conviction on hitting 12% growth in offshore/onshore EBITDA through 2027? What portion of EBITDA is offshore vs onshore?
2. How are the record natural gas and power prices in UK/Europe impacting your businesses? What is your hedging strategy?
3. Are you seeing inflationary pressures across your businesses? Is it manageable?
4. How would Biden's clean energy plan and tax credits impact your businesses? Does your ~30 GW offshore and ~17.5 GW onshore targeted incremental capacity and EBITDA growth assume tax credits are extended?
5. What is your LT dividend growth?
6. What is your projected Adj FFO/Debt? Why has it been over 60% in recent quarters?

Offshore/hydrogen

7. Does the global market continue to become increasingly competitive? Are there certain regions or subregions that have become too competitive on price?
8. What is the latest on your projects currently under construction or in the permitting phase?
9. What do you expect from the pending/upcoming auctions in each key region: Europe/UK, US and AsiaPac?
10. Europe/UK – How are your windfarms operating? Have wind speeds returned to normal?
11. US – Why did you not bid into the latest MA auction? Do you plan to bid into the NY Bight lease auction? When do you expect to complete the large projects (Revolution, Sunrise, Ocean Wind 1)? Is there incremental upside from using a PTC over an ITC under Biden's proposal?
12. AsiaPac – What are your expectations for the pending/upcoming auctions, such as Japan Round 1 auction? What is the latest on your Vietnamese venture?

Onshore

13. Describe the competitive landscape in onshore wind and solar? What returns are you currently seeing in the US and in Europe?
14. How does a potential solar PTC (vs current ITC) impact your onshore renewables strategy?
15. Do you still plan to acquire new onshore renewables outside of the US and UK/IRE? Which are your target markets?

Exhibit 91: Financial Summary

Financial Summary	2021	2022	2023	2024	2025	2026	2027
EBITDA - consolidated	21,712	21,737	22,736	23,143	31,704	32,008	38,013
Consensus EBITDA	23,319	24,736	25,956	28,578	33,949	39,576	44,665
Clean EBITDA - offshore & onshore	19,696	19,982	20,981	21,388	29,948	30,253	36,258
Diluted Shares Outstanding	420	420	420	420	420	420	420
Indicated Dividend Per Share	11.5	12.7	14.0	15.4	16.9	18.6	20.5
Dividend Yield	1.3%	1.4%	1.5%	1.7%	1.9%	2.1%	2.3%
FFO/Adj Net Debt	47%	57%	60%	61%	62%	50%	69%
Valuation Metrics							
EV/EBITDA	1.2x	1.5x	1.2x	1.5x	1.7x	1.7x	1.0x
EV/2027 Clean EBITDA discounted			1.0x				
Segment EBITDA							
Offshore	17,562	16,194	16,659	16,403	24,298	24,283	29,692
Onshore	2,134	3,788	4,322	4,984	5,650	5,970	6,566
Bioenergy	1,996	1,734	1,734	1,734	1,734	1,734	1,734
Other	20	22	22	22	22	22	22
Total EBITDA	**21,712**	**21,737**	**22,736**	**23,143**	**31,704**	**32,008**	**38,013**

Source: Wolfe Clean Energy Research

Exhibit 92: Modeling Assumptions

	2021	2022	2023	2024	2025	2026	2027
Capital Spending							
Offshore	13,101	5,995	23,237	34,145	37,424	24,946	17,789
Onshore	11,581	4,751	5,747	5,478	5,363	6,033	6,033
Bioenergy	475	475	475	475	475	400	400
Other	0	0	0	0	0	0	0
Total Capex	**25,157**	**11,221**	**29,458**	**40,098**	**43,262**	**31,379**	**24,222**
Financings							
Equity Issued/(Repurchased)	0	0	0	0	0	0	0
Debt Issued/(Repurchased)	7,536	2,500	2,500	11,500	11,500	(2,000)	(18,000)
Farm-downs	(145)	4,882	8,176	12,836	17,386	18,524	19,968
Capacity (MW)							
Offshore Wind	4,675	5,125	5,191	5,191	7,401	8,901	10,401
Onshore Wind	2,947	3,277	3,727	4,177	4,627	5,077	5,527
Solar	574	914	1,439	1,964	2,489	3,014	3,539
Total net Capacity	**8,195**	**9,315**	**10,356**	**11,331**	**14,516**	**16,991**	**19,466**

Source: Wolfe Clean Energy Research

Sunnova Energy (NOVA)

1. Can you explain how your dealer model works? Why do you prefer to acquire customers exclusively through a dealer network vs doing some of it in house too?
2. How has demand been recently for new solar additions? What are upsides/downsides to your 50% growth target for organic customer additions in 2022?
3. Your dealer network has grown considerably recently, and you expect at least 1,000 on the NOVA platform by YE22. Do most have exclusivity agreements with NOVA? Who are your largest dealers and what percentage of your volumes do they account for?
4. Can you discuss the key aspects of California's NEM 3.0 proceeding? What do you view as a likely or acceptable outcome? How do you think a grid access fee would impact future growth in the state? Is there any risk that NEM 1.0 and 2.0 customers could be impacted?
5. Can you discuss additional service opportunities that you are seeking to provide for your existing/new customers? How much margin upside do you see on a per customer basis from these different services? Which do you the have best line-of-sight to providing soon?
6. What level of battery attachment rates have you been seeing recently? How is the battery supply currently and when do you see the supply chain bottlenecks normalizing? What is your expectation for battery prices once the supply chain issues abate?
7. Solar cost pressures – supply chain, tariffs, etc. How is this impacting your business? On the flip side, do you see a tailwind for solar from rising nat gas and coal prices?
8. What was the strategic rationale for the Sunstreet acquisition? Do you see yourself making additional acquisitions in the near future?
9. Can you discuss your financing strategy? What percentage of your customer contracts do you seek to monetize upfront through tax equity and non-recourse debt? Does your current plan include any corporate capital needs (debt or equity)?
10. What do you see as the biggest benefit for NOVA and resi solar generally from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?
11. What typical bill savings can you offer your customers upfront? What states are you seeing the best growth? Any new states you might look to enter soon? Any aspirations to look at international markets?
12. A common point of pushback on resi solar is the complexity of the financials and business model – is there anything that can be done to make this easier for investors to understand?
13. Can you discuss your key performance indicators (KPIs)? What is management most focused in executing on?

Exhibit 93: Financial Summary

	2021	2022	2023	2024
Financial Summary				
Adjusted EBITDA	84	122	194	278
Principal + Interest	99	204	351	528
Adj. EBITDA + P&I	182	327	545	806
Growth	*57.7%*	*79.4%*	*66.7%*	*48.0%*
Revenue	235	355	520	720
Growth	*46.1%*	*51.1%*	*46.5%*	*38.6%*
Operating Metrics				
Gross customer value (per customer)	32,289	32,238	32,273	32,402
Net contracted customer value (per customer)	12,017	10,428	9,916	11,458
Creation costs (per customer)	28,504	27,908	27,629	27,353
Gross customer value ($M)	5,296	8,024	11,461	15,535
Net contracted customer value ($M)	1,971	2,595	3,522	5,494
Total debt/assets	64%	68%	72%	69%
Net debt/cap (tax equity as debt equiv)	72%	83%	88%	89%

Source: Wolfe Clean Energy Research

Exhibit 94: Modeling Assumptions

	2021	2022	2023	2024
Operating Assumptions				
Lease/PPA additions (MW)	227	314	375	439
Lease/PPA growth	*40%*	*38%*	*19%*	*17%*
Loan additions (MW)	185	323	422	493
Loans growth	*222%*	*74%*	*31%*	*17%*
% Loan vs PPA/lease	45%	51%	53%	53%
Total customer additions	56,457	84,887	106,248	124,318
Financing Assumptions				
Tax equity proceeds	412	740	879	1,083
Non-recourse debt, net	748	2,063	2,178	2,597
Corporate debt	911	-	500	-
Equity	10	-	-	-

Source: Wolfe Clean Energy Research

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WOLFE RESEARCH

UTILITIES & MIDSTREAM

Regulateds – Market Overweight
IPPs – Market Weight
Oil/Liquids Infrastructure – Market Weight
Clean Energy – Market Overweight

September 30, 2021

UTILITIES, MIDSTREAM & CLEAN ENERGY

Wolfe Conference Takeaways: Storage Wars

- **Clean Energy transition dominates conference; GREEN trade back on.** Another Wolfe Conference is in the books. We have one broad takeaway: the Clean Energy transition is accelerating with a potential dramatic step-change if the Biden clean energy credits pass. Serious growing pains have made investors skeptical - reliability issues in CA/TX, supply chain and tariff pressures, and a messy process in D.C. But we think now is a great time to put the GREEN trade back on. The jump in natural gas prices have made renewables even more economic and most players see chances for Biden clean energy credits passing as better than 50% (with tax extenders as a back-up if reconciliation fails). Battery storage in particular appears to be on the verge of massive growth and most large renewables and PE players have this as a key focus; the standalone storage credit could have a huge impact. So how do you play this in the broader space? The blue-chip play is **NEE** and the value play is **AES** – we had very bullish meetings with both at the conference and we like their risk/reward going into the outcomes in D.C. **CWEN and NEP** remain easy names to own alongside their parent companies' renewables/storage growth plans too.
- **Utilities: stories sound a lot better than stocks act.** Going into the conference the UTY index fell for 14 days in a row likely on fears over rising rates and the spike in nat gas. But utilities stories still sounded very solid with a lot more talk on electrification, renewables transition, system hardening, etc. No one appears to be seeing a bill shock issue yet as hedging should blunt the impact. Messier regulatory stories like **ES and FE** sounded closer to settlements soon and overhang issues like **D's** triennial review don't appear as impactful as investor fears. **ETR**'s storm impacts were large, but equity needs were less than feared and the LT outlook remained on track. There was more optimism on FERC not being as punitive on transmission ROEs. LT transmission opportunities for companies like **AEE** should come in better focus in 2022 when MISO's plan is released. Nuclear has increasing hopes the nuclear PTC will be part of the Biden clean energy credits (**EXC, PEG** are the big winners). CA sounded better but investors may wait to see who the new PUC President is and how the rest of fire season goes.
- **Midstream: Macro tailwinds setting up attractive cap allocation stories.** Managements are very comfortable with their outlooks and are seeing modest tailwinds from higher commodity prices, inflation, and some early signs of a pickup in production growth. There's a consistent message of an all-of-the-above and flexible approach to capital allocation in 2022 with most assessing dividend growth, more buybacks, debt paydown and in some cases M&A. MLPs are feeling better on the reconciliation bill not being too punitive, but with some concerns on taxing swap investing and potential carbon/methane taxes. **TRGP** sounded very bullish with the macro wind at their backs.

Please see the full note for more panel commentary, investor poll responses and individual company takeaways.

Exhibit 1: Summary of Ratings

Name	Ticker	PT
High Quality / GREEN		
AES Corp.	AES	29
Clearway Energy	CWEN	33
NextEra Energy	NEE	91
NextEra Energy Partners	NEP	95
Eversource	ES	94
Alliant Energy	LNT	65
Dominion Energy	D	86
Ameren	AEE	90
Value Plays		
CenterPoint Energy	CNP	28
Evergy	EVRG	69
Exelon	EXC	56
PSEG	PEG	68
Entergy Corp.	ETR	122
FirstEnergy	FE	43
Vistra Corp.	VST	25
Edison International	EIX	68
PG&E Corp.	PCG	14
Sempra Energy	SRE	150
NiSource	NI	29
Midstream		
Cheniere Energy Inc	LNG	95
Energy Transfer	ET	13
Targa Resources Corp	TRGP	58

Source: Wolfe Utilities, Midstream & Clean Energy Research

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September 30, 2021

Conference Takeaways

Just a year ago, M&A was the top theme of our Wolfe Conference with reports that NEE and DUK might be merging. That seems like eons ago now as traditional M&A has become largely dormant. Companies are highly focused on their own growth plans and especially on moving to renewables and net zero carbon as quickly and responsibly as they can. This Clean Energy transition was the dominant theme of the conference this year. The Biden clean energy credits were a huge focus as most see them as having a dramatic step change on the pace of clean energy transition. But will they pass in reconciliation? Most see chances as better than 50% but also a back-up plan through tax extenders in the event reconciliation fails. Storage was the other hot topic within clean energy as most key companies and investors highlighted this as the area primed for the most explosive growth in coming years. Clean Energy challenges were also a focus – reliability issues, supply chain, tariffs, etc – but we think demand growth upside will likely overwhelm the negatives.

From a stock standpoint, we think it's time to put the GREEN trade back on especially with clean energy leaders like NEE and AES which we view as the blue-chip and value play, respectively. CWEN and NEP should go along for the ride with their parents too. In utilities, it's hard to find a bad story right now. We like FE as a value play, EXC/PEG on nuclear PTC upside and simplification, AEE and CNP as quality and growth, and D and ES as hopefully resolving regulatory overhangs. Power has a lot of cross-currents and VST's near-term numbers look mixed, but we are hopeful they can unlock value by separating their renewables business and buying back stock. In midstream, we see TRGP as the stock to own.

Key themes – Top 10

1) **Clean Energy transition accelerating, storage growth step change**
2) **Excitement over Biden clean energy credits, hoping they pass**
3) **Renewables growing pains – reliability, supply chain, tariffs, competition**
4) **Rising nat gas – concern for utilities but manageable for now, competitive benefit for renewables**
5) **Electrification as tailwind for utilities – more talk of benefits of EVs.**
6) **Transmission outlook bright long-term, hoping FERC lessens pressure on ROEs**
7) **Nuclear support progressing; most hopeful on PTC**
8) **Climate change events a bigger risk for utilities – CA utilities, ETR**
9) **Utilities keep leaning more on their balance sheets; risk to watch even as business risk declines**
10) **Midstream has lots of tailwinds**

Investor Poll Results

Utilities, Midstream & Clean Energy Conference – September 28th

Private Equity, Infra and Strategic Views Panel – ECP, GIP, and Lazard		
Which sector do you think performs best over the next 12 months?	Utilities	9%
	Midstream	29%
	Clean Energy	44%
	IPPs/Power	18%
	Utilities	9%
CenterPoint Energy		
Do you think CNP stock will trade with the high-quality utility peer group (CMS, WEC) by 2022?	Yes	70%
	No	30%
Alliant Energy		
Do you think regulated utilities will part of ESG and clean energy portfolios going forward?	Yes	95%
	No	5%
EEI – DC and Public Policy Views		
Do you think the Biden infra plan and clean energy credits pass and are they reflected in stocks yet?	Biden plan passes and is already reflected in stocks	12%
	Biden plan passes but is not yet reflected in stocks	46%
	Biden plan fails and this is already reflected in stocks	15%
	Biden plan fails and this will be a negative event for stocks	27%
Renewables Plays – Clearway Energy and Sunnova Energy International		
Favorite way to play Clean Energy?	Yieldcos	50%
	Residential Solar	10%
	Renewables developers	20%
	Inverters	20%
	Panels	0%
Moody's on Utilities and Midstream Sectors		
A. Utilities capital allocation – what's your preference?	Invest in ratebase growth	68%
	Pay down debt	5%
	Repurchase stock	11%
	Grow dividend quicker	16%

B. Midstream capital allocation – what's your preference?	Growth investment	5%
	Pay down debt	53%
	Repurchase stock	32%
	Grow dividend quicker	11%
WEC Energy Group		
Who's better at what they do?	Giannis playing basketball	37%
	Gale running a utility	63%
NRG Energy		
What would you prefer NRG do with free cash flow?	Growth investment	28%
	Share buybacks	56%
	Higher dividend	8%
	More debt reduction	8%
Private Equity Views Panel – Blackstone Energy Partners and LS Power		
If you were running a PE fund, what would you be looking to buy right now?	Puts	
	E&P assets	
	Gas pipes or generation	
Enterprise Products Partners L.P.		
How will EPD allocate its FCF in 2022 – what is most likely?	Stock buybacks	18%
	Debt paydown	9%
	Large distribution increase	18%
	New capital projects	36%
	Acquisitions	18%
Edison International		
Can CA electric utilities ultimately be viewed as decarbonization or ESG plays?	Yes	53%
	No	47%
PG&E Corporation		
What do you need to see to buy PCG?	More supportive political/regulatory environment	21%
	Better operations	4%
	Proof of lower fire risk	58%
	Support for undergrounding program	13%
	Won't buy no matter what	4%

Utilities, Midstream & Clean Energy Conference – September 29th

Ameren		
What's your view on transmission?	Bullish – big long-term growth potential	83%
	Bearish – FERC ROE and project risks	17%
Consolidated Edison		
What's the biggest risk to utility stocks?	Bull market, no one wants to own them	12%
	Commodity price and inflation pressures	24%
	Climate event risks	12%
	Rising rates	53%
Dominion Energy		
What will it take for D stock to re-rate higher?	Resolution of 2021 triennial review	46%
	Need to wait until 2024 triennial	8%
	Governor Elections	8%
	Offshore wind project progress	0%
	Just continued execution	38%
Public Service Enterprise Group		
Do you think a nuclear PTC will pass Congress?	Yes	85%
	No	15%
DTE Energy		
What's most important quality of a premium utility?	Constructive regulation	31%
	ESG positioning	0%
	B/S and credit strength	8%
	Consistent earnings execution	62%
	Regulated business mix	0%
Entergy Corporation		
What are you most worried about for ETR post Ida?	Balance sheet, credit and equity needs	53%
	Rate impact to customers from storm recovery	7%
	New Orleans regulatory overhang	13%
	Can ETR still meet its financial targets	0%
	Risk of future storms	27%
Southern Company		
When does SO stock shed its Vogtle overhang?	Q4 21 with fuel load	0%
	Q1 22 with fuel load	25%
	Q2 22 with start-up	25%
	Q3 22 with start-up	25%
	Post 2022	25%

FirstEnergy Corp.

What do you need to see to buy FE?	Better balance sheet	19%
	Resolve OH investigation risks	44%
	Resolve OH rate case in 2024	31%
	Resolve other regulatory and legal risks	0%
	Execution on asset sales	6%

AES Corporation

What does AES need to do to be valued as a Clean Energy leader?	Prove execution on renewables growth targets	27%
	Further simplify the company	35%
	Exit coal even quicker	23%
	Nothing else – the market will catch on	15%

Evergy

Where should EVRG stock trade vs peers?	Premium	79%
	Average	21%
	Discount	0%

Strategic Views Panel – Morgan Stanley

What's the next round of utility M&A?	Big utility mergers of equals	15%
	Subsidiary sales and selldowns	44%
	Gas LDC consolidation	4%
	Foreign or infra fund buyers of US utilities	15%

Utilities, Midstream & Clean Energy Conference – September 30th

CMS Energy

Value plays have outperformed this year. Which do you prefer from here – high quality utilities or value utilities?	High-quality utilities	88%
	Value utilities	12%

Equitrans Midstream Corp

When will MVP be completed?	Summer 2022	38%
	After the summer, but in 2022	38%
	2023 or later	25%
	It won't	0%

Power Markets and Clean Energy – EPSA and PJM

What price do you expect in the next PJM auction vs the $50 MW-day in the recent one?	Higher	22%
	Same ballpark	39%
	Lower	39%

Quanta Services, Inc.		
Does the Biden Administration succeed in accelerating transmission growth?	Yes	67%
	No	33%
Duke Energy		
Does NC Clean Energy legislation pass this year?	Yes	50%
	No	50%
American Electric Power		
What does AEP need to do to improve its discount valuation?	Execute on its 5-7% growth rate	11%
	Enhance the balance sheet	37%
	Resolve Ohio regulatory	5%
	Better visibility on renewables ratebase growth	11%
	Succeed on KY Power sale and sell more assets	37%
NextEra Energy		
NEE is at or near a record valuation premium to the utilities sector. Does the premium expand, flatline or decline from here?	Expand	41%
	Flatline	38%
	Decline	21%
Nomura Greentech		
What's your biggest concern on Clean Energy stocks?	Valuation	30%
	Competition/returns	30%
	Supply chain and tariff risks	0%
	Reliability and resiliency	20%
	Interest rate risk	20%
NiSource		
Gas LDC valuations are now at discounts to electrics. What happens to Gas LDC valuations from here?	Rebound	45%
	Stabilize	27%
	Deteriorate further	27%
Vistra Corp.		
What is the long-term future of the IPP sector?	Status quo survives	13%
	Shifts to Clean Energy focus	48%
	Goes fully private	29%
	Becomes part of big oil	7%
	Re-regulates and becomes part of utilities sector	3%

September 30, 2021

Keynote Speaker / Company Dinner – NextEra Energy

Jim Robo – Chairman & CEO

In-person dinner and keynote lunch discussion was the highlight of our conference. So much to talk about across the sector landscape and Jim is more bullish than ever on his own company. At the highest level, the NEE plan seems to have more cushion than ever, an upward bias to growth, and more to come at a likely Analyst Day next year.

The FP&L rate case settlement was constructive with many balanced features to set-up future rate base growth – above-average allowed ROE and equity ratio plus solar investment recovery, while maintaining some of the lowest customer bills in the country. Approval by the FL PSC is expected in late-October. Jim sees investment opportunities as far as the eye can see and was most excited about solar/storage (PTC/ITC would really help respectively). The Florida economy also remains a big driver.

The NEER renewables business is set-up to remain a leader as the U.S. looks to decarbonize the economy. Jim sees this as a $1.7 trillion investment opportunity through the 2040-2050 time frame. He sees battery storage going gangbusters, where NEE already has a dominant 30% share of the market that it expects to maintain. This is especially attractive in the California, Texas, and Florida markets. There is huge demand for renewables coming from the data center and C&I world. Rising natural gas prices are just an added tailwind.

We've been hearing a lot of generalist pushback on NEE lately and Jim addressed the bear cases head-on. First and foremost was the Department of Commerce decision of solar tariffs – this ended up being punted 45 days with the DoC asking a lot of hard questions. NEE's view is this is ultimately either outright denied or punted again, and ends up being a non-issue. Utilities competing by rate-basing renewables – NEE only sees this cover 15-20% of the market and attractive build-own-transfer options are still available. On other competition from companies like oil majors – NEE has seen it for 20 years and feels confident in its competitive moat. In fact, renewables returns are better than they've ever been. On supply chain – NEE cited its scale advantage and isn't concerned. Finally on inflation – cost increases can temporarily be reflected in higher PPA prices, while very little is even being seen on the battery front.

Washington is clearly where Jim is spending a lot of his time. He sees 60/40 odds the reconciliation bill ultimately gets done (high for Washington), as the Democrats can't afford to fail, but this likely comes down to the wire (year-end). If it happens, this should include items like PTCs, ITCs, direct pay, etc. Even if it fails, there is more than one way to get this done like the tax extenders bill or reconciliation in lame duck next year. NEE is most excited about the solar PTC provision, as well as the hydrogen PTC and standalone storage ITC.

Lastly on M&A, this got a ton of attention during our conference this time last year when the Wall Street Journal leaked the NEE/DUK story. NEE still looks at deals, but this doesn't seem to be a priority. Smaller sized deals at less than $20B seem to be of more interest. Jim is very cognizant of not diluting the value of NEE's renewables business.

Private Equity Views – Blackstone and LS Power

David Foley – Blackstone Energy Partners, CEO
Paul Segal – LS Power, CEO

Both panelists and their firms are focused on investments in the energy transition. However, the risk/return profile for PE is bit different than that of the SPAC/VC world. Neither are looking at being first-movers on new technologies. Both see utility-scale solar returns as not compelling. Blackstone is doing investments in solar tracking (ARRY), steel towers/5G (Sabre), EE/HVAC (Therma). LS Power is investing in demand response, EV charging, micro grid, renewable fuels. Both are looking at Europe as a test case of energy transition.

Both are looking at transmission investment potential, but acknowledged history has been difficult given permitting issues, time it takes, and incumbent utilities adverse to competition. LS Power hopeful that power/gas costs start to eat into utility rate headroom and crowds out transmission investment capacity, creating opportunities. Blackstone was early investor in GridLiance transmission and sold to NEE, and recently won NY solicitation for transmission line bringing power from Canada to NYC (Champlain Hudson Power Express).

David sees PCG as "dirt cheap" with risk fully priced in (they own it). Thrilled with Patti and new management team. Like 10% rate base growth trajectory and believe stock can go to $14. Also recently bought stakes in 3 MLPs – ET, MPLX, EPD (particularly like MPLX). Like attractive FCF and dividend yields, with better balance sheets as big projects fade. Not going away any time soon from terminal value standpoint.

LS Power sees most value in highly flexible generating assets on the power generator side. More CCGTs not needed. But could be long-term issues from relying too much on gas for reliability without market structure changes. Haven't look at VST recently, but there is value in assets. Vast majority of cash flow comes from their retail business, which relies on competitive wholesale markets remaining in place.

Nomura Greentech

Derek Bentley – Managing Director
Jeff McDermott – Capital Advisor

Nomura believes that we are in the 2nd inning of the energy transition and pointed to two reasons 1) we have historically way undershot the pace of renewable adds and cost curve declines; 2) we need to have green molecules to decarbonize chemicals/industrial processes and to have a sustainable baseload system – and a lot of innovation in this space has yet to come. Nomura's main clients include the incumbents (e.g., utilities), innovators, as well as ESG-focused investors. And a key theme discussed amongst all three groups is just how unprecedented the energy transformation is that we are currently experiencing. Given that, winners in the transition are likely to have a first mover advantage, quality management team and ideas that really challenge status quo. There is also a recognition in needing to create other grid adaptions to accommodate these changes – storage specifically was highlighted as a crucial aspect of the energy transition. The proliferation of EVs is another area, and Nomura believes bi-directional charging is huge for resiliency (e.g., F150 Lightening can supply a home's needs for 3 days)

Nomura does believe that current supply chain issues are likely to be more short-term in nature. There is some concern on cost inflation, but developers are expected to be able to pass the cost increases through in future contract pricing. One big imbalance that Nomura sees is in the tax equity market – much more demand than supply and sees that tilting even further if tax credits are raised and extended; getting a direct pay option will be important to efficiently monetize renewable tax benefits.

On fund flows, Nomura said putting an ESG moniker on a fund has been a great way to gather assets. Given the focus on ESG, Nomura believes that the SEC likely mandates standardized ESG reporting by 2023 for 10Ks. Interestingly, about 1/3 of all recent SPAC deals are considered ESG-plays, about half of which are in the EV space. About $130B of SPAC capital is still seeking a partner, of which Nomura thinks a similar portion will try to come into the ESG space.

DC and Public Policy Views – EEI

Eric Grey – Managing Director, Government Relations
Brad Viator – Vice President, External Affairs

Brad and Eric gave an update on key federal legislative proposals and state issues that could impact utility and clean energy industries. DC is sort of a mess right now. Discussions between moderate and progressive Dems has been contentious ahead of the 9/30 vote on the Bipartisan Infrastructure bill; this will be "a white knuckle" moment. House Speaker Pelosi is trying to show progress on the Reconciliation bill, which is critical for the Progressive wing of the Democratic caucus. Meanwhile gov't funding set to expire 9/30 and debt ceiling deadline by 10/18 are also important for Congress to address. Ultimately, Biden needs a win this year.

The Reconciliation bill includes utility and clean energy credits. EEI sees the bill getting pushed to end of year and thinks passage is north of a coin flip but at a lower cost than the $3.5T headline number. EEI anticipates the following credits will survive the legislative process, given broad support: standalone ITC for storage, direct pay for credits, nuclear PTC, hydrogen PTC and optionality between PTC and ITC. Lawmakers have many levers but don't know which ones will be pulled. For instance, some of the credits that are ten years could be pulled back to five. In the event the credits are not in the final Reconciliation bill, there is bipartisan momentum for an extenders bill at yearend, providing another opportunity to pass the clean energy and related credits.

On the dividend and capital gains tax, EEI was focused on keeping parity and made an educational push in Congress. The proposal out of the House increased the top rate to 25% from 20% (excluding the 3.8% Medicare surcharge on high-income filers); however, parity was maintained.

At the state level, VA's upcoming election is key, as it typically is a prelude to the midterm elections. The Gubernatorial and House races are razor thin. It is possible the VA House flips to Republicans. Former Gov McAuliffe (D) is ahead but only by three points. On the legislative front, IL's recent clean energy bill was a big deal. Other states to watch include NC, which is considering a clean energy legislative proposal. TX and CA will also be important to watch on the regulatory front.

Other items covered include FERC's proposed removal of the 50bp RTO adder for transmission projects, which may not have broad support. On solar tariffs, EEI is watching closely what the Dept of Commerce decides, but timing could still take time. EEI is also focused on broadband, which Congress supports, and RTO expansion, mostly in the West.

Private Equity, Infrastructure and Strategic Views

Andrew Gilbert – Partner, Energy Capital Partners
Jonathan Bram – Partner, Global Infrastructure Partners
George Bilicic – Vice Chairman, Global Head, Power Energy & Infrastructure

Everyone is focused on the next wave of the energy transition. The historical focus has been on utility-scale renewables build-out, but the landscape is evolving with opportunities growing across storage, energy management, and customer facing areas. Private players have to view everything through an ESG lens given importance of exit multiples and other stakeholder considerations as investors such as pension funds demand it.

Utility strategy. Lazard doesn't see a big strategic need for utilities to pursue M&A as standalone investment plans and growth outlooks are constructive. Utilities with gas LDCs are assessing strategies given ESG dynamics and could also look to diversify into energy transition areas like incorporating hydrogen and/or electrolyzers into their businesses. There could be a continuation selling minority stakes in utility businesses as there is big demand for the asset class as a simpler way to invest in energy transition.

Broader electrification > headwinds from DG. The threat to utilities from growth in distributed generation was viewed as overblown. The more important thematic is broader electrification of the economy which should provide a multi-decade tailwind for utilities. Other ways to invest in energy transition can be risky and unproven, whereas utilities are viewed as a safer way to invest and benefit, particularly as the stocks haven't re-rated higher.

Reconciliation bill. The panelists largely agreed something would eventually get done but thought it was hard to have clarity on investments until we know for sure what's in the bill. Key focus areas included tax credits for standalone storage projects that could allow for more flexibility on location; 2) refundability of tax credits; and 3) a solar PTC which was viewed as very impactful as solar has become more productive at a lower capital cost.

Commodity prices may remain elevated as this time could be different. The producers are disincentivized to invest in growing production so supply may not respond as much to price as it has historically. Despite a huge energy transition thematic, there was still a consistent view from the panelists that the country will remain dependent on natural gas fired power plants for a long time to come.

Strategic Views – Morgan Stanley

Jeff Holzschuh – Chairman

While the big company-to-company M&A deals have quieted in recent years, Jeff noted there's been a fair amount of activity across the board, as 7 of the top 20-sized utilities have done a deal in the last 18 months. There's been lots of simplifications. Lots of companies are still looking to transform to a greener future. It seems unlikely there will be company-to-company deals as a recurring theme, but we eventually could get more MoEs.

In terms of the future of the sector, Jeff sees further consolidation, but not the point of becoming a 10 company sector. Scale and synergies do matter. Cheap money and institutional dry powder remain key enablers. Jeff believes there are still buyers for gas LDC assets, but they may be more in the private markets (ie: CNP deal). Some companies have been precluded from M&A given business mix or in process strategic initiatives, but names like EXC and PPL could be in a position to engage following their recent simplification transactions. Reasons for why we aren't seeing more asset sales from companies include low tax basis (ie: transmission) and earnings must be replaced to continue growing. On the IPPs, Jeff seemed to suggest these names are easier in private hands given they trade on cash flow and can see volatility tied to commodities and the market. Believes there are buyers out there, but price signals in forward power market are not great and transformation to cleaner fleets is needed. Not seeing more IPPs created, while oils less likely to be interested in acquiring until asset base is greener.

Jeff does a lot of work with company Boards and has spent the most time talking about the macro environment (economic growth, commodities), Washington (tax incentives), and COVID challenges. There also is an increasing amount of discussions around climate events, as these are no longer black swan events.

On activism in the sector, Jeff believes it is here to stay until those funds stop making money (noting they've done very well so far). Activists are primarily looking to optimize disconnects in public market valuations (sale of assets, change in mgmt., etc.), while in some instances also looking to inject capital where needed. Further, there's been several instances of activists never becoming public, as companies have either addressed their concerns or been their own self-help activists.

Finally in terms of utilities as an investment relative to the market, Jeff has been disappointed by the underperformance of the sector given inherent risk in the market. That said, he acknowledged that there are only a limited number of liquid names to invest in and ESG restrictions have been an issue (particularly in Europe/Asia). Utilities will need to continue to "green up" to attract more capital. If the market pulls back at some point, utilities should be more in favor.

Moody's Panel – Utilities & Midstream

Mike Haggarty – Managing Director (Utilities)
Arvinder Saluja – Senior Credit Officer (Midstream)

<u>*Utilities*</u>
Moody's noted that a lot of its rating actions over the past year have been related to climate events. Most notably, these include Winter Storm Uri impacting several utilities and Hurricane Ida for ETR. Historically Moody's has

viewed these as one-time type events, but given the increasing frequency due to climate change, that argument is getting harder to make. These types of events coupled with higher leverage from utilities' ever-increasing capex plans has led to a deterioration in metrics. That said, Moody's believes this has been offset to some degree by positive shifts in business mix for a lot companies. Moody's is finding that most utilities are committed to maintaining the Baa2 rating going forward. And underpinning all of this is a regulatory environment which Moody's described as "remarkably resilient" – the two exceptions that were highlighted were NY and CT (we would include AZ too). Moody's believes this will be key for the sector to maintain going forward.

Moody's did say that it doesn't believe $5 gas will sustain going forward. This view was shared by nearly every utility at the conference too. Still, this is something Moody's is watching closely along with potential rising interest rates given that both have been a big tailwind for sector over the past several years.

On specific credits, Moody's negative outlook on ETR reflects that it wants to see the regulatory process play out. Also, the company has issues that it is dealing with in New Orleans. Moody's did acknowledge that LA has been supportive of storm cost recovery in the past, but also caveated that the numbers are just getting quiet large. Moody's reiterated that it expects ExGen to be investment grade once it is spun out and highlighted the good week that utilities had in IL (EXC, AEE) as it relates to the recent legislation that was passed.

<u>*Midstream*</u>
Moody's sees midstream as a no- to slow-growth sector from here. The E&Ps have remained disciplined despite higher prices which has resulted in a stepdown of capex that Moody's thinks is likely to hold in the near-term. This frees up a lot of cash flow for deployment – slight increases in distributions and buybacks aren't much of a concern for ratings. Leverage targets still seem appropriate with the slowdown in growth, although companies will likely be held more accountable for hitting these targets in the near-term instead of being allowed to point to future growth into leverage metric ranges. For TRGP, Moody's thinks the company has passed the inflection point and is well-positioned to keep improving the balance sheet. Ba1 is possible after the DevCo buy in, while a full upgrade to investment grade will likely require further progress simplifying the story by paying down the preferred, technical changes with the revolver, and/or further simplification of asset ownership structures. This could take 12-15 months after moving to Ba1.

Power Markets and Clean Energy – EPSA and PJM

Todd Snitchler – Electric Power Supply Association, President & CEO
Asim Haque – PJM, Vice President State Policy and Member Services

For context, both come from an Ohio regulatory background (former PUCO Chairs), but are now most focused on market structure, particularly in PJM.

Both EPSA and PJM seem to agree that the most recent market structure changes are likely to result in downward pressure on capacity auction pricing. The new less restrictive MOPR and generator requirement to bid in at net avoidable cost rates (ACR) or use unit-specific exemptions subject to market monitor (IMM) review are driving this. It also seems like that PJM's next auction (2023-2024 period) is delayed from December into early-2022.

EPSA isn't supportive of these market structure changes. Also thinks some of the policies being considered at regional and federal levels are disconnected from the realities of grid operations – reliability must be front and center after challenges seen in Texas and California. Still advocating for price on carbon rather than some of the incentives/extenders being proposed in Congress (ie: CEPP, nuke PTCs, etc).

PJM believes the market structure changes were necessary to keep markets viable after states threatened to leave. Striking a balance is important – allowing state resource participation, making sure consumers don't pay twice, and preserving competitive markets. Now need to look at what is necessary from generation compensation perspective to maintain balance.

PJM is also focused on transmission planning issues such as interconnection reform and build/cost allocation policy. Strongly advocating for maintaining ROE adder for transmission RTO membership, but tough to say if FERC is listening.

Quanta Services, Inc.

Duke Austin – CEO

Duke sees a sustained elevated demand trend in utility spending.

More balanced risk profile. The majority of PWR's work is with utilities (60-70%) and nearly all of that is on projects that are $100M or less, reducing big project risk.

Bullish on long-term utility load growth. Beginning to see signs of an acceleration in utility load growth and it will continue to be a theme for the next 10-15 years: renewables, system hardening, and EV charging.

Renewables. Blattner will add to renewable capabilities on the E&C front and a lot of opportunities to provide grid interconnection services for these projects.

Climate events requiring more utility spend. In the West, utilities will need to underground more; it's expensive, but so are insurance costs and the legal framework on wildfire liability. Cost is highly determined by permitting and related issues; scaling up could help. In hurricane areas, there needs to be a continued shift toward replacing wood poles with steel and concrete as well as other hardening initiatives.

EV charging a big opportunity. PWR can serve as an intermediary between charging companies and the utilities. Charging infrastructure will require a lot of back-end spending on T&D redundancy. Thinks each $1B in charging infrastructure spend will require upwards of $25B in T&D infrastructure spending. This is just getting started.

Quanta is building out its craft/skilled labor and engineering forces via colleges and its own educational programs.

September 30, 2021

Company Summaries

AES Corp. (AES): Very well positioned for the energy transition

- **Leader in renewables; Biden credits would be a big boost.** AES touted its position as a global leader in renewables development – noting that in addition to signing plain vanilla PPAs, the company is being very innovative to meet client needs (i.e., providing 24x7 renewable power for some corporates). AES' 37 GW pipeline is all real projects, half of which are in the U.S, as the company started buying up land and interconnection rights a couple years ago. Passage of the Biden credits would further boost its position. AES sees a high likelihood of a PTC/ITC extension (incl. PTC for solar), standalone ITC for storage either through the reconciliation process or through a tax extenders package – failure to get something done would be politically detrimental (i.e., Dems need a "win" before 2022 midterms).
- **Mostly insulated from supply chain issues.** For projects still to go in 2021, AES said it is exclusively using FSLR panels (i.e., no polysilicon and U.S.-based manufacturer). Further, AES said it has 18-months' worth of panels for U.S. installations currently in inventory. AES is in the midst of transitioning its supply chain for where it sources polysilicon – by mid-2022, AES expects to get its supply from Germany and South Korea (i.e., not subject to the AD/CVD duties in China and potentially in SE Asia).
- **Petition at Dept. of Commerce not expected to impact AES.** The DOC's decision to extend the timeline 45-days for whether to launch an investigation into potentially extending AD/CVD duties to Thailand, Vietnam, and Malaysia is not expected to impact AES (for reasons discussed above). Still, AES has advocated strongly against the petition, viewing it as sending a negative signal for the industry and counter to achieving the Biden Administration's top priority – progress on climate goals.
- **Clean tech incubator.** AES highlighted that it has produced 4-5 "unicorns" over the past decade or so in different areas of clean tech. These include s-Power, AES Distributed Gen, Fluence, Uplight, 5B and likely others still to come. We view this as a key differentiator for AES and believe it demonstrates management's unique perspective on the path the industry is heading. AES noted that by providing its platform to grow off of, while not suffocating the companies with bureaucracy, is part of its "secret sauce" for enabling them to succeed

Alliant Energy (LNT): Remains a renewables transition leader; seeing some cost/timing pressures

- **Strong conviction in continuing track record of 5-7% EPS growth.** Track record of 11 straight years of 5-7% EPS and dividend growth. Confident this will continue. Earnings are 98% regulated and not much interest in non-regulated investments or inorganic growth.
- **Still a leader in renewables transition.** Renewables already 20% of rate base, growing to 24% by 2024. Coal in rate base shrinking to 4% in 2020. Added close to 2 GWs of wind and now plan to add 1.5 GWs of solar. Evaluating whether more storage should be added to the plan, beyond 100 MWs already assumed.
- **Small delay in Iowa solar filing and some inflation/cost pressures.** LNT was set to make its 400 MWs solar filing in Iowa in Q3, but this has been slightly delayed. Given inflation and supply chain, numbers are moving around requiring new analysis in terms of what makes the most sense for customers. Should not impact the CODs of projects, which are several years out. In Wisconsin, 675 MWs of solar already approved and 414 MWs pending. Seeing modest increases in costs, but confident will be deemed prudent by regulators and recovered. On gas/power cost pressures, Iowa is pass-through and Wisconsin has fuel-band (updating in next 30 days), while hedging program covers 50-60% of winter costs and targeted 3-5% O&M reductions will help with customer bill pressure.
- **Regulatory environments remain constructive.** Balanced ratemaking demonstrated in latest Wisconsin rate settlement. Expect approval later this year. After that, next rate case in Wisconsin isn't until Spring 2023 and even longer before next Iowa rate case. Have forward-looking test-years and riders on over 50% of operating costs. Service territories have shown resilience coming out of COVID.

Ameren Corp (AEE): Executing on plan one MTEP at a time

- **Still sees LT EPS and div growth of 6-8%.** AEE remains confident on executing its 6-8% EPS and dividend growth through 2025, driven by 8% rate base growth. AEE has $40B+ of investments through 2030; that excludes any new renewables from its MO IRP filing or transmission multi-value projects that is expected out of MISO's MTEP report.
- **MTEP expected to provide opportunities though report likely delayed.** AEE is bullish transmission. The range of MISO transmission spending could be $30B to $100B through 2039. AEE noted some of the potential projects anticipated in MISO's Transmission Expansion Plan report are in AEE's territory; AEE's share is unknown at this time (around a decade ago AEE got $2B out of $6.5B of large MISO projects). But AEE anticipates clarity in 1Q22 when the MTEP report is likely issued. AEE is hopeful that FERC will not eliminate the RTO ROE adder; but the risk is manageable as 50bp is only $0.04/sh.
- **MO rate case, renewables upside, Rush Island.** The bid/ask spread in AEE's pending MO rate case is narrower than usual. MoPSC Staff recommended a 9.5% ROE and 50% equity ratio; AEE requested 9.9% ROE. AEE has settled rate cases in recent years and will get a better sense of the playing field when parties file responses in mid-Oct. AEE's update to its Sep 2020 IRP is planned for Oct and is expected to address Rush Island coal plant, which a court ruled needs a scrubber. AEE could install one or retire it early (using this year's MO securitization law), among other options. AEE's IRP also calls includes 1,200 MW of incremental renewables by YE25; CCN filings in MO for an unspecified portion of that are expected by YE21.
- **IL law constructive.** AEE said the new utility law is a blend of traditional, performance based and forward-looking frameworks. The law allows for 4-yr rate plans beginning in 2024. While IL regulators will set the ROE (no longer formulaic), they gave AEE IL gas a 9.67% ROE just last year. Plus, under the new law, AEE could get 20-60bp incentives on the ROE.

American Electric Co (AEP): Why ask wh(KY)?

- **EPS growth target intact.** There is no change to AEP's 5-7% EPS growth target, and mgmt. would be disappointed if growth was not in the upper half of that range. AEP said its stock valuation was too cheap and pointed to potential catalysts, such as a KY Power sale and multiple RFPs.
- **Balance sheet improving in 2022.** AEP expects FFO/Debt next year and beyond to be "comfortably in the low to mid-teens" range from the 13% level currently, as this year was impacted by Uri. AEP has $1.4B of equity needs in 2022 but could mitigate them with a sale of KY Power. AEP plans to roll forward its capital plan to 2022-26 at EEI in Nov, and some incremental renewables capex is anticipated to creep into the later years. AEP wants to have a healthy B/S and will manage capex accordingly.
- **KY Power update.** The recently-initiated KY PSC investigation into KY Power revolves around the shared Mitchell coal plant with WV as well as customer impacts from a potential sale of KY Power. AEP still plans to make a sale or no sale decision on KY Power by yearend; regulators would have 4 months to review the sale. There will be some minor tax leakage, but the net proceeds would mitigate AEP's equity needs.
- **Fleet transition over time.** AEP sees 16.6 GW of renewables in its system through the decade. And AEP will fight to rate base as much of the associated spend as possible.
- **Rate cases not concerning.** AEP has not seen surprises. The OH settlement is awaiting approval, and a vote is possible at PUCO next month.

Avangrid (AGR): More offshore wind opportunities, PNM closure soon; trying to right the ship in Maine

- **Recently restructured offshore wind JV and bid into MA RFP.** Lots of news on the offshore wind front. AGR just restructured its offshore wind JV with Copenhagen Infrastructure Partners. Ownership of Vineyard Wind 1 will remain 50/50 (800 MWs). AGR will take full ownership of Park City Wind (804 MWs) and the recent Commonwealth Wind (800-1,200 MWs) bid in MA. Feeling good about recent MA bid – not much competition (one other party bid) and still good on economic returns. Seeing synergies from owning multiple lease areas next to each other. Near-term, Vineyard Wind reached financial close and on schedule to generate first energy in 2023. Long-term opportunity in North Carolina with 2.5 GW Kitty Hawk lease area.

- **PNM merger on track to close in Q4**. Analysis from case examiner can come any day. Then expecting the New Mexico PRC to vote and approve the deal. Have 17 parties signed on to stipulation or unopposed.
- **Addressing service issues in Maine and optimistic NECEC referendum defeated**. Recently filed to remove 100bps ROE penalty in Maine after hitting service metrics for 18 straight months. Construction underway on NECEC transmission on all parts except 1 mile currently under court review. Optimistic that benefits of project will be recognized and referendum vote against it will be defeated in November based on polling data.
- **Biden clean energy plan has attractive renewables provisions**. Tax credit extensions would improve economics for new projects. Direct pay could replace tax equity requirements and allow immediately monetizing tax credits. Would be difficult to qualify for offshore wind incentives given domestic content requirements and steel supply currently being sourced in Europe. Looking to do more on storage front and standalone ITC would be particularly helpful there.
- **Feel good on supply chain, watching nat gas bill pressure**. Watching Department of Commerce decision on anti-circumvention tariffs, as building out a lot of solar. Would have chilling effect on industry. Haven't seen any delays in supply chain thus far, as combined buying power with Iberdrola helps. Higher natural gas costs are pass-through for utilities, but concerned about customer bills – starting to have conversations with regulators to deal with this.

CenterPoint Energy (CNP): Highly convicted in executing on the new plan

- **High degree of conviction in hitting growth targets.** CNP recognizes that prior management had a history of disappointing shareholders. New management has conveyed high conviction in hitting its 8% annual EPS growth target through 2024. CNP noted there will be a theme of under-promising and over-delivering at the company, and that nothing in their plan would be considerable aspirational. Management was purposeful in improving all its regulatory relations to better position to deliver on these commitments.
- **Positioned well to handle rise in gas prices**. CNP highlighted that 50% of its winter supply is hedged. CNP views itself as uniquely positioned within the sector to deal with this issue given that it has 1-2% customer growth across its service territories and is committed to 1-2% annual O&M reductions – both of which provide rate headroom. Securitization roll-offs at CEHE will also be helpful (currently ~8% of the customer bill). CNP did mention that it may hedge gas more in the future but would want to do so in partnership with its regulators.
- **Midstream exit.** Management pointed to recent actions as a demonstration of its focus to exit midstream expeditiously. All the ET shares have been registered at this point, so there will be no waiting period after the deal closes for CNP to start monetizing its remaining stake. CNP said it is open to various methods – conducting a sale on a private basis (i.e., 144a-type sale), a marketed offering led by ET or to sell into the open market over time. Our sense is a swift exit.
- **Thoughts on future LDC sales.** CNP views its existing LDCs as "pre-paid debit cards", which provide a lot of flexibility to fund future capex opportunities above its $40B 10-year plan. CNP is very open to selling additional LDCs, the timing of which would depend on having a place to efficiently recycle the capital. Some areas could be around undergrounding existing transmission in TX and other opportunities out of the recent TX legislative session (new transmission, temporary generation, etc.).

Clearway Energy (CWEN): Thermal sale catalyst approaching; California heating up

- **Thermal strategic review.** A decision will likely be made by Q4. Proceeds are highly likely to be set aside for growth, including acquisitions from sponsor GIP and potential third-party deals. We sensed there could be some incentive to recycle the capital quickly, although CWEN is not afraid to have an elevated amount of cash on hand if necessary. Management referenced that a potential sale could have impacts on the company's overall cost of capital depending on the level of accretion.

- **California gas plants.** Management hopes to give more of an update on the 3 plants with 2023 contract expirations on the Q3 call. They expect a majority of the capacity to be re-contracted through IOU procurements for up to 3-4 years term with a smaller amount done bilaterally with potentially longer terms. Of note, CWEN indicated that a sale of a portion of the three plants would probably make sense even if they are successful at re-contracting capacity as the short to medium-term contract duration is less consistent with the business model. Recent tight market conditions and reliability concerns in California are supportive both on re-contracting and potential sale values.
- **Competition in renewables.** CWEN views its cost of capital as around the lowest it's ever been, while GIP is advantaged in development given their scale, diversity of sites, and expertise. The co-investment drop-down structure also allows for some optimization by GIP while still supporting CWEN's growth. The company thinks they can be competitive on third-party M&A for assets that have stronger current income profiles.
- **Tariffs and legislation.** CWEN views their sponsor GIP as comfortable on tariff and related trade risks. The company expects to see more storage in the mix with a focus on potential tax credits for standalone storage. CWEN's plant sites in California could even offer opportunities for storage development.

CMS Energy (CMS): Capex tailwinds and IRP confidence

- **Lots of capex tailwinds unlocked by customer savings.** Seeing capital investment opportunities that will last for generations. Big part of that is large generation fleet that requires substantial decarbonization. Helpful that this is occurring in Michigan, which is one of the best regulatory environments. IRP filing reduces customer costs by $650M versus status quo and coupled with other O&M savings opportunities, creates rate base growth potential while maintaining affordability.
- **Feeling good on reception to IRP filing.** Had conversations with stakeholders before Integrated Resource Plan filing in June to incorporate feedback. Thinks this increases probability of success. Will get intervenor testimony in late-October and preliminary MI PSC order in April next year. Adding 8 GWs of solar long-term and well-positioned to own at least half, as cost differential of rate base versus PPAs has narrowed. Also adding two existing gas plants for reliability purposes as exit coal. IRP capex is all upside and lengthens/strengthens 6-8% EPS growth rate that is already biased to the high-end.
- **Well-positioned on higher nat gas costs.** Managing nat gas cost pressure well – have 70% hedged/storage for upcoming winter season at average $3.00 price. Other inflationary pressure seem manageable within the plan.
- **Enerbank sale made a lot of sense, no interest in other M&A.** Saw attractive valuations. Ultimately was going to require equity to fund given deposits imputed as debt by S&P. Allows more funding flexibility without equity needs near-term. Enerbank sale is on track to close in Q4 and has necessary regulatory approvals. Could be modestly higher than $960M sale price given book value accretion. Not interested in any other M&A given organic growth opportunities.

Con Edison (ED): Working to get change the narrative on NY regulation

- **Focused on improving shareholder returns.** CEO Tim Cawley noted this was a priority of his since taking over the role at the beginning of this year. Getting the regulatory construct right in the state was one area he pointed to – specifically ED's petition to begin recovering foregone late fees from 2020 ($50M) and be made whole for 2021 ($70M expected). Tim also mentioned making the case with regulators for ED to be the investment leader in helping the state achieve its climate goal (more on that below).
- **Planning to propose new investment programs.** ED will do this as part of CECONY's next rate case, which will be filed in January. Management mentioned that the new investment programs relate to resiliency following recent storm events and in the clean energy space (EVs, battery storage, energy efficiency). Getting NYPSC support for these would allow for upward momentum to CECONY's base $3.5B/yr. of capex spend and could help improve the company EPS growth profile to be more in-line with peers.

- **Pushing hard to invest in renewables in NY.** ED is pursing this both at the legislature and through talks with the NYPSC. ED believes that allowing utilities to rate base renewables in NY makes sense for a couple reasons 1) more cost effective for the customer; 2) would go a long way in helping the state meet its renewables targets. It still seems very early in the process, though ED mentioned their proposal has piqued the interest of some environmental groups.

Dominion Energy (D): Shackles are off; triennial risk is overblown

- **Stock discount relative to actual triennial risk doesn't make sense.** D was pretty direct about this after seeing recent intervenor testimony. D compared its valuation relative to high-quality peers in the sector and said that the implied earnings hole doesn't at all match the risk that the company sees from the triennial reviews. **We agree with this and continue to see about a $0.15-0.20 EPS risk in the T2 review using the parameters from Staff's testimony**, which assumes an unlikely punitive allowed ROE (8.7%) and is before applying CCROs that would reduce the exposure. Underpinning all of this was management's confidence earlier this year to extend the 6.5% EPS growth rate through 2025, where any impact from the T2 review would be reflected.
- **Should get an update on Q-Pipe soon.** D has high conviction in being able to announce the buyer for Q-Pipe soon. Management said that there has been robust interest from both strategics and financials. While the backdrop for the energy industry has improved considerably since the first deal was announced, D was clear that these dynamics won't materially affect the valuation higher this time around.
- **VA politics in focus.** During our EEI panel, Virginia was labeled as THE state that they were watching next year given the gubernatorial and general assembly elections. While the governor's race is tight, D doesn't believe that energy policy is a key topic for either candidate. D did mention that the Republican candidate has expressed concern about bill affordability as it relates to the Clean Economy Act, but is still a supporter of offshore wind. Importantly, the senate is not up for re-election, so even if the Republicans win the governor's race and flip the general assembly, it will remain a divided government in VA.
- **Offshore wind project on track and budget.** No change in messaging here. D is still on schedule to make a rider filing before yearend with the SCC for the project and expects a record of decision by mid-2023 from BOEM. D expects to bring the project online within an LCOE range of $80-90/MWh – well below the $125/MWh cap.

DT Midstream (DTM): Happy with execution and focused on next steps on growth

- **Pleased with first few months post spin.** The company has been executing on the financial plan and has been successful in extending a few key contracts, boosting the LT clarity of the story.
- **Confidence in near term outlook.** DTM reiterated views of being in the upper end of the $710M-$750M 2021 guidance range and 5%-7% growth in 2022. The team sees 2022 as pretty locked in at this point and is mostly focused on building out the story for 2023-2024.
- **Private operators starting to grow volumes; may need to wait for more clarity on publics.** While a smaller part of the revenue picture, management noted that its private operators are starting to boost activity which should provide some tailwind. The public names have remained disciplined and are sticking to flattish outlooks into next year; will need to see if the tone evolves around any excess cash flow around yearend earnings.
- **Next steps on growth – Gulf access, decarbonization.** A potential expansion of LEAP in the coming years is a focus to help support the increases in LNG-based demand on the coast. Separately there are a series of opportunities to cut the carbon footprint of the gathering and transmission assets, citing the recent carbon neutral service proposal in the Haynesville. Will be particularly important for LNG exports where carbon footprint is an increasing focus of buyers.

DTE Energy (DTE): Confident in financial outlook, addressing storm noise

- **Financial outlook tracking very strong in 2021, 2022, and beyond**. DTE sees 2021 continuing to be a very strong year financially. Hot summer weather (continued residential sales from WFH) and commodity price volatility (at trading) were likely added benefits. This is setting up an attractive 2022 outlook that will be introduced with Q3 earnings / EEI. DTE will also roll-forward its five-year plan and remains confident in beating expectations relative to its 5-7% EPS growth target.
- **Addressing noise around unprecedented storms, creating investment opportunities**. DTE's Michigan service territory saw unprecedented summer weather stemming from 11 storms and 5 tornadoes. There's been some noise from customers, regulators, and politicians – but DTE is addressing this. The first step is investing $70M/year more in tree trimming. Strategic undergrounding could help too. Mgmt feels good about being on the same page as stakeholders with MI PSC Staff supporting its plan to invest incrementally to address reliability. Feel good on Michigan regulation overall, with recent gas case ALJ manageable (9/50% ROE) – no settlement, but commission has shown gradualism on ROEs. Should be able to manage increase in nat gas prices – have bought three-quarters of gas for this winter and two-thirds for next winter already.
- **More to come on accelerated coal retirements with early IRP filing**. Customer preferences and cost are key driving factors in DTE's fleet transition. The next Integrated Resource Plan filing isn't due until September 2023, but DTE plans to pull this forward with more details to come later this year and early next. At a high level though, coal plant retirements will be accelerated (though most still occurring beyond the next 5 years), while maintaining a focus on reliability as gas becomes the only viable baseload resource. This could create cost reduction opportunities to open up future investments. Meanwhile, DTE's voluntary renewables program remains very successful with 950 MWs signed up already and approval to go up to 1,300 MWs.
- **Comfortable with 90/10 biz mix and doing bite-sized non-utility projects**. Following the midstream spin, DTE hasn't missed a beat. Mgmt. is comfortable with its 10% non-utility business, but isn't looking to grow beyond that. Small projects in RNG and cogeneration are being added that total $15/year in net income. Unlevered after-tax returns remain in the mid-teens with 3-4 year cash paybacks. Greenfield dairy RNG remains an attractive growth avenue. No real interest in M&A.

Duke Energy (DUK): Wait N-C

- **Remains optimistic on NC legislation.** DUK still feels there is strong support for comprehensive energy legislation. Dialogue continues with lawmakers and key stakeholders even though they are not visible. Legislative leaders have publicly stated that clean energy legislation is a priority this year. There is no deadline to pass legislation; in the past, some bills have been taken up well into Nov. In our conference poll on whether NC legislation would pass this year, respondents were evenly split.
- **Fleet transition is happening.** Whether it's state or federal legislation, there is need to replace coal with renewables/gas. DUK's 5-7% LT EPS growth outlook assumes some transition spend in 2024-25 but most will show up in second half of decade. DUK's $65-75B plan in 2026-30 is anchored off a 55% carbon reduction level in the Carolinas; but if that becomes 70-75%, then there will be even more capex. And in Indiana, DUK will soon file an IRP, in which fleet transition will catalyze the next leg of growth.
- **Looking for common ground with Elliott.** DUK has been talking with Elliott for over a year, and the dialogue continues (no specifics). DUK hopes it can find some common ground to reach a cooperation agreement; there is no timetable. DUK is open to ideas, even though management has disagreed with Elliott's past proposals. DUK thinks its current structure is working well.

Edison International (EIX): How deep is your discount? I really mean to learn

- **Stock discount too steep.** There has been uncertainties over the GRC, wildfires and 2017-18 fire damages possibly going higher; however, EIX said that explains just a fraction of the stock valuation gap from the utility group average. EIX gets investor questions such as what happens if EIX starts a fire and what happens if the wildfire fund is depleted. But EIX says the most important thing about CA's wildfire law (AB 1054) is prudency standards, which no longer presumes utilities are guilty if their equipment starts a fire. Those standards survive even if the fund is depleted. And the CPUC has been constructive on other parts of AB 1054 that have been tested to date.

- **Covered conductor, PSPS, enhanced VM mitigating wildfire risk.** EIX pointed to evidence of fewer faults in locations with covered conductor, enhanced overhead inspections and VM. PSPS is politically challenging but it's an important tool of last resort. EIX said nobody should be concerned that the utility will not use PSPS due to political challenges. EIX has been making improvements to PSPS and using them less and less.
- **GRC outcome was a good outcome.** EIX got 98% of its non-wildfire capex request. Covered conductor approval was good to see; 4,500 miles approved but could do more under the decision; 10,000 miles in high fire threat districts. EIX said CPUC President Batjer's resignation is not a concern; she brought structure to the CPUC, so the next appointee will be important.
- **Cost of capital outcome still unknown.** The intervenor comments on the off-cycle CoC filing last week were unsurprising. It is unclear how the CPUC will rule on the utilities' applications. The CoC mechanism, if triggered, would suggest over 50bp ROE cut in 2022; every 50bp is about $0.20. But EIX does not expect to need more equity if an ROE cut is triggered. EIX expects the cost of debt and preferred equity to be reduced in 2022 irrespective of CPUC's ruling on the CoC. That reduction is already in EIX's guidance.

Emera (EMA): Positive tone given TECO settlement

- **TECO settlement positions the company well.** EMA expects the FL PSC to approve its settlement in October (all intervenors are signed on). When looking at the totality of the settlement, EMA believes it is poised to earn above the 9.95% midpoint – likely in a range of 10.25-10.75%, consistent recent history. EMA mentioned that even with unfavorable weather, it would likely still be able to earn near the 9.95% midpoint.
- **Latest on Atlantic Loop project.** The support for Atlantic Loop hasn't changed at all as a result of the recent elections in Canada. In fact, EMA mentioned that the election in Nova Scotia – a win for the Progressive Conservatives over the Liberals – is equal or slightly better on the margin for Atlantic Loop. That said, 4-5 weeks of time negotiating logistics on the project were lost due to the election cycle. It's still unclear what amount the company could own and what the eventual price tag of the project would be – EMA has pointed to something north of C$2B. Management is hopeful to provide a more fulsome update at its Analyst Day in early December.
- **TECO has most exposure to rise in natural gas prices.** This is because EMA does zero hedging in FL at the direction of the FL PSC. EMA does have the ability to push through a mid-year increase in its fuel clause if there is a +/- 10% variance vs its estimated amount – in fact, it already did so earlier this year which resulted in a 15% increase to customer bills. EMA said there was no pushback from customers, but it will be something to monitor should nat gas prices remain elevated. EMA sees much less of an impact at Nova Scotia Power, NMGC and People's Gas.
- **Content with current set of assets.** EMA said it routinely considers if the current asset mix is optimal. Most simplification questions usually involve the Caribbean Utilities, but EMA sees this as very unlikely – unable to receive a valuation at or above where the company trades today and it likely negative credit implications. EMA does have Bear Swamp and some pipeline investments, neither of which sounded like the company was in a rush to move on from.

Energy Transfer (ET): Confident on ENBL closing; Likely an all-of-the-above plan on capital allocation

- **Enable and the CNP overhang.** ET is optimistic on closing the acquisition in Q4. The FTC's second request required a lot of data gathering but ET hasn't seen any notable areas of concern or focus from the commission. ET expects CNP to sell the ~200M units they will receive at closing fairly quickly with a possible incentive from potential tax changes that could be implemented next year. CNP already entered into an arrangement with a bank for a forward sale of 50M units at closing. Secondary sales are possible and ET expressed some openness to potentially buy back some stock as CNP sells.

- **Broader capital allocation.** All-of-the-above is the message here. ET remains focused on debt paydown near-term, would like to raise the distribution next year as the balance sheet improves, and sees buybacks as very strong value. On distributions, we were reminded of tax dynamics for MLP investors that would support raising distributions as a percentage of cash flow back in the direction toward prior levels.
- **Open to M&A but doesn't sound imminent.** ET would like to see ENBL close before pursuing more M&A. Valuations still aren't attractive for some private equity owned assets, but there could be dislocation opportunities like ENBL that they could pursue. Overall, the message was more time may be needed prior to seeing a pickup in opportunities. Areas of interest would need to add to the integrated value chain and/or be located in regions where it's difficult to build and incumbent assets are advantaged. JV structures similar to the PAA-Oryx deal could also be interesting.
- **Commodities.** Management emphasized they are more levered to production volumes which they see as improving with higher prices. Higher absolute commodity price leverage is relatively small. There have been some more conversations on the Lake Charles LNG export project but it sounded more on the margin with no material change in the outlook for moving forward on the project.
- **Reconciliation.** Feeling comfortable the bill is moving toward adding renewables as eligible for inclusion in MLPs instead of stripping out fossil. ET indicated they think investors buying through swaps account for about 5-6% of their float so they're monitoring tax proposals there. The company mentioned that an up-C structure could be an option if liquidity was adversely affected by legislative changes.

Entergy (ETR): Storm shadow

- **Storms impact near-term financials but LT outlook intact.** ETR no longer points to the upper half of its 2021-23 EPS guidance ranges, given Ida's hit to revenue and the carrying charges on storm costs until securitization. ETR said the LT fundamentals remain intact and still sees 5-7% EPS growth. ETR lowered its equity needs by $1B (has $1.23B left to issue by 2024); that reduction reflects Moody's lower downgrade threshold this summer. ETR thinks Moody's negative outlook will go away once storm cost securitization occurs.
- **Dividend growth in line with EPS growth**: At this time, ETR still expects the Board to grow the dividend in line with EPS growth beginning at the meeting in Oct.
- **Regulatory reaction net constructive.** While NOLA City Council look to investigate the storm preparedness and future of ETR's sub ENO, state regulators at the LaPSC acknowledged customers were responsible for costs and pointed to the use of securitization as a tool to offset costs. ENO is just ~5% of the total company. ETR says there is a lot of support from LA regulators, the Gov, and Congressional delegation to get federal disaster relief, which could reduce costs to customers.
- **Resiliency investments paying off.** The storms showed resilience pays off, as the newer utility structures designed to withstand 150 mph winds were not damaged, while older structure were.

Enterprise Products Partners (EPD): Expect an all-of-the-above approach to capital allocation

- **Capital allocation and M&A.** We came away thinking an all-of-the-above approach to capital allocation is more likely across buybacks, distribution growth, new projects, and potential acquisitions if at good value. On acquisitions, EPD implied that prices have become a little more reasonable recently and they would be interested in areas that build on their integrated value chain. Uncertainties on federal legislation have to be factored into capital allocation plans.
- **Legislative risk.** Risks from the reconciliation bill are now lower than before since it looks like the push to eliminate the MLP structure has faded with renewables instead included as an MLP eligible asset. That said, there are still important issues to monitor, including a potential carbon or methane tax and tax on investing in MLPs with swaps.
- **Commodity markets.** Global and US inventories are low and there's been an underinvestment in storage, while intermittent renewables have become a bigger piece of the energy mix amidst the broader push for electrification. EPD stressed their fee-based business model and downplayed commodity exposure. We think some LPG export cargos could have been redirected to domestic markets depending on where the highest value is at any given time.

- **Inflation.** EPD has some inflation protections built in – FERC regulated assets are more clear cut in their protections, but most bilaterally negotiated contracts also have some sort of PPI or CPI adjustor over time.
- **SPOT offshore crude export project.** The permitting process continues to take longer than expected and it seems unlikely permits will be received by Q4.

Equitrans Midstream Corp (ETRN): MVP progressing on track with some macro tailwinds

- **MVP update.** ETRN expects to have constructed about ~20 miles by the end of the season and will have about 18 miles to go next year. The permitting process has progressed as expected – the WV 401 water permit should come around the end of November, VA 401 around the end of December, and FERC approval is expected around the same time as the Army Corps 404 permit in January. The company remains very confident in their Summer 2022 completion target. Separately, they are seeing a lot of interest in Southgate, and permitting should progress as MVP completion becomes more certain.
- **Gas markets.** Management thinks gas prices will likely remain around current levels in the near-term – producers are remaining very disciplined, winter is creeping up, and there are several global supply chain constraints that may persist near-term. Appalachian producers in particular are not reacting to these higher prices, and may need MVP completion to help ease some of the takeaway constraints.
- **Post-MVP.** ETRN pointed to 3 key focuses following the eventual completion of MVP. 1) They need to improve the balance sheet, and see high 3x / low 4x leverage reasonable by 2024. 2) They need to lower their cost of capital. 3) They plan to reassess the marketplace, which could include expansions or extensions of MVP. The company remains focused on creating a comprehensive hub with outlets to the southeast, gulf coast, REX, Rover, etc., which could drive more low-cost compression expansion opportunities.
- **ESG.** ETRN believes they are making good progress and doing all the right things on carbon capture, methane reduction, and other ESG initiatives. The plan is to keep doing what they're doing but to be more vocal about it.
- **EQT.** The relationship with EQT remains very strong, and ETRN has been able to reduce some capex by coordinating and optimizing their spending plans with EQT's drilling plans.

Evergy (EVRG): Focused on execution and fleet transition opportunity post-Analyst Day

- **Focused on execution and narrowing valuation gap following Analyst Day.** Just held Analyst Day last week, where 6-8% EPS growth target was extended to 2025. 2021 is on track to reflect 7% growth and new 2022 guidance reflects that as well. Focused on execution to narrow valuation gap to high-quality Midwest peers. Executed well on targeted merger synergies thus far.
- **Big fleet transition opportunity**. EVRG has one of the highest percentages of coal in rate base, but this creates a sizable fleet transition opportunity. Believe company is geographically well-positioned for strong wind/solar resources. Recently filed Integrated Resource Plan that is aimed at balancing reliability and affordability, particularly following Winter Storm Uri. Still keeping some coal plants around well into the next decade, but securitization could create opportunities to accelerate. Also moving around wind/solar timing – pulling forward wind and pushing out solar, primarily due to supply chain and cost issues.
- **Pointing to constructive regulatory relations and working on rate competitiveness**. This was reflected in passage of securitization legislation in both states. Rate issues were driven by coal investments from a decade ago. Believe rates are set-up to be below inflation going forward. Particularly well-positioned relative to peers with rising nat gas prices, as gas is only 4% of fuel source – wind/nuclear is over 50% of fuel with big chunk of coal. Under-earning going into rate cases so limited risk there and encouraged by AEE case read-through in MO. Confident PISA can be extended in Missouri.
- **Seeing wind PPA buyout opportunity, transmission more long-dated**. Looking to buy-in wind PPAs and put in rate base, aligning with PTC expirations. PTC extension could create repowering opportunities. SPP is trailing MISO in terms of looking at transmission opportunities, will hear more in 2022. But most opportunities likely to be longer-dated.

Eversource (ES): Friday night lights in CT

- **CT settlement to be filed 10/1.** ES and key parties filed a notice of settlement earlier this week and will submit the full settlement by the evening of Friday, Oct 1. The key issues to watch are the rate decrease, ROE, equity ratio and timing of next ES/CL&P rate case. The draft decision, issued by the PURA chair, has a 45bp ROE cut (on top of a previously ordered 90bp penalty) but left the equity ratio for ES' next rate case. ES felt good that PURA would approve the settlement.
- **Offshore wind.** ES still feels good on offshore wind, despite not bidding into the latest MA RFP; that auction only attracted two bidders, and under current law in MA, auction prices must be lower than previous auction results. ES has been disciplined in bidding and targets mid-teen levered ROEs. ES remains interested in future auctions; NY could have another RFP next year. On the existing projects, ES sees the New London deepwater port as a competitive advantage. The two larger projects (Revolution/Sunrise) are targeted to be online by YE25.
- **Potential capex opportunities.** Grid mod and AMI continue to be potential upside to ES' plan. Also, there could be incremental transmission opportunities as around 9 GW of offshore power will be coming into the MA/CT/RI later this decade. Transmission won't be needed for all of that, given power plant retirements, but a portion of that onshoring will.

Exelon (EXC): Watching DC for PTC

- **Nuke PTC proposal still possible.** On the heels of IL legislation, investors are watching all the DC action for nuclear production tax credits. If nuke PTCs are not in the final Reconciliation bill, they may still have a chance of being in the annual tax extenders bill. Although getting new credits into an extenders bill is not common, the nuke PTCs have broad support. Portions of ExGen's nuclear fleet would benefit from the PTCs.
- **Spin still expected by 1Q22.** EXC has received FERC approval for the ExGen spin. The NRC is expected to issue a ruling in November. The NYPSC does not have a deadline. NY Gov Hochul recently designated a new chair of the PSC (Rory Christian). EXC plans to host two independent analyst days for RemainCo and SpinCo some weeks after all the necessary approvals have been completed and a final Form 10 is filed.
- **Hedging.** The spike in gas and power prices have led to several investor questions on hedging. ExGen hasn't disclosed hedges beyond 2021. The historical practice is ratable 3-yr program. Notably, the 2024-25 gas and power prices have not moved nearly as much as 2022.
- **Utility will have a good story.** EXC's utilities are mostly electric and own no generation. With the IL law, multiyear rate plans are available to most of the utilities. And they have a good ESG story to tell. Hedging and lower capacity prices mitigate the near-term gas/power price increase.

FirstEnergy (FE): Encouraged working through OH settlement discussions; asset stake sale announcement on track for Q4

- **Ohio settlement discussions remain ongoing.** FE has been pleased with the level of effort and cooperation in its meetings with stakeholders in Ohio, which have picked up in frequency. The goal is to come to a resolution ahead of the mid-November hearing date for the SEET docket. In terms of offerings, FE is looking at some combination of upfront rate credits, prospective rate credits, and/or an accelerated rate case filing. Even if the 2024 rate case filing requirement isn't pulled forward, FE believes a settlement could address any concerns/risk on a step-down in Ohio earnings when the case ultimately is filed. Don't expect earnings power to be thrown off track given FE is at 13% earned ROE (100bps = $0.03). Relatedly, FE appears comfortable with some of the legislative proposals in Ohio as it relates to ratemaking such as doing away with Electric Security Plans (ESPs), as even under the Competitive Power Plan (CPP) bill FE's rider recoveries would be maintained (ie: grid mod and distribution capital recovery), and a 5-year rate case cycle seems reasonable.
- **Decision on minority stake asset sale still expected in Q4.** FE is still working to find the right partner and is on track to decide in Q4. Valuations being seen in the market place continue to look very good for both

distribution and transmission, not a concern. Once this is known, along with Ohio resolution, FE will have a better sense of its balance sheet and equity needs. The goal is to return to an investment grade rating and hit the high-end of the 12-13% FFO/Debt target by 2024 at the latest. FE is also hopeful it can resume providing longer-term earnings guidance in early-2022 when it has more clarity.

- **Other HB6-related litigation remains pending and could slip to 2022**. The DoJ litigation was resolved with a $230M fine. But there remains litigation pending with the SEC, FERC, and shareholders. FE seemed to indicate that this could drag out into 2022, as they have less control over the timing.
- **Looking at opportunistic transmission growth tied to offshore wind**. This week FE filed a proposal with the NJ BPU – seeing $1.2B onshore transmission-related opportunity from offshore wind. Also partnering with Shell/EDF JV that is developing the offshore wind – will give FE option to exercise up to 20% stake in offshore transmission that could be 3-5x opportunity as onshore. Feeling good there will be enough opportunities for everyone to go around in the state.

NextEra Energy (NEE): See commentary above from our Dinner and Fireside Chat

NextEra Energy Partners (NEP): NEE backlog important to NEP, but NEP still very important to NEE

- **NEP matters to NEE**. The importance of NEE to NEP is unquestioned, given its extensive renewables backlog provides a massive runway for future growth. But, NEP remains important as ever to NEE, which enables the symbiotic relationship. The primary benefit to NEE is the ability to use NEP as a capital recycling vehicle that unlocks future growth potential and balance sheet capacity.
- **Cost of capital cheaper than ever**. One smaller pushback we've gotten on NEP is that the CAFD yields on recent drops have come down modestly (8-9% range from 9-10% historically). While this is true, NEP's cost of capital has come down commensurately, such that the spread on these drops has been consistent over time. Increasing access to cheap infrastructure capital (KKR, Blackrock, etc.) has enabled this.
- **Convertible equity remains cheapest form of financing, more balance sheet capacity**. The next CEPF coming due is later this year, where NEP will buy it out. This remains much more attractive than issuing units up front from a cash cost perspective. Additionally, Jim also pointed to a recent S&P change in methodology to reflect NEP's greater scale/diversity – moving to a 14% FFO/Debt target from 5x Debt/EBITDA historically – creating more balance sheet capacity.
- **Unlikely to join indices given governance**. Unlike some of its YieldCo peers, NEP is not part of some of the clean energy indices like the TAN. This remains due to governance restrictions, as NEP would need a majority independent Board and independent management. There doesn't appear to be an interest in changing this, as NEE believes this sets up conflicts of interest.

NiSource (NI): Capex tailwinds at its back; IRP plan coming soon

- **High conviction in regaining old track record.** Management feels that the company is in a really good place to regain the old track record of over-delivering on its financial commitments. NI believes that re-establishing that track record will help narrow the valuation gap vs where it has traded historically. NI also believes market fears over the demise of gas LDCs are overblown – highlighting its constructive territories and fact that natural gas will provide an effective pathway for the country to meet its decarbonization goals without sacrificing reliability.
- **Preferred IRP plan coming in October.** NI's preferred IRP will become known at its final stakeholder meeting on October 21st. Our sense is that this will likely include an accelerated retirement date for Michigan City (currently 2028). Replacement capacity is likely to include a mix of renewables and some form of firm capacity (MISO already saturated w/ renewables). This will spell out the next leg of NI's incremental generation investment opportunities. NI will hold an Analyst Day In the 1H of 2022 to discuss this in detail and extend its capital plan and growth outlook through at least 2025.
- **Asset sale seem unlikely, at least in the near term.** This continues to be a hot topic given the valuation that CNP received for its AR/OK LDCs earlier this year. Our sense is that NI is unlikely to do anything, at least in the near term – there is no clear funding need, and each subsidiary is growing rate base at 10%+.

Even VA, which is not contiguous with its other states and is the most progressive state, was highlighted as have the best organic customer growth and constructive regulation.

- **Feel good on gas cost exposure.** NI doesn't see a big impact for a couple reasons. The first being that only about 50% of its residential and commercial customers actually get their gas from NI (lot of states have choice); the industrials procure their own. Of that 50%, NI said that about 40% of the exposure is hedged heading into the winter heating season. Longer-term, all the indicators are telling the company that prices will return to more normal levels next year.

NRG Energy (NRG): Comfortable on business stability through commodity cycles

- **Impact of higher gas and power prices.** NRG expects all retailers to pass through higher supply costs and they have seen rational behavior to date. The company noted their coal and nuclear benefits could provide a relative supply cost advantage, while the Direct Energy business can benefit from wide gas basis spreads and volatility given their access to storage and pipelines. NRG could seek to offer longer term contracts as existing contracts roll off in order to better smooth the impact of rate increases for customers. Overall, mgmt. was very comfortable on managing higher prices, although we sensed a prolonged higher price environment could create some more questions for margins.
- **ERCOT.** There should be very good clarity on receiving the "offsets" from winter storm Uri by mid-October as stakeholders have agreed on securitization. As a reminder, NRG expects \$360M - \$560M of offsets. This is important as it is the main item contributing to the \$461M of expected excess cash this year that can potentially be allocated to buybacks before year end. Mgmt. is comfortable with other ERCOT reforms across weatherization, communications, and future potential changes to incentivize dispatchable generation.
- **Near-term strategic focus on track.** NRG feels as good as ever on achieving Direct Energy synergies. They remain focused near-term on converting one product customers to buy both power and gas. This involves some increased marketing spend, but the magnitude seems small.
- **Optimistic on building out medium-term growth avenues.** Mgmt. had an optimistic tone that they will find larger accretive investment opportunities to grow out from the core business in the 2023 and beyond timeframe. On residential solar, NRG emphasized that they will focus on their strengths, including leveraging their 6M customer relationships, sales organization, and billing capabilities. Having already tried to build a resi solar business before, mgmt. appears focused on finding partners that can provide other capabilities such as financing new residential solar installations. Announcements on next steps and potential partners are expected in the next 12-18 months.

OGE Energy (OGE): Slow and steady wins the race

- **Pointing to higher capital plan.** OGE continues to message that there is an upward bias to its capex plan. The limiter is doing it in a way to keep rates manageable and to not sticker shock OK regulators. Our expectation is to see modest increases in the coming quarters, but its unlikely to see a step change-type update until OGE at least works through its next OK rate case and has better clarity on the outcome of its generation RFPs.
- **Solar RFP on deck.** OGE will file its final OK/AR IRP on 10/1, which is expected to look just like the draft version – about a 1 GW capacity need over the next 5-6 years to replace its Horseshoe gas units and account for customer/load growth. The first tranche of replacement capacity will be through a solar RFP launched in the next couple months – likely targeting ~330 MW in total. OGE will look to add this in increments for rate gradualism –~200 MW in service by 2023, then add another ~150 MW in 2024 and 2025. The remaining capacity need is expected to be filed by smaller gas CTs, which likely wouldn't start being added until 2025. OGE believes it has a good shot at rate basing the solar and is very confident it will be the owner of the CTs. Any generation capex would be upside to OGE's current plan.
- **OK rate case upcoming; regulatory strategy.** OGE will file its next rate case in OK around yearend. Management is confident that case will go smoothly given that the rate increase ask will be modest. Going forward, OGE expects to file rate cases on an annual basis given incremental investment opportunities in grid mod and resiliency as well as on the generation front.

- **Midstream exit.** While OGE is waiting for the merger to close before laying out its definitive exit plan, management did mention that CNP's forward sale might help OGE move a bit quicker in its exit than it thought originally.

Ørsted (ORSTED): I feel the need…the need for wind speed

- **Wind speeds.** UK energy giant SSE's recent release that its renewables assets produced 32% less than power expected between 4/1 and 9/22 due to dry and low-wind conditions reflects the weak wind speeds that Ørsted discussed on its 2Q21 call and follow up sell-side call. But Ørsted does not see any structural issue. Its new UK offshore wind projects are under a CfD framework. But its older windfarms under the RO framework could see some risk. Ørsted has hedges in place and does not expect the impact to be material. On the flip side, Ørsted is seeing significant outperformance from its Danish heat plants, which will mitigate any impact from lower wind speeds.
- **Watching any read-through from Spanish windfall tax.** Ørsted is not in Spain, but it is watching whether there is any fallout from the windfall tax, clawing back earnings from power companies. That is not helpful for the renewables theme.
- **MA no-bid not surprising.** The company did not bid into the latest MA offshore wind auction, which only attracted two bidders. Under current MA law, auction prices must be lower than previous auction results. Ørsted still anticipates participating in other expected auctions in the US over the next year or so, including NY, NJ, CT and RI. And it could bid into future MA auctions.
- **Sweden offshore wind project.** This week Ørsted submitted environmental impact assessment for two projects (1500 MW each); these are in the company's "opportunity pipeline" described at its June CMD. The projects would be merchant, not auction. Sweden has a lot of potential offshore wind capacity. But it is still early days.

PG&E (PCG): Irrational gloom

- **Stock disconnect is "irrational".** PCG acknowledges it needs to execute on its plans. But PCG said the stock discount to peers is irrational relative to the liability cap under AB 1054. The question is whether wildfires seem like uncontrollable and unmitigated risk. But PCG's safety certificate, new management and visibility PCG has in the execution of its plan should reassure investors. CA lawmakers recently affirmed their support with a cleanup bill to AB 1054, showing they want CA utilities to be attractive to global capital markets.
- **Making progress with wildfire mitigation plan.** The Office of Energy Infrastructure Safety, which is separate from the CPUC, approved PCG's latest wildfire mitigation plan. For PCG, that is enough to file for the wildfire safety certificate; the current WSC is in place until a ruling on the new WSC is rendered. PCG continues to refine its PSPS algorithm. Dixie occurred on a non-Red Flag Warning day, so PCG put in place enhanced power lines and fast trip settings, which are much more sensitive to disruption and reduced CPUC reportable ignitions by 50-60%. New settings, inspections and enhanced VM are working.
- **Detail on undergrounding proposal expected in Feb.** PCG recently received proposals to its Request for Information on undergrounding and will shortlist them soon. PCG also created an undergrounding council, which includes external parties from CAL Fire, tribal leaders, environmental groups, and others. More detail on PCG's 10k mile undergrounding proposal will be in the next WMP scheduled for Feb 2022. PCG already has dollars for system hardening, the bucket under which undergrounding will fall. PCG sees the $2.0-2.4M per mile cost today falling over time. Quanta Services, without providing an estimate, said costs of undergrounding could come down with scale; the infrastructure construction company suggested at our conference that the cost of not undergrounding is more than not in parts of the wildfire-prone West, citing cost of insurance, damages, etc.
- **Excited over EVs.** PCG is excited by bidirectional charging vehicles and has tests/pilots with multiple automakers. An EV is equivalent to 6 to 9 Tesla Powerwalls and could power a home for 3 to 5 days.

- **Cost of capital not a major risk.** It is unclear how the CPUC will rule on the utilities' off-cycle CoC applications. The CoC mechanism, if triggered, would suggest over 50bp ROE cut in 2022. If the ROE is cut, PCG expects to find other costs to cut. PCG can deploy some cost savings faster. PCG suggested its 10% EPS growth would not be at risk.

Plains All American Pipeline (PAA / PAGP): More constructive tone on Permian growth

- **More constructive tone on Permian growth.** Plains has seen an improvement in activity and Permian production vs. their messaging on the Q2 call in early August. The company remains optimistic on an eventual Permian recovery to 6-7M bpd over the medium-term vs. 4.7-4.8M bpd currently. If this outlook proves out, they see risks around re-contracting long-haul pipes in 2025 as very manageable as the market will have rebalanced.
- **Oryx progressing on plan.** The company was confident on a Q4 close for the JV with Oryx and didn't flag any FTC issues. They remain confident on synergies and are optimistic on potential upside.
- **Inflation.** Most of the assets / contracts have direct escalators that track PPI or CPI. This should be a net benefit for the company next year as they hope to manage costs.
- **Reconciliation.** The company doesn't think taxation of investors buying MLPs through swap is too material given a limited number of units held through swap, and also reminded us that investors have the option to buy PAGP (which is treated as a C-corp) instead.
- **S&L and commodity prices.** The company is more levered to price spreads and time spreads, and less levered to absolute commodity prices. The Canadian business is seeing significant NGL frac spreads and opportunities, although PAA typically hedges a lot of the business so it's hard to know how much benefit there could be to near-term results.

Portland General (POR): Power cost headwinds but plan still intact

- **Q3 power costs a headwind…**POR mentioned that day ahead prices in its regional power markets spiked several times during the summer but without a corresponding surge in demand. This was mostly due to very poor hydro resource during Q3; wind conditions didn't sound great either. And under these conditions, POR was unlikely to have excess capacity of its own to sell into the market to take advantage of the price spikes. This is always a focus given how POR's PCAM mechanism and the net impact sounded like a definite headwind during Q3.
- **…but Q2 guidance update anticipated this.** Recall that POR raised its FY21 guidance at Q2. Despite the power cost headwinds faced in Q3, it sounds like POR remains on track to still deliver within the revised guidance range given that management anticipated that some of these headwinds might come to fruition.
- **Rate case going well.** POR held its first settlement conference earlier this month and talks will continue over the next couple months. Management has suggested talks have gone well thus far and hopes to reach a settlement, either piece-meal or comprehensively, similar to how it has in the past. Staff and intervenor testimony are due 10/25 and new rates are expected to be effective in May 2022 (statutory deadline).
- **Renewable RFP coming in Q4.** The RFP will target 150 MWa of new renewables to come online by 2024. POR will bid a benchmark resource, but it will likely take 6 months or more until details are known. In addition to the RFP, POR is also going to procure 100 MW for its Green Futures program and has a separate proposal in front of the OPUC to procure additional renewables for one large data center (likely in excess of 100 MW) – it's unclear if POR will be able to own or need to contract for these MWs.

PPL Corp (PPL): On the Rhode again

- **Financial outlook update expected soon after RI decision.** PPL plans to issue 2022 guidance and a LT EPS growth rate at an analyst day soon after RI regulators issue a decision on the NEC acquisition. That is expected in the Feb/Mar timeframe; RI is a no harm state. PPL expects its LT EPS growth rate to be higher than rate base.

- **Buybacks on track.** The $500M share buyback authorized for 2021 is on track to be completed by YE21. PPL expects to provide an update on the remaining $2.5B of net proceeds at the analyst day. Regardless of the use of those proceeds, PPL expects to be solidly in the 16-18% range over its planning period.
- **Fleet transition in KY.** PPL's base plan is tied to the depreciable lives of its coal fleet, which generally go into the 2030s and beyond. PPL is watching the clean energy proposals in DC, which could have implications on fleet transition. But other factors could motivate the state to transition quicker; for instance, Ford's recent announcement on building its first US assembly plant and one battery factory in TN and two other battery factories in KY.
- **Transmission.** PPL said its recent investment in the $2.5B SOO Green HVDC underground line is "very small". It could open up opportunities in the future.

PSEG (PEG): Analyst Day aftermath; believes nuclear PTC ultimately passes

- **Officially the new PEG post-Analyst Day.** PEG held an Analyst Day earlier in the week and highlighted the company as 90% regulated earnings going forward, with remaining 10% being mostly contracted (LIPA, nuclear, offshore wind). Focused on gaining more ESG credit for carbon-free generation and methane reduction targets at gas business. Targeting 5-7% EPS growth going forward.
- **Lots of funding flexibility**. Strong balance sheet following asset sales and new business mix – 15-16% FFO/Debt versus 13-14% threshold. Increased utility capex plan by $1B and targeting 6-7.5% rate base growth. Increased dividend cadence by $0.12/sh (from $0.08) and doing $500M buyback. Still have funding capacity beyond that – $2B creates $3.5B investment potential.
- **Cautiously optimistic nuclear PTC ultimately passes**. Believes nuclear PTC will pass IF infrastructure bill passes. The nuclear component doesn't appear to be controversial. Thinks Congress will ultimately figure out a way to compromise. $15/MWh PTC would be reduced by $10/MWh NJ ZEC, but benefit state ratepayers and still be financial upside. Will pursue parallel path at state level for long-term solution.
- **In discussions with Ørsted on future offshore wind opportunities**. Already own stake in Ocean Wind 1. Future discussions will be dictated by Ørsted's Skipjack lease area bidding into Maryland (750 MWs). Will tie into PEG's 50% stake in the Garden State lease area and could create opportunities for future stakes. Also looking at offshore wind related transmission, where a BPU decision in expected in 2H22.

Southern Company (SO): Return of a familiar face and a familiar pre-Vogtle story

- **Vogtle continues to be the focus...**New CFO Dan Tucker, who was head IR years ago, acknowledged that investors continue to focus on Vogtle. But he thinks Hot Functional Testing was the biggest milestone and that was met for Unit 3 this past summer. Fuel load is the next milestone, but there will be a lot of updates coming over the next few months: SO's VCM filing on 10/21, SO's 3Q21 earnings call in early Nov, VCM hearings a week later, the EEI conference around then, and the GaPSC Staff VCM testimony in early December, followed by hearings. SO had no changes to its Jun 2022 and Mar 2023 CODs for U-3 and U-4.
- **…but SO pointing to a post-Vogtle construction fortress B/S.** But Dan made some familiar pitches about SO, harkening back to pre-Vogtle times. SO said a can't be quality equity without being a quality credit. SO expects FFO/Debt to be above its current 16%, maybe even in the "high teens" and sustaining that level given D&A from Vogtle once fully operational (~$800M/yr of cash).
- **Fleet transition opportunities.** SO will file a GA Power IRP in Jan 2022. There could be more renewables, including solar/storage, and small gas plants. Solar is concentrated in the southern part of GA; expect to see more outside of that region. The solar PTC would help SO, given normalization rules. SO expects more rate base opportunities in renewables given the generation mix is already near the GaPSC's 30% threshold for third-party PPA purchases.
- **Coal retirements:** SO has 22 coal units in operation, four of which already comply with the EPA's ELG guidelines; the rest are challenged.

- **5-7% EPS growth reflective of potential upsides.** Still sees 5-7% growth and $4.00-4.30 in 2024; that atypically wide range reflects opportunities from fleet transition.

Sunnova Energy Int'l (NOVA): Managing well through all the headline risks

- **Service focused, both to dealers and customers.** NOVA noted this as a differentiator for itself vs peers, particularly the plain vanilla loan providers (Mosaic, Sunlight Financial, etc.). NOVA views the finance aspect as just the "enabler" of solar but believes the real value creation is through the ownership of the customer relationship – we agree. For loans specifically, NOVA noted it is the only company to offer both financing and servicing over the life of the loan.
- **NEM 3.0 likely a "win" for utilities.** NOVA believes that to be the case, BUT doesn't think it will be near the level the utilities are hoping for. NOVA thinks it is likely there will be some type of a grid services charge in the final order, but believes actions like this will lead to solar customers wanting to cut the cord entirely. For existing NEM 1.0 and 2.0 customers, management thinks any changes to their rules would include a significant grandfathering period (i.e., 10 years or more). NOVA believes the outcome will accelerate storage adoption in the state, which the company ultimately views as a "win" for resi solar (e.g., Hawaii doesn't have NEM but has 100% battery attachment rate).
- **Cost inflation pressures manageable.** NOVA pointed out that only 15-20% of the total cost stack is related to solar equipment, so the impact to the overall cost structure wouldn't be of the same magnitude as it would be for utility-scale. On the labor side, NOVA downplayed any material impact at its dealers (some are seeing an increase, others aren't) – nothing that is holding up installations. NOVA also believes that it can create efficiencies with its dealers to help offset any sustained impacts.
- **Encouraged by Dept. of Commerce response.** Yesterday's DOC decision to extend the timeline 45-days for whether to launch an investigation into potentially extending AD/CVD duties to Thailand, Vietnam, and Malaysia was not a surprise to NOVA. The company was pleasantly surprised by the level of questions from the DOC, which hopefully is an indication that the petition will ultimately be dismissed. NOVA pointed out that is uses a diverse list of suppliers, several of which were not even named in the petition.

Targa Resources (TRGP): Firing on all cylinders; Very bullish tone given favorable market conditions

- **Commodity environment.** TRGP expects to benefit from the stronger price environment on PoP contracts, including those with fee floors. It seems possible to us they could also benefit from volatility with their storage and logistics assets. Spot LPG export volumes have come in with high domestic prices but there may be opportunities to benefit by selling domestically in some cases instead.
- **Green shoots on stronger production growth.** TRGP has seen some improvement in activity in response to the spike higher in commodity prices, particularly from private players. It's harder to have visibility on FY 2022 yet though until we get through E&P budget seasons. The overall tone on volumes was constructive with TRGP noting they wish they had added Midland plants a little faster.
- **Inflation is a meaningful benefit.** It's not just commodities, TRGP also highlighted inflation as a key benefit starting next year given tariff structures. The benefit should compound in future years, which is something we heard from a few companies as inflation benefits may get phased in over time.
- **Flexible, all-of-the-above approach to capital allocation.** The improved outlook was cited as further improving flexibility on the capital allocation front in 2022 after the DevCo buy-in. TRGP plans to take out the ~$900M high cost preferred ratably through the end of 2023. They will also look to increase the dividend and continue with stock buybacks. On the dividend, TRGP will consider midstream peer levels but also other cyclical companies' policies. Flexibility was emphasized depending on market conditions and in the event the right acquisition opportunity became available.
- **Capex manageable even in faster growth environment; Plenty of operational leverage left.** There could be some modest upside to capex next year given the higher commodity price and resulting production outlook. However, TRGP stressed this is primarily focused on lower capex items like new plants, hook ups, and compression. There's plenty of operational leverage left in the downstream assets with minimal capex

needs as volumes rise near term. Management noted that if there is some modest increase in capex it will be tied to EBITDA also being notably higher such that FCF is still rising.

Vistra (VST): Overall net neutral; strategic financing decision slight delay, hedge position impact mixed, Uri hit less bad

- **Strategic financing decision a little delayed.** VST continues to spend a lot of time with its Board on its strategic direction, specifically as it relates to growing its renewables/storage business with a cheaper cost of the capital. Part of the delay was related to the Moss Landing issue, but VST should be able to provide an update with the Q3 call and before year-end. Overall, the goal here is redirect cash flow headed towards this growth and instead use it to buyback shares.
- **Overall financial outlook feels on track, with some moves on the margin given hedging/commodities.** VST didn't formally reaffirm its 2021 guidance or give official 2022/2023 guidance yet, but it feels as though everything is still within its normal ranges. The recent commodity moves have been dramatic and there were a lot of questions on VST's hedge profile given the spike in natural gas and compression in 2022 sparks in recent weeks. The mild summer in ERCOT didn't help, but there were some offsetting positives in other markets. VST also disclosed a 20-30% power hedge position in 2023 and slightly higher on nat gas, with the ability to use the retail business length as well. Bottom line, VST still sees itself as a $3B+ EBITDA company with ~$2B in FCF generation.
- **Some positives on Uri and Texas market structure.** VST is tracking well on its ~$500M of Uri self-help initiatives this year, as it looks to offset some of the ~$2B financial hit. Further, the PUCT just approves securitization enabled through legislation, which should allow VST to recover ~25% of that hit. Going forward, VST is focused on potential market changes to the operating reserve demand curve that should incent dispatchable generation – a net benefit to its fleet.
- **Accelerating renewables build-out, working through Moss Land investigation.** VST pointed to the target capital raise as helping it to pull forward its 4-5 GW renewables pipeline to deployment between now and 2025. In Illinois, the recent energy bill allows for 425 MWs of solar/storage that are under long-term contracts/REC payment structures. In California, VST has expanded the root cause analysis on the Moss Landing issue – determining that it is not related to batteries overheating, with it seeming fixable as well.

WEC Energy Group (WEC): Pointing to upper-half of growth rate and pushing fleet transition

- **Strong bias to the upper-half of 5-7% EPS growth.** WEC has had a stated growth rate of 5-7% for years and typically grown above that, but is now pointing to a strong bias within the upper-half of the range (previously just stated the range). Additionally, Gale continues to highlight WEC's earnings quality relative to peers with no major adjustments or write-downs.
- **Big chunk of capital plan focused on renewables and fleet transition**. Overall $16.1B capex plan over 5-year is low-risk and executable. About a quarter of this is dedicated to regulated renewables and contracted renewables within the energy infrastructure segment. WEC is setting aggressive carbon reduction goals in an effort to become an ESG play – reducing coal as a percentage of revenue/assets to 8% in 2025. WEC has talked to the potential for the coal units at Power the Future to be converted to gas, but timing doesn't seem imminent. There is adequate pipeline capacity into the site and co-firing has been tested. However, this seems less about price and more about reliability, as this past winter demonstrated.
- **Rate case filing next year will address solar additions and coal retirements**. WEC recently had its rate stay-out settlement approved and will file its next Wisconsin rate case in 2022 for 2023-2024 rates. This will align with its coal unit retirements at Oak Creek and bringing online solar. Mgmt. seems confident it can continue to get a full return of/on remaining coal in rate base, as has been the track record in the state. Further, the O&M/fuel savings from the coal plants should help limit the size of the rate hike.
- **Diverse fuel mix helps impact of higher nat gas costs, could see some solar timing with tariffs**. WEC pointed to its diverse fuel mix as beneficial in the current environment of spiking power and gas prices. Nuclear supplies 25% of power for We Energies customers. WEC also has a hedging program and storage, with only modest spot price exposure for its gas LDC business. The total expected bill impact for gas customers was quantified as $180-200 higher over the course of the winter ($4.50/MMBtu avg. cost). On its

solar projects, everything remains on-time, but WEC is monitoring the potential impact of solar tariffs on its Badger Hollow 2 timing. There also might be 5-10% cost increases in renewables overall, as steel and other commodities have risen.

- **MISO transmission opportunities seem long-dated, unclear what FERC does on ROEs**. The MISO long-term transmission plan has been pushed out to early-2022 and it's unclear if companies will even have a sense of what projects will be available to them. WEC noted that the last round of MISO projects that started 10 years ago are still in progress in some cases. On FERC transmission ROEs, it's unclear what happens with the RTO adder, but given the desire to incentivize a renewables buildout it would seem that any degradation here would be offset by other ROE incentives.

Xcel Energy (XEL): A premium utility on sale

- **Views recent stock weakness as a buying opportunity.** XEL didn't have any great answers to explain the recent stock weakness (U/P the UTY by 250bps MTD, 800bps YTD). While the regulatory calendar is busy, XEL is confident that it will be able to reach reasonable outcomes, consistent with history, and pointed to its 12-yr track record of meeting or beating the midpoint of its guidance.
- **Feel good about executing on rate cases.** XEL is in the midst of electric rate case in CO and plans to file an electric case in MN in Nov. – collectively, these two jurisdictions account for 65%+ of total rate base (XEL is also still working through its TX case which is 5-10% of total RB). XEL thinks the CO rate case will go smoothly as a lot of the capital has already been approved through riders and its ROE is already below the national average. Similarly, XEL expects a constructive outcome in MN and pointed to a recent Ottertail ALJ recommendation as a positive datapoint (9.48% allowed ROE, XEL is allowed 9.2%)
- **Capex refresh due at Q3, body language positive.** XEL's annual refresh of its 5-year plan is expected at Q3. The sense we get is that it will a constructive update – incremental capex from the CO Pathway plan ($700M) sounds promising, same with Sherco Solar ($450M). Capex from its CO and MN IRPs could also start to coming into view as XEL rolls forward to 2026.
- **IRP update.** XEL noted that both the MN and CO IRPs are progressing well and should be decided around the same time (1Q22). The MW additions of renewables in both plans are quite large – nearly 10,000 MW combined, most of which will be added in the 2H of the decade. XEL expects to own at least 50% of the MWs in rate base.

Comparables Tables

Exhibit 2: Utility Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
AES Corp.	AES	$22.83	666	$15,213	14.8x	13.6x	12.7x	12.1x	2.6%	5.0%	39%	6.8x	18%
Alliant Energy	LNT	$55.98	250	$14,009	21.4x	20.3x	19.3x	18.3x	2.9%	5.9%	62%	2.4x	45%
Ameren	AEE	81.00	257	20,829	21.5x	19.9x	18.6x	17.6x	2.7%	7.0%	58%	2.2x	42%
American Electric	AEP	81.18	500	40,610	17.3x	16.2x	15.3x	14.4x	3.6%	5.7%	63%	1.9x	37%
Avangrid	AGR	48.60	387	18,818	23.2x	20.3x	19.1x	N/A	3.6%	0.0%	84%	1.0x	71%
CenterPoint Energy	CNP	24.60	629	15,469	19.4x	18.0x	16.5x	15.2x	2.5%	8.0%	49%	2.0x	35%
CMS Energy	CMS	59.73	290	17,301	20.8x	20.8x	18.9x	17.2x	2.9%	6.7%	61%	3.0x	32%
Con Edison	ED	72.59	353	25,652	17.0x	15.6x	15.2x	14.6x	4.3%	1.3%	73%	1.3x	44%
Dominion	D	73.02	807	58,892	18.9x	17.7x	16.7x	15.5x	3.5%	6.0%	65%	2.4x	40%
DTE Energy	DTE	111.71	194	21,644	15.2x	19.2x	17.9x	16.9x	4.0%	7.2%	60%	1.7x	35%
Duke Energy	DUK	97.59	769	75,068	19.0x	18.1x	17.0x	15.9x	4.0%	2.0%	76%	1.6x	42%
Edison International	EIX	55.47	380	21,062	12.2x	12.2x	11.3x	10.7x	4.8%	4.0%	58%	1.5x	36%
Emera*	EMA	57.36	257	14,713	20.6x	17.9x	17.0x	16.0x	4.5%	4.0%	93%	1.8x	38%
Entergy	ETR	99.31	201	19,957	16.4x	15.6x	14.6x	13.8x	4.1%	6.0%	67%	1.8x	30%
Evergy	EVRG	62.20	229	14,262	18.6x	17.5x	16.2x	15.4x	3.5%	6.0%	65%	1.6x	45%
Eversource Energy	ES	81.76	344	28,096	21.5x	20.0x	18.8x	17.8x	2.9%	6.2%	63%	2.0x	43%
Exelon	EXC	48.34	978	47,268	16.7x	21.4x	20.3x	19.2x	3.2%	0.0%	53%	1.5x	44%
FirstEnergy	FE	35.62	544	19,384	14.1x	13.5x	12.8x	N/A	4.4%	0.0%	62%	2.6x	23%
Fortis*	FTS	56.19	471	26,477	20.5x	19.2x	18.1x	17.3x	3.7%	6.0%	75%	1.5x	43%
NextEra Energy	NEE	78.52	1,962	154,037	31.0x	29.1x	26.9x	25.1x	2.0%	10.0%	61%	4.2x	41%
NiSource	NI	24.23	392	9,508	18.1x	17.2x	16.0x	14.3x	3.7%	6.0%	67%	2.0x	40%
OGE Energy	OGE	32.96	200	6,598	14.4x	15.4x	14.7x	14.1x	4.8%	2.0%	70%	1.8x	43%
PG&E	PCG	9.60	1,985	19,059	9.5x	8.9x	8.2x	7.4x	0.0%	N/A	0%	0.9x	33%
Pinnacle West	PNW	72.36	113	8,161	14.4x	15.7x	15.0x	14.2x	4.5%	2.0%	64%	1.4x	43%
Portland General	POR	46.99	89	4,201	16.9x	16.9x	16.3x	16.0x	3.6%	7.1%	61%	1.6x	45%
PPL Corp.	PPL	27.88	770	21,457	14.3x	16.6x	15.2x	N/A	6.0%	0.0%	85%	1.4x	53%
PSEG	PEG	60.90	506	30,790	17.0x	17.6x	16.8x	15.9x	3.3%	4.1%	57%	1.9x	48%
Sempra	SRE	126.50	319	40,395	15.3x	15.2x	14.6x	13.9x	3.6%	8.0%	54%	1.7x	51%
Southern Company	SO	61.97	1,059	65,615	18.4x	17.8x	16.5x	15.1x	4.3%	3.9%	78%	2.3x	35%
WEC Energy Group	WEC	88.20	315	27,821	21.8x	20.6x	19.3x	18.2x	3.1%	7.1%	67%	2.6x	43%
Xcel Energy	XEL	62.50	538	33,652	21.0x	19.7x	18.6x	17.5x	2.9%	6.4%	62%	2.3x	37%
Average					**18.1x**	**17.7x**	**16.6x**	**15.7x**	**3.5%**	**4.8%**	**63%**	**2.1x**	**40%**
Average (ex EIX & PCG)					**18.6x**	**18.2x**	**17.1x**	**16.2x**	**3.6%**	**4.8%**	**65%**	**2.2x**	**41%**

Source: Wolfe Utilities & Power Research

Exhibit 3: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Free Cash Flow Yield 2021E	Free Cash Flow Yield 2022E	Free Cash Flow Yield 2023E	Free Cash Flow Yield 2024E
NRG Energy	NRG	40.83	245	9,994	9.0x	6.8x	6.1x	N/A	9.3%	16.9%	20.1%	N/A
Vistra Corp	VST	17.10	483	8,251	10.8x	4.9x	5.3x	N/A	4.8%	27.9%	25.0%	N/A
Average					**9.9x**	**5.9x**	**5.7x**	**N/A**	**7.0%**	**22.4%**	**22.6%**	**N/A**

Source: Wolfe Utilities & Power Research

WOLFE RESEARCH

Utilities, Midstream & Clean Energy

September 30, 2021

Exhibit 4: Midstream Comparables

Name	Ticker	Rating	Price	Market Cap	EV / EBITDA 2020	EV / EBITDA 2021	EV / EBITDA 2022	EV / EBITDA 2023	Dividend Yield 2020	Dividend Yield 2021	Dividend Yield 2022	Dividend Yield 2023	FCF Yield Before Divs 2020	FCF Yield Before Divs 2021	FCF Yield Before Divs 2022	FCF Yield Before Divs 2023	Debt / EBITDA 2020	Debt / EBITDA 2021	Debt / EBITDA 2022	Debt / EBITDA 2023	Price / Earnings 2020	Price / Earnings 2021	Price / Earnings 2022	Price / Earnings 2023
C-corps:																								
Cheniere Energy Inc	LNG	OP	97.67	24,749	13.5	10.6	8.9	8.4	N/A	N/A	1.4%	1.4%	(4.4%)	6.1%	11.2%	13.6%	7.8	6.0	5.1	4.9	N/A	26.7	10.9	10.8
DT Midstream, Inc	DTM	OP	46.24	4,479	10.7	9.9	9.3	8.7	N/A	5.2%	5.6%	6.0%	6.5%	8.9%	8.1%	8.7%	4.6	4.1	3.8	3.4	18.1	15.7	14.3	13.1
Enbridge Inc.*	ENB	PP	39.80	80,719	12.8	12.3	11.2	10.8	6.4%	6.6%	7.0%	7.4%	3.5%	2.9%	8.3%	8.8%	4.6	4.7	4.3	4.1	20.8	18.4	16.5	15.6
Equitrans Midstream	ETRN	OP	10.14	4,477	8.2	8.1	8.5	7.6	5.9%	5.9%	5.9%	5.9%	9.3%	10.7%	1.0%	16.7%	5.3	5.2	5.5	4.7	9.6	12.8	10.8	7.6
Kinder Morgan Inc	KMI	UP	16.73	38,317	10.1	8.7	9.6	9.3	6.3%	6.5%	6.6%	6.8%	6.7%	12.7%	9.5%	10.7%	4.6	3.9	4.3	4.0	18.8	12.9	16.6	15.9
ONEOK, Inc.	OKE	PP	57.99	26,209	14.2	11.7	11.2	10.9	6.4%	6.4%	6.4%	6.4%	(1.1%)	6.8%	8.2%	8.5%	4.9	4.2	4.0	3.8	40.9	17.4	16.4	16.0
Plains GP Holdings LP	PAGP	PP	10.78	7,396	8.1	8.7	8.1	7.6	6.7%	6.7%	6.7%	6.7%	1.5%	14.4%	16.4%	17.4%	4.4	4.6	4.1	3.8	6.7	10.7	6.9	6.4
Targa Resources Corp.	TRGP	OP	49.21	11,318	12.6	9.8	8.3	7.4	0.8%	0.8%	2.0%	2.5%	2.3%	8.9%	11.4%	12.5%	5.0	3.7	3.3	2.9	N/A	27.8	17.3	13.9
TC Energy Corp*	TRP	PP	48.09	47,143	11.6	11.6	10.9	10.7	5.3%	5.7%	6.1%	6.4%	(3.6%)	0.5%	3.0%	5.5%	4.7	4.9	4.8	4.8	12.9	28.8	13.2	13.1
Williams Companies	WMB	OP	25.94	31,917	10.9	10.0	9.8	9.5	6.2%	6.5%	6.9%	7.3%	5.7%	7.5%	8.1%	8.5%	4.3	3.8	3.7	3.5	151.5	22.8	22.8	21.1
C-corp Average:					**11.2**	**10.1**	**9.6**	**9.1**	**5.5%**	**5.6%**	**5.5%**	**5.7%**	**2.6%**	**7.9%**	**8.5%**	**11.1%**	**4.7**	**4.4**	**4.2**	**3.9**	**34.9**	**19.4**	**14.3**	**13.3**
MLPs:																								
Cheniere Energy Partners	CQP	PP	40.67	25,536	13.6	14.0	13.0	11.4	6.4%	6.6%	6.8%	8.4%	5.5%	7.7%	12.6%	13.7%	6.4	5.9	4.9	4.5	17.6	13.1	9.8	8.9
Energy Transfer LP	ET	OP	9.58	25,913	9.0	6.6	7.6	7.1	9.6%	6.4%	7.0%	8.4%	3.8%	25.5%	21.5%	23.0%	5.6	3.9	4.2	3.8	N/A	4.9	7.5	7.0
Enterprise Products Partners LP	EPD	OP	21.64	47,816	9.4	8.9	8.9	8.5	8.2%	8.3%	8.5%	8.8%	5.2%	11.1%	11.9%	13.2%	3.7	3.5	3.4	3.2	10.4	9.9	10.2	9.7
Magellan Midstream Partners	MMP	PP	45.58	10,338	11.2	10.7	10.3	9.6	9.0%	9.0%	9.0%	9.0%	5.6%	10.2%	11.0%	12.2%	3.7	3.6	3.3	3.1	11.9	10.4	10.6	10.0
MPLX LP	MPLX	PP	28.47	29,487	9.7	9.2	8.8	8.6	9.7%	9.7%	9.7%	9.7%	10.3%	12.8%	13.3%	13.5%	4.0	3.7	3.6	3.5	N/A	10.3	9.4	9.0
Plains All American LP	PAA	PP	10.17	7,396	7.9	8.5	7.9	7.4	7.1%	7.1%	7.1%	7.1%	1.6%	15.3%	17.4%	18.5%	4.4	4.6	4.1	3.8	6.3	10.1	6.6	6.0
MLP Average					**9.5**	**8.8**	**8.7**	**8.2**	**8.7%**	**8.1%**	**8.2%**	**8.6%**	**5.3%**	**15.0%**	**15.0%**	**16.1%**	**4.3**	**3.8**	**3.7**	**3.5**	**9.5**	**9.1**	**8.8**	**8.3**
Midstream Average					**10.8**	**9.8**	**9.4**	**8.9**	**6.7%**	**6.5%**	**6.4%**	**6.7%**	**3.7%**	**10.0%**	**10.3%**	**12.4%**	**4.6**	**4.1**	**4.0**	**3.7**	**16.6**	**15.8**	**12.3**	**11.4**

* Metrics calculated based on $CAD; ** D/EBITDA averages exclude LNG & CQP; *** Midstream averages exclude PAGP; **** MLP and Midstream averages exclude CQP

Source: Wolfe Midstream Research

Exhibit 5: Inverter Comparables

Name	Ticker	Price	Mkt Cap	EV/Sales 2021	EV/Sales 2022	EV/Sales 2023	EV/Sales 2024	Sales Growth 2021	Sales Growth 2022	Sales Growth 2023	Sales Growth 2024	P/E 2021	P/E 2022	P/E 2023	P/E 2024	Gross Margins 2021	Gross Margins 2022	Gross Margins 2023	Gross Margins 2024
Inverters																			
Enphase Energy	ENPH	149.97	19,978	14.7	10.9	8.7	7.2	75%	35%	24%	20%	67.1	53.7	42.6	34.8	40.2%	39.7%	40.0%	40.1%
SolarEdge Technologies	SEDG	265.22	13,688	7.1	5.5	4.6	4.1	36%	31%	20%	14%	55.1	40.8	35.2	31.7	33.7%	32.7%	31.6%	30.7%
Generac Holdings*	GNRC	408.67	25,660	7.0	5.7	4.9	4.2	50%	19%	13%	15%	40.8	33.9	30.5	28.1	38.7%	39.3%	39.2%	43.9%
SMA Solar Technology AG*	S92	43.07	1,494	1.1	0.9	0.8	0.8	(3%)	13%	10%	6%	186.6	47.9	29.3	24.3	19.6%	21.3%	21.2%	N/A
Inverters Average				**7.5**	**5.8**	**4.8**	**4.1**	**40%**	**25%**	**17%**	**14%**	**87.4**	**44.1**	**34.4**	**29.7**	**33.0%**	**33.3%**	**33.0%**	**38.2%**

Sources: Wolfe Clean Energy Research; FactSet

*Not covered by Wolfe Research, estimates based on consensus

**Prices and Market Caps in USD

Exhibit 6: Hydrogen Play Comparables

Name	Ticker	Price	Mkt Cap	P/E 2021	P/E 2022	P/E 2023	P/E 2024	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	Gross Margins 2021	Gross Margins 2022	Gross Margins 2023	Gross Margins 2024	Sales Growth 2021	Sales Growth 2022	Sales Growth 2023	Sales Growth 2024
Ballard Power Systems	BLDP	14.05	4,100	(51.6)	(62.1)	(88.0)	(156.6)	(40.0)	(51.9)	(92.9)	(582.5)	17%	20%	22%	25%	(0%)	43%	17%	29%
Bloom Energy Corp.	BE	18.72	2,705	(24.4)	(184.7)	86.6	32.1	(118.3)	77.6	34.6	20.6	23%	29%	30%	33%	23%	24%	13%	12%
Plug Power	PLUG	25.54	14,468	(78.7)	(713.6)	152.0	54.3	(63.9)	780.1	77.5	34.4	2%	27%	31%	34%	N/A	59%	44%	41%
FuelCell Energy*	FCEL	6.69	2,409	(24.8)	(46.1)	(66.9)	(133.8)	(64.1)	(223.4)	343.9	159.5	(9%)	15%	25%	21%	8%	57%	62%	37%
ITM Power PLC*	ITM	5.81	3,170	(108.6)	(214.3)	(401.4)	574.4	(127.9)	(904.4)	515.5	188.9	(25%)	4%	23%	36%	438%	191%	84%	46%
NEL ASA*	NEL	1.50	2,297	(21.0)	(51.1)	(92.2)	261.3	(43.6)	(74.5)	(677.6)	66.8	40%	33%	28%	N/A	24%	59%	66%	36%
Hydrogen Plays Average				**(51.5)**	**(103.9)**	**(186.8)**	**234.0**	**(78.5)**	**(400.8)**	**60.6**	**138.4**	**2%**	**17%**	**25%**	**29%**	**157%**	**102%**	**70%**	**40%**

Sources: Wolfe Clean Energy Research; FactSet

*Not covered by Wolfe Research, estimates based on consensus

**Prices and Market Caps in USD

Exhibit 7: Panel Comparables

Name	Ticker	Price	Mkt Cap	P/E 2021	P/E 2022	P/E 2023	P/E 2024	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	Gross Margins 2021	Gross Margins 2022	Gross Margins 2023	Gross Margins 2024	EPS Growth 2021	EPS Growth 2022	EPS Growth 2023	EPS Growth 2024
Peers:																			
Canadian Solar*	CSIQ	34.59	1,995	16.4	8.8	9.1	N/A	7.6	5.3	4.6	N/A	15%	19%	18%	N/A	(11%)	87%	(3%)	N/A
JA Solar*	002459	10.22	15,783	53.3	32.0	24.7	N/A	N/A	N/A	N/A	N/A	14%	16%	17%	N/A	29%	66%	30%	N/A
JinkoSolar Holding*	JKS	45.81	1,996	21.5	17.2	11.1	N/A	11.4	9.7	7.7	N/A	19%	22%	23%	N/A	(35%)	25%	56%	N/A
LONGi Green Energy*	601012	12.78	67,993	37.2	28.5	23.2	16.4	28.1	21.2	17.2	10.9	21%	21%	20%	20%	37%	31%	23%	41%
Trina Solar*	688599	8.30	16,079	56.9	32.0	24.4	N/A	N/A	N/A	N/A	N/A	14%	15%	15%	N/A	47%	78%	31%	N/A
Panels Average				**37.1**	**23.7**	**18.5**	**16.4**	**15.7**	**12.1**	**9.8**	**10.9**	**17%**	**19%**	**18%**	**20%**	**13%**	**57%**	**27%**	**41%**
First Solar	**FSLR**	**95.46**	**10,001**	**22.0**	**86.7**	**27.3**	**17.4**	**10.2**	**21.6**	**11.4**	**7.5**	**25%**	**18%**	**23%**	**25%**	**16%**	**(75%)**	**218%**	**57%**

Sources: Wolfe Clean Energy Research; FactSet

*Not covered by Wolfe Research, estimates based on consensus

**Prices and Market Caps in USD

Exhibit 8: Offshore Wind Comparables

Company Name	Ticker	Price	Mkt Cap	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	P/E 2021	P/E 2022	P/E 2023	P/E 2024	Dividend Yield 2021	Dividend Growth 2021-2024
AES Corp.	AES	22.83	15,286	10.7	10.3	9.9	9.6	14.8	13.6	12.7	12.1	2.6%	5.0%
EDP Renovaveis SA*	EDPR	24.82	23,489	15.2	14.0	13.3	13.0	41.5	37.9	33.0	30.7	0.4%	11.1%
Grenergy Renovables SA*	GRE	35.52	997	25.8	16.4	13.1	10.1	47.0	23.6	16.1	14.0	N/A	N/A
Iberdrola SA*	IBE	10.06	65,915	9.1	8.5	8.2	8.0	15.3	13.7	12.6	11.7	5.0%	7.0%
NextEra Energy, Inc.	NEE	78.52	153,704	17.6	16.7	15.6	14.5	31.0	29.1	26.9	25.1	2.0%	10.0%
Neoen SA*	NEOEN	40.35	4,439	19.9	17.7	15.8	13.9	97.3	66.4	45.4	35.8	0.1%	217.3%
RWE AG*	RWE	35.41	24,624	6.3	6.4	7.5	5.7	16.8	17.2	22.2	20.9	2.9%	4.4%
Solaria Energía y Medio Ambiente SA*	SLR	15.85	2,088	31.2	19.2	15.0	11.4	48.3	27.8	19.2	12.9	N/A	N/A
Offshore Wind Average				**17.0**	**13.6**	**12.3**	**10.8**	**39.0**	**28.7**	**23.5**	**20.4**	**2.2%**	**42.5%**
Offshore Wind Median				**16.4**	**15.2**	**13.2**	**10.8**	**36.2**	**25.7**	**20.7**	**17.4**	**2.3%**	**8.5%**
Ørsted A/S	**ORSTED**	**848.80**	**57,120**	**17.6**	**18.0**	**16.9**	**17.0**	**34.6**	**36.3**	**34.6**	**36.4**	**1.4%**	**10.2%**

Sources: Wolfe Clean Energy Research; FactSet

*Not covered by Wolfe Research, estimates based on consensus

**Prices in USD except ORSTED (DKK); Market Caps in USD

Exhibit 9: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div Yield
Clearway Energy	CWEN	30.27	202	6,106	12.1x	11.2x	11.6x	12.3x	4.4%
NextEra Energy Partners	NEP	75.36	177	13,359	10.6x	8.9x	8.8x	8.5x	3.5%
Atlantica Yield*	AY	34.51	111	3,825	11.1x	10.4x	10.0x	10.1x	5.0%
Brookfield Renewable Partners*	BEP	36.91	275	10,148	24.4x	23.0x	22.0x	21.2x	3.3%
Average					**14.6x**	**13.4x**	**13.1x**	**13.0x**	**4.1%**

Source: Wolfe Utilities & Power Research; *Not covered by Wolfe Research, estimates based on consensus

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The Fleishman Daily 9/9/21 - EXC, NI, AGR, Midstream, Solar, Inverters, Offshore windSteve Fleishman to: cturnure 09/09/2021 09:17 AM
From: "Steve Fleishman" <utilities@wolferesearch.com>

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WOLFE RESEARCH

The Fleishman Daily 9/9/21

Utilities: EXC, NI, AGR
Midstream: Midstream
Clean Energy: Solar, Inverters, Offshore wind

Utilities

EXC – IL House expected to consider energy bill today; finally
NI – Settlement reached in PA rate case, details not available yet though
AGR – FERC punts on dispute with NEE over Seabrook upgrades tied to NECEC transmission

Midstream

Midstream – Gas keeps ripping with 2022 NYMEX breaking above $4/MMbtu!

Clean Energy

Solar – DoE releases Solar Futures Study; sees potential for 40% of electricity to come from solar by 2035
Inverters – Generac announces formation of Grid Services group
Offshore wind – 6.1 GW added in 2020, led by China; 235 GW expected over next 10 years

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Valuation Charts, Models, Arb Spreads

Utilities

EXC – IL House expected to consider energy bill today; finally

- The IL House is expected to take up an energy bill today, as the bill was placed on the House calendar for second reading and short debate.
- Last week, the Senate passed an energy bill that included a hard closure date for Prairie State and CWLP (2045), but environmental groups and Gov Pritzker wanted interim targets as well.
- The House bill addresses the interim decarbonization of those coal plants. If it passes the House, it will be sent back to the Senate.
- The Byron nuclear plant is expected to close early next week, with Dresden expected in Nov, absent energy legislation.

This is it. We are cautiously optimistic that IL politicians will pass the energy bill today, as the state's largest and most reliable source of clean energy will be lost if they do not.

NI – Settlement reached in PA rate case, details not available yet though

- Yesterday, a filing in NI's PA rate case docket made mention that a joint petition for settlement had been filed on 9/7
- No terms of the actual settlement have been made public yet
- Parties who executed the settlement include the PUC's Office of Investigation and Enforcement (Staff), the consumer advocate, Columbia Industrials Intervenors, and several others
- Recall, NI requested a $98.3M base rate increase using 10.95% allowed ROE, 54.34% equity ratio and a $2,673M rate base with a test-year ending 12/31/22
  - NI is currently allowed a 9.86% allowed ROE and 54.19% equity ratio in PA
- New rates anticipated to go into effect in December 2021

While details of the settlement are unknown, we anticipate a constructive outcome for NI. This is particularly good to see given the 2020 rate case where an ALJ recommended NI's request be denied in its entirety due to COVID; prior to last year, NI had reached settlements in every PA case dating back to 2010. PA is NI's second largest gas LDC and accounts for about 15% of the company's entire rate base.

AGR – FERC punts on dispute with NEE over Seabrook upgrades tied to NECEC transmission

- Earlier this week, FERC opened an inquiry and directed further briefs regarding a dispute between AGR and its NECEC transmission line, and potential upgrades required at NEE's Seabrook nuclear plant
  - FERC noted that ISO-NE's tariff provisions may be unjust/unreasonable, while Commissioner Danly dissented and criticized the lack of timely action
- Recall that last year, NEE filed a petition after an ISO-NE's engineering study found that its Seabrook nuclear facility may need to install a new circuit breaker to accommodate the transmission line – arguing that it should be compensated for lost revenues during the maintenance outage, while also saying it would be difficult to complete by 2023
- AGR then responded by accusing NEE of "unlawfully interfering" and offering a substantially above market PPA in exchange for "removal of opposition"
- The 1,200 MW NECEC transmission line is currently under construction with completion expected in 2Q23

This is just one of many hurdles that seem to continue popping up for this project. There is also a state referendum in Maine that is expected to be on the November ballot, which would require a retroactive two-thirds vote by the legislature on NECEC's land leases. Then there was also a state judge ruling last month that vacated a lease of public land on a one-mile section of NECEC, which is being challenged. We continue to assume NECEC ultimately prevails given support by the Governor.

Midstream

Midstream – Gas keeps ripping with 2022 NYMEX breaking above $4/MMbtu!

- Yesterday, gas prices continued to surge higher with December and January contracts moving above $5/MMBtu. More importantly, the 2022 curve took a big step up above $4 for the full year after only clearing $3 just three months ago. **We are in a big bull market for natural gas!**
- Our E&P team gave some color on market dynamics in their report yesterday (link) noting potential short covering with continued domestic supply and international storage concerns into winter. Additionally, with global LNG prices through the roof there is no real ceiling to back off exports.
- Within midstream, we see the best ways to play higher natural gas prices as in stocks with Haynesville volume exposure like **DTM**, as well as some of the G&P names with commodity exposure like **TRGP** and **ET**. The move is also supportive for **WMB** and **MPLX** in Appalachia as producer financial health improves and volumes seem highly likely to eventually rise again once takeaway issues are addressed (there's certainly demand for more gas!).

For midstream, most of the attention is typically on oil and NGL prices given this is a bigger driver of volumes through midstream infrastructure and changes in cash flows. However, this move in gas has become quite large and should provide another modest tailwind for certain midstream stocks. Additionally, gas prices are directly supportive of ethane prices (often the largest component of the NGL barrel) due to recovery / rejection dynamics, providing further fuel to a very robust NGL market.

Clean Energy

Solar – DoE releases Solar Futures Study; sees potential for 40% of electricity to come from solar by 2035

- Yesterday, the U.S. Dept. of Energy (DoE) released the Solar Futures Study (here) which shows that solar has the potential to power 40% of the country's electricity by 2035
- The study lays out a blueprint for achieving the ambitious goal under two scenarios – Decarbonization and Decarbonization+Electrification
- The decarb scenario shows cumulative solar deployment of 760-1,000 GW by 2035, serving 37-42% of electricity demand; the decarb+E scenario envisions 1,050-1,570 GW of cumulative solar deployment, serving 44-45% of electricity demand by 2050
  - This is versus 76 GW of solar currently on the system as of 2020, satisfying only 3% of total electric demand
- The study projects that rooftop solar will make up 10-20% of the total solar deployment by 2050 or about 200 GW (vs 18.7 GW installed today)
  - The DoE believes the potential for rooftop solar is greater, but noted it would ultimately be influenced by the ability to expand transmission (to the benefit of utility scale) as well as any policies designed to encourage solar adoption
- To meet the targets laid out in these scenarios, the U.S. would need to install an average of 30 GW of solar capacity annually between now and 2025 and 60 GW per year from 2025-30
- Also in the study, from 2020-50 interregional transmission expansion would need to increase by 60% (86 terawatt-miles) under the decarb scenario

The DoE study provides an ambitious viewpoint and lays out some scenarios which are clearly bullish for the solar stocks in our coverage (SEDG, ENPH, FSLR, RUN and NOVA). It also underscores a big opportunity set for the large-scale developers like NEE and AES as well as the utilities who will ultimately own a lot of the solar in rate base (as well as the transmission needed to facilitate the build out). While there is likely some debate about the ultimate size of the solar deployment and the timeline, this study jives with what we are seeing broadly across the sector – a shift from wind to solar and battery storage as the dominant renewable resource being added in the years ahead.

Inverters – Generac announces formation of Grid Services group

- Yesterday after close Generac announced the formation of its new grid services group
- Generac Grid Services will provide solutions directly to utilities, grid operators, and energy markets by leveraging products from home standby generators, its PWRcell solar storage systems, gas generators, and more

We do not cover Generac, but note that it has been gaining a lot of attention as a potential competitor in US residential solar markets. Our understanding is that Generac acquired its grid services capabilities through its purchase of Enbala Power Systems last year, so we don't think there was anything particularly new in this announcement. Nonetheless, it underscores Generac's commitment to providing a complete home energy management solution comparable to that of ENPH and SEDG today, but we think it may be a little too early to be overly concerned about this.

Offshore wind – 6.1 GW added in 2020, led by China; 235 GW expected over next 10 years

- The Global Wind Energy Council found 6.1 GW of offshore wind capacity was added in 2020.
- China contributed over half of the 2020 growth; 28.3% of the world's 35.3 GW of offshore wind capacity is in Chinese waters.
- The UK is home to the most offshore wind capacity, representing 28.9% of global capacity.
- The GWEC's outlook is for more than 235 GW of new offshore wind capacity to be added over the next ten years, bringing the total installed capacity to 270 GW.
- The GWEC noted: "While those in the industry are bullish about offshore wind's capacity to innovate and deliver competitive costs, the unprecedented scale of deployment required over the next three decades will require political will as much as favorable economics and sustainable expansion of the industrial supply chain."

We noted the potential opportunity set through 2030 for Ørsted in our recent initiation **report**. Although the company does not have projects in China, it sees many opportunities in Europe, the US and AsiaPac. As the GWEC notes, there is risk to planned offshore wind growth, not to mention the increasing competition in most offshore wind markets.

Wolfe Events

September 28-30: Wolfe Utilities, Midstream, & Clean Energy Conference – register here
October 1: AEE non-deal roadshow in Boston
December 6: PNW non-deal roadshow in Australia

Most Popular Reports

Wolfe Clean Energy Initiation
Utilities Top 10 for 2021
Midstream Top 10 for 2021
Power Supply Outlook 2020
Utility Proxy Review
Midstream Proxy Review
PJM Auction Postview
Utilities Credit Metrics Outlook
Midstream Credit Metrics Outlook
Utilities 2020 Election Preview
Utility Pension Review
Utility Liquidity Review
Midstream Leverage Report
Wolfe Midstream Primer
Wolfe Utility Primer

Calendar

Date	Ticker	Event	Case Docket Number	Description
9/9/21	EIX/PCG/SRE	CPUC Voting meeting		
9/10/21	NYSE	Short Interest Release		
9/10/21	EIX/PCG/SRE	Reply brief		NEM 3.0
9/13/21	FE	Corporate Separation	17-0974-EL-UNC	Audit Report Due
9/15/21	ES	Proposed interim decision		CT Interim Rate Decrease
9/17/21	D	Staff report due		VEPCO triennial review
9/21/21	SO	Company's Unit 3 completion target date		Vogtle
9/23/21	EIX/PCG/SRE	CPUC Voting meeting		
9/24/21	NYSE	Short Interest Release		
10/1/21	ES	Oral arguments		CT Interim Rate Decrease
10/6/21	XEL	Stipulations and settlement agreements due		CPCN CO Power Pathway Project
10/7/21	EIX/PCG/SRE	CPUC Voting meeting		
10/11/21	NYSE	Short Interest Release		

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The Fleishman Daily 9/10/21 - EXC, AEE/EXC, FERC, NI, NEE/EMA, PCG, Liquids Index, Clean Energy, StorageSteve Fleishman to: cturnure 09/10/2021 09:21 AM
From: "Steve Fleishman" <utilities@wolferesearch.com>

Please respond to utilities@wolferesearch.com

WOLFE RESEARCH

The Fleishman Daily 9/10/21

Utilities: EXC, AEE/EXC, FERC, NI, NEE/EMA, PCG

Midstream: Liquids Index

Clean Energy: Clean Energy, Storage

No Fleish on Fridays today

Never forget – On the 20th anniversary of the Sept 11 attacks, I am very grateful. 20 years of life lived – a long career, kids born and grown up and many happy times and memories. I was working at my office at the World Financial Center and heard and saw the attacks and aftermath. I was lucky to just rush out and run away. When I finally made it home to my town on Long Island that night, I saw the cars still there at the train station. Some were there the next morning too. People went to work and never came home. Never forget.

Utilities

EXC – IL House passes energy bill; Senate to vote Monday with Gov expected to sign; constructive
AEE/EXC – IL energy bill still ends utility formula rates but includes multiyear plans, equity ratio
FERC – DC PSC Chair Willie Phillips appointed to FERC seat; would give Dems 3-2 majority
NI – Black box settlement in PA rate case allows for $58.5M base rate increase vs $98.3M request; solid
NEE/EMA – FL Gov. DeSantis reappoints two members of PSC
PCG – Judge rejects PCG's motions to drop criminal charges filed by Sonoma DA 2019 Kincade fire

Midstream

FERC Liquids Pipeline Index – Preliminary August data up 0.7% from July, 10.5% from August 2020; Index rates effective July 2022 on pace to rise by almost 9% if August levels holds through YE

Clean Energy

Clean Energy – Wolfe autos team boosts EV adoption forecasts to 40% by 2030 up from 35%; constructive for clean energy & utilities but highlights risks for midstream
Storage – South Korean conglomerate SK buying U.S. storage developer Key Capture

Wolfe Utility & Midstream Materials: **Utility Comps**, **Utility Stock Charts**, **Midstream Comps**, **Midstream Stock Charts**, **Valuation Charts**, **Models**, **Arb Spreads**

Utilities

EXC – IL House passes energy bill; Senate to vote Monday with Gov expected to sign; constructive

- On 9/9, the IL House passed an energy bill 83-33, sending it to the Senate for a vote expected on 9/13.
- IL Senate President Harmon said of the bill (SB 2408): "The shared goal among the Senate, House and Governor Pritzker has been to position Illinois as a national leader on reliable, renewable and affordable energy policies. This proposal accomplishes that shared goal… Senate session will be scheduled for Monday to advance this vital proposal to the governor's desk so it can become law."
- IL Gov Pritzker said: "I look forward to SB 2408's swift passage in the Senate, and signing it into law as soon as possible, because our planet and the people of Illinois ought not wait any longer."
- The main hurdle was a decarbonization plan for the Prairie State and CWLP coal plants.
- The bill still includes nuclear support provisions: 54.5 TWh of carbon-free resources can qualify for carbon mitigation credits up to a baseline price less the sum of the Northern Illinois energy price, ComEd zone capacity price and any value of federal tax credits.
- We show those baseline prices (in $/MWh) for each delivery year (6/1-5/31) through mid-2027.
  - 2022/23: $30.30; 2023/24: $32.50; 2024/25: $33.43; 2025/26: $33.50; 2026/27: $34.50

  - For CY23, the avg baseline price is $31.58; that compares to current energy + capacity market price of $32.50 (=NiHub price + latest ComEd zone auction price in $/MWh).

We should know definitively early next week, but the House's actions and state leaders' comments suggest the energy bill will be enacted. The CMCs for three of EXC's IL nuclear plants (La Salle does not qualify for the CMCs) provide better certainty and visibility and will allow the plants to survive.

AEE/EXC – IL energy bill still ends utility formula rates but includes multiyear plans, equity ratio

- For AEE's IL utility and EXC's ComEd utility, the IL energy bill ends formula rates but adds new 4-year rate plans, effective 1/1/24.
- The ROE is no longer based on a formula, as it currently is for electric distribution utilities (580bp + avg 30Y UST yield).
- A yearend capital structure that includes a common equity ratio of up to and including 50% shall be deemed prudent and reasonable.
- But a higher common equity ratio must be specifically approved by the IL Commerce Commission.

We're still reviewing the utility provisions, but they appear to be consistent with an earlier version. The end of formula rates creates some uncertainty; on the positive side, there will be 4 years of rate certainty and future authorized ROEs may be higher than that currently implied by the 30Y UST yield.

FERC – DC PSC Chair Willie Phillips appointed to FERC seat; would give Dems 3-2 majority

- Yesterday, the White House announced that it was nominating DC PSC Chairman Willie Phillips (D) to fill the open FERC seat left by Neil Chatterjee's (R) recent departure at the end of his term
- The nomination will be subject to Senate confirmation, which could take some time, but would give the Democrats a 3-2 majority at FERC

Chairman Phillips was one of the reported candidates, so this is unsurprising. It will be interesting to see how long the confirmation process takes. Most in focus at FERC have been transmission ROEs and planning, the former of which has seemed to take a more pro-consumer bent recently and could be further exacerbated by a Democratic majority. FERC also still needs to approve the new PJM MOPR that is far less stringent.

NI – Black box settlement in PA rate case allows for $58.5M base rate increase vs $98.3M request; solid

- While we knew a settlement had been reached prior to the open yesterday, details weren't made available until the afternoon
- Parties agreed to a $58.5M base rate increase; the settlement was black box though, meaning it was silent on ROE, equity ratio and several other items
- Recall, NI requested a $98.3M base rate increase using 10.95% allowed ROE, 54.34% equity ratio and a $2,673M rate base with a test-year ending 12/31/22
  - NI is currently allowed a 9.86% allowed ROE and 54.19% equity ratio in PA
- NI's COVID deferral through YE20 of $5.6M shall be amortized over a 5-year period beginning 1/1/22
- New rates are to go into effect on 12/29/21

The settlement was silent with respect to most items, but the rate increase agreed to by parties looks constructive vs the company's initial request. PA is NI's second largest gas LDC and accounts for about 15% of the company's entire rate base.

NEE/EMA – FL Gov. DeSantis reappoints two members of PSC

- Florida Governor Rick DeSantis (R) has appointed Arthur Graham (R) and Andrew Fay (R) to four year terms at the Public Service Commission (FL PSC)
- Graham has served at the PSC since 2010, while Fay has served since 2018
- The remainder of the 5-person FL PSC is all Republican

The Florida PSC is in focus this year, as both NEE and EMA are in the midst of rate cases. Both were able to achieve constructive settlements that are currently under review. We particularly thought the recent NEE settlement agreement, which is expected to be approved by October-end, was well-balanced. See our note (**link**) for more thoughts.

PCG – Judge rejects PCG's motions to drop criminal charges filed by Sonoma DA 2019 Kincade fire

- A CA Superior Court judge rejected PCG's motions to drop 25 of 33 criminal charges filed by Sonoma District Attorney Jill Ravitch related to the 2019 Kincade Fire.
- On 10/13, PCG is scheduled to enter a plea on the 5 felonies and 28 misdemeanors; the Kincade Fire, which destroyed 374 buildings, including 174 homes, in Oct 2019.
- CAL Fire has already determined PCG's transmission line ignited the fire; PCG previously said that it "will accept" that finding, even though it has not had access to CAL Fire's report or the evidence upon which it relies.
- But PCG said in an April statement it will dispute the charges, as it does "not believe there was any crime here."

- Last year PCG pleaded guilty to 84 counts of involuntary manslaughter for the 2018 Camp Fire; PCG also is under investigation by the Shasta DA's office in the 2020 Zogg Fire, which killed four; CAL Fire found PCG's equipment started Zogg.
- The criminal proceeding is a state matter and would not extend PCG's probationary period in federal court (Judge Alsup's court); probation is expected to end in Jan 2022.

Notably, Sonoma County DA Jill Ravitch is facing a recall effort on 9/14. One of the issues on the "Recall Ravitch" campaign is she "neglected to do her duty and prosecute [PCG]." We anticipate PCG to defend itself and continue to point to its wildfire mitigation efforts, such as its 2021 Wildfire Mitigation Plan.

Midstream

FERC Liquids Pipeline Index – Preliminary August data up 0.7% from July, 10.5% from August 2020; Index rates effective July 2022 on pace to rise by almost 9% if August levels holds through YE

- This morning, the U.S. Bureau of Labor Statistics released its preliminary August PPI data
- The August 2021 Final Demand-Finished Goods PPI reading of 224.5 reflects a 0.7% increase from July 2021 and a 10.5% increase from August 2020

We think inflation is an important tailwind to monitor for midstream as we progress through 2021. Midstream liquids pipelines have a natural hedge to inflation via their regulated rate structures – the FERC liquids pipeline index applies an "annual changes in PPI + adder" methodology, where the annual increase in 2021 PPI +0.78% will be added to regulated liquids pipeline rates for the July 1, 2022 to June 30, 2023 period. If August PPI levels were to hold flat through year end, the 2021 PPI would increase by 8.1%, which plus the 0.78% adder would amount to an annual tariff increase of just under 9% effective July 2022. MMP has noted that their costs are not rising as quickly as PPI, so we suspect most of the rate upside could flow through to the bottom line. MMP has the most exposure to the index in our coverage, but there are modest impacts for many different refined products and crude pipeline systems.

Clean Energy

Clean Energy – Wolfe autos team boosts EV adoption forecasts to 40% by 2030 up from 35%; constructive for clean energy & utilities but highlights risks for midstream

- Overnight the Wolfe Autos team raised its global forecasts for battery electric vehicle adoption (link to note here)
- The team now sees BEV penetration of 18%/40% by 2025/2030, up from 15%/35%
- The team cited the much higher sales growth of EVs in Europe, China and the US plus expectations of stronger regulatory support, increased BEV capex, increased battery manufacturing capacity, and cost parity with ICEs by mid-decade driven by 50%-70% reductions in battery costs
- Separately, the team initiated on SES and Solid Power, two battery technology companies (link to note here)

The autos team has been consistently raising EV adoption forecasts as sales growth and penetration especially in Europe and Asia continues to climb on top of the continued cost reductions and regulatory support of EVs. This has implications across all three areas of our coverage. 1) Utilities – higher EV adoption means increased need for generation, transmission and distribution infrastructure spending; 2) Midstream – we continue to be most focused on energy transition risks to crude and refined products demand – this is another highlight of that risk; 3) Clean energy – BEV adoption is likely to go hand in hand with renewable generation additions so this represents a tailwind on demand. On the hydrogen front however, continued technological and cost improvements on batteries could mean a bigger threat for fuel cells on more zero-emission mobility applications.

Storage – South Korean conglomerate SK buying U.S. storage developer Key Capture

- South Korean conglomerate, SK Inc. is acquiring Key Capture Energy – an energy storage developer based in the U.S.
- Key Capture currently has 254 MWs in storage projects under construction and reportedly a 3 GW pipeline across the country
- Most of its in proposed projects are concentrated in Texas And New York

SK Inc. has shown a lot of interest in investing across the clean energy value chain, including in our new coverage – rooftop solar player SunRun and hydrogen player Plug Power.

Wolfe Events

September 28-30: Wolfe Utilities, Midstream, & Clean Energy Conference – register here
October 1: AEE non-deal roadshow in Boston
December 6: PNW non-deal roadshow in Australia

Most Popular Reports

Wolfe Clean Energy Initiation

[Utilities Top 10 for 2021](#)
[Midstream Top 10 for 2021](#)
[Power Supply Outlook 2020](#)
[Utility Proxy Review](#)
[Midstream Proxy Review](#)
[PJM Auction Postview](#)
[Utilities Credit Metrics Outlook](#)
[Midstream Credit Metrics Outlook](#)
[Utilities 2020 Election Preview](#)
[Utility Pension Review](#)
[Utility Liquidity Review](#)
[Midstream Leverage Report](#)
[Wolfe Midstream Primer](#)
[Wolfe Utility Primer](#)

Calendar

Date	Ticker	Event	Case Docket Number	Description
9/10/21	NYSE	Short Interest Release		
9/10/21	EIX/PCG/SRE	Reply brief		NEM 3.0
9/13/21	FE	Corporate Separation	17-0974-EL-UNC	Audit Report Due
9/15/21	ES	Proposed interim decision		CT Interim Rate Decrease
9/17/21	D	Staff report due		VEPCO triennial review
9/21/21	SO	Company's Unit 3 completion target date		Vogtle
9/23/21	EIX/PCG/SRE	CPUC Voting meeting		
9/24/21	NYSE	Short Interest Release		
10/1/21	ES	Oral arguments		CT Interim Rate Decrease
10/6/21	XEL	Stipulations and settlement agreements due		CPCN CO Power Pathway Project
10/7/21	EIX/PCG/SRE	CPUC Voting meeting		
10/11/21	NYSE	Short Interest Release		

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The Fleishman Daily 9/13/21 - EXC, Short Interest, ETR, EIX, SRE, PCG, CAL Watch, Midstream of Consciousness, DTM, Clean Energy, Wolfe GREEN Playbook, ØrstedSteve Fleishman to: cturnure 09/13/2021 09:31 AMPlease respond to utilities

WOLFE RESEARCH

The Fleishman Daily 9/13/21

Utilities: EXC, Short Interest, ETR, EIX, SRE, PCG, CAL Watch
Midstream: Midstream of Consciousness, DTM, Short Interest
Clean Energy: Clean Energy, Wolfe GREEN Playbook, Short Interest, Ørsted

Utilities sentiment meter – up to "6" from "5". Utilities had a decent week as the market started to hit some turbulence. The sentiment meter is slowly creeping up as investors consider playing more defense. EXC progress on IL legislation was an important event and we think helped sentiment for the sector overall. AEE is also a potential beneficiary in IL. PEG seems to be on the short end of buying in EXC, but we think that stock is at a good buy point into their Analyst Day. We would own both. Finally, it's nice to see CNP bounce strongly from August weakness; we remain bullish into their Analyst Day.

Utilities
EXC – Fin-IL-ly?
Utility Short Interest – up 6% and back near recent highs; ETR short jumps on Ida but stock bounces; NI short contrarian buy
ETR – Tropical Storm Nicholas to bring heavy rainfall in areas impacted by Ida
EIX – S&P revises EIX and SCE outlooks to stable, sees FFO/Debt approaching 17% by 2023
SRE – Latest tender for IEnova shares expires; SRE now owns 99.9% of IEnova; will seek delisting of remaining shares
PCG – Dixie Fire update; 2/3 contained as acreage burned nears 1M
CAL Watch – AB 1054 clean up bill sent to Gov; minor but supportive change
CAL Watch – Latest poll shows Gov Newsom would keep job; election on 9/14
CAL Watch – Weekly update of implied 2022 ROEs; cut of at least 50bp unless CPUC rules otherwise

Midstream
Midstream of Consciousness – Gas leverage, capital return accelerates, and more on ENB's acquisition
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Wolfe GREEN Playbook – Clean Energy initiation feedback and inaugural sentiment meter
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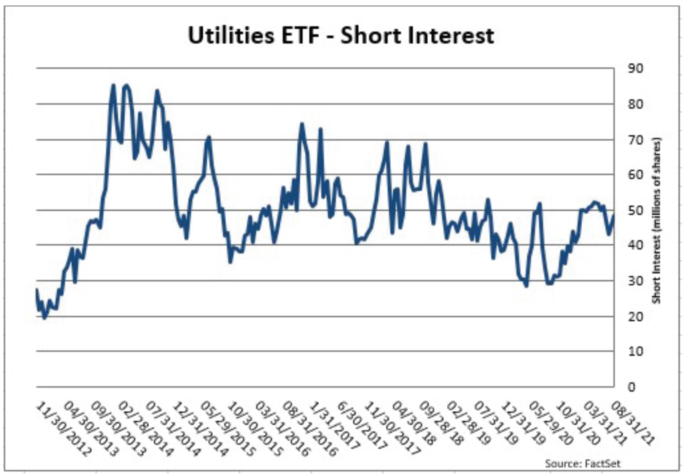
Ørsted – Mgmt touches on key topics ranging from European commodity prices to upcoming auctions to hydrogen

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Valuation Charts, Models, Arb Spreads

Utilities
EXC – Fin-IL-ly?
Click here to view our complete note
IL legislation appears imminent, averting nuke shutdowns; positive. This week, the IL Senate is expected to pass an energy bill that passed the House last week; Gov Pritzker has said he will sign it. The bill includes a carbon mitigation credit mechanism (see p. 3) for three of EXC's nuclear plants. The CMC provides an escalating fixed power price for a 5-year period (6/1/22-5/31/27). We think this certainty is constructive and averts early shutdowns of Byron and Dresden. Utility provisions in the bill also look reasonable but won't impact numbers till 2024. With utility-only value at $43 (using an avg P/E), EXC stock is implying $7 for ExGen. But the legislation not only adds EBITDA, but also adds certainty to ExGen's cashflow. Assuming legislation and current market forwards, we value ExGen at $13 and raise our PT to $56 from $52. That excludes any nuke PTCs for ExGen's nukes not currently expected to receive subsidies. Reiterate Outperform.

Utility Short Interest – up 6% and back near recent highs; ETR short jumps on Ida but stock bounces; NI short contrarian buy

- Utility short interest rose 6% this period and is nearly back to its high for the year. We view rising short interest as contrarian positive.
- ETR is the clear standout this period with short interest skyrocketing 118% on Hurricane Ida.
- This proved untimely as ETR has quickly regained most of its relative underperformance since Ida hit. Looks like a squeeze.
- ETR still needs to issue equity this year so shorts may wait around for that event.
- NI was the other standout with shorts rising 30% even as the stock has weakened on no news.
- Gas LDCs have been weak, but we still view this as a compelling value entry point for NI and the rising short makes it a contrarian buy.
- PCG short finally fell, down 21%, as the Dixie Fire reached more than 50% containment and Newsom's recall prospects improved (i.e., the recall likely fails this week).



Largest increases	
ETR	118%
AWR	42%
PNM	37%
NI	30%
CWT	14%

Largest decreases	
MSEX	-40%
PCG	-21%
ED	-14%
D	-13%
OGE	-12%

Largest dollar value of short (ex-ETFs)	
NEE	$1,746,911,454
SO	$753,309,313
DUK	$719,392,023
PCG	$707,112,473
EXC	$684,580,918

ETR – Tropical Storm Nicholas to bring heavy rainfall in areas impacted by Ida

- As of 9/12 evening, Tropical Storm Nicholas is expected to hit the TX coast this week but heavy rainfall will impact southwest LA, which was already affected by Ida a couple of weeks ago and Laura last summer.
- As for Ida, about 130k of ETR's 948k customers who lost power after Ida remain without power.
- ETR has yet to provide a cost estimate associated with Ida. The hurricanes that hit ETR's territory in summer/fall of 2020 caused over $2B of damages.
- ETR said last week that the number of damaged or destroyed poles from Ida is more than hurricanes Katrina, Ike, Delta and Zeta combined.

- ETR has requested securitization for the 2020 storms; a recent LA law helps with financing storm costs. ETR has consistently received storm cost recovery.

The stock has recovered its losses immediately before and after Ida. We anticipate ETR will provide an initial cost estimate related to Ida at some point this fall.

EIX – S&P revises EIX and SCE outlooks to stable, sees FFO/Debt approaching 17% by 2023

- On 9/10, S&P Global Ratings revised the outlooks for EIX and SoCal Edison to stable from negative, following the CPUC's decision in SCE's GRC.
- S&P forecasts EIX's FFO/Debt will be "approaching" 17% by 2023; its downgrade threshold is 15%.
- S&P sees EIX's business risk gradually improving over time "mostly through effective regulatory risk management and steady operational improvements in its wildfire mitigation practices." For example, S&P expects SCE to be issued an annual wildfire safety certification.
- S&P's base-case assumes annual capex averaging ~$5.5B through 2022 and an average of ~$4.6B beginning in 2023.
- S&P does not appear to mention any incremental equity (common or preferred) this year beyond the previously issued $1.25B of preferred equity.

The outlook revision is constructive and may be a good signal for EIX earnings guidance which we still await. The company anticipates issuing 2021 guidance soon and could provide a longer-term outlook. We also project FFO/Debt improvement by 2023, though on the bottom half of EIX's 15-17% target. But our estimate assumes a 50bp cut in the CPUC ROE beginning in 2022.

SRE – Latest tender for IEnova shares expires; SRE now owns 99.9% of IEnova; will seek delisting of remaining shares

- Over the weekend Sempra announced that the second tender for the remaining IEnova shares that it did not already own had expired
- Out of the 52.2M shares that were outstanding (3.6% of total IEnova count; rest owned by SRE), 51M shares accepted the tender of 78.97 pesos
- Sempra will now seek a delisting of IEnova from the Mexican exchange, and will hold open a trust to purchase the remaining shares at the last tender price of 78.97 pesos

While the tender doesn't meaningfully change SRE's numbers it is another step in completing the simplification work on the infrastructure side. We expect that in the coming months the move to delist the remaining shares should complete the process.

PCG – Dixie Fire update; 2/3 contained as acreage burned nears 1M

- As of 10:51pm EDT on 9/12, CAL Fire's official website said the Dixie Fire has burned 960,335 acres. It is 67% contained.
- Dixie has destroyed 1,329 structures and damaged 95. At least 688 homes are included.
- Dixie is closing in on the 2020 August Complex Fire, which burnt 1,032,648 acres and is the largest wildfire in CA's history (based on acreage).

The increasing containment is encouraging to see. Structures destroyed and damage has not changed much over the past several days.

CAL Watch – AB 1054 clean up bill sent to Gov; minor but supportive change

- Last week, the CA legislature passed a bill that cleans up several prior bills, including AB 1054 (enacted in 2019).
- In the event of a wildfire caused by an investor owned utility, the IOU must be found at fault for said wildfire by a state agency to be eligible for cost recovery under AB 1054.
- The clean-up bill (AB 242), among other things, allows an IOU to be eligible for cost recovery if a court finds the wildfire was caused by the IOU.

The change was minor but supportive, as it tightens up the paths to cost recovery.

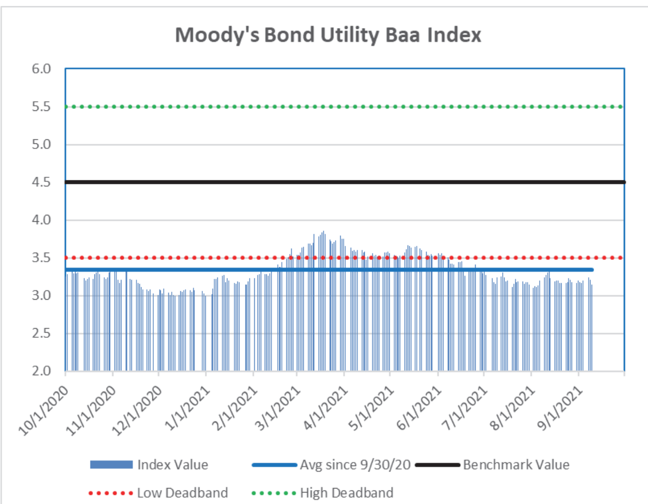
CAL Watch – Latest poll shows Gov Newsom would keep job; election on 9/14

- Sixty percent of likely voters opposed recalling Gov Newsom (D) and 38.5% said they wanted him out, according to a poll released on 9/10 by the *Los Angeles Times* and the UC Berkeley Institute of Government Studies.
- Another poll by Data for Progress showed that 57% of voters supported keeping Newsom and 43% wanted to remove him.
- The recall election is on 9/14, and it has two questions:
  - Should Gov Newsom be removed, and if so, who should replace him?
  - A simple majority for the first question is enough to remove the Gov, who cannot appear as a candidate on the second question.

The recall appears unlikely. We view that as good for utilities because a change in administration would cause uncertainty.

CAL Watch – Weekly update of implied 2022 ROEs; cut of at least 50bp unless CPUC rules otherwise

- This is our weekly series on the bond yield used for the Cost of Capital mechanism. The allowed ROEs for CA utilities are 10.3% for EIX; 10.25% for PCG; and 10.20% for SRE's SDG&E and 10.05% for SRE's SoCal Gas.
- Cost of Capital mechanism: Every 9/30, if the difference between the 12-month average of the Moody's Bond Utility Baa Index and the benchmark value of 4.5% exceeds 100bp, then the allowed ROE for the next calendar year is adjusted by one-half of the difference, and the current value of the index becomes the new benchmark value.
  - If the difference is within 100bp, ROEs and the benchmark index value remain the same for the subsequent year. The last CoC decision applies to calendar years 2020 through 2022.
- Below is a chart with the Index values from 10/1/20 through last the last available date (light blue bar charts); the average over that period is 3.34% (solid blue line).
- Last index value was 3.15%, 2bp lower than the previous week; if that held constant through 9/30/21, the average would be 3.33%.
- During Q2 earnings season, we cut the CA ROE for EIX, PCG and SRE/SDG&E by 50bp; below are the sensitivities for every 50bp cut and our current 2022E:
  - EIX: ~$0.21; our current 2022E is $4.48 (includes the cut);
  - PCG: ~$0.05; current is $1.08 (includes the cut);
  - SRE/SDG&E: ~$0.06; current is $8.38 (includes the cut);
  - SRE/SoCalGas: uses a different benchmark (Moody's Utility A index) and is not at risk of being triggered; 50bp cut is ~$0.05.
- If the latest Index value held constant through 9/30/21, under the CoC mechanism, 2022 ROEs would be cut by 59bp [=(4.50-3.33)/2].
- An ROE cut of at least 50bp is set for 2022 unless the CPUC accepts the utilities' off-cycle CoC applications filed last month on the basis of extraordinary events arising from the pandemic. If those requests are denied, the utilities will file applications in Apr 2022 for 2023-25.



Midstream

Midstream of Consciousness – Gas leverage, capital return accelerates, and more on ENB's acquisition

- In yesterday's Midstream of Consciousness we take a look at exposures to rising gas prices, capital return after the LNG and WMB announcements, and Enbridge's acquisition of Moda Midstream
- **2022 gas prices cross above $4/MMBtu…how are companies positioned?** The market tends to focus on oil and NGL prices, but watch out for natgas! With the 2022 curve now above $4/MMBtu, we use this week's report to estimate high-level exposures for each company in our coverage to higher natgas and NGL prices, as well as volumes in the Haynesville and Appalachia
- **LNG and WMB capital allocation plans…majority of companies now buying back stock.** We also take an updated look at capital return for our coverage following LNG's and WMB's capital allocation announcements last week
- **Enbridge acquires Moda Midstream for only 8x EBITDA.** We conclude this week's report with a quick discussion of Enbridge's acquisition of Moda Midstream at a relatively low implied multiple
- Please see the full report here for more

DTM – Weekend Oil Drop highlights E&P team's chat with SWN CFO; sticking to no growth through at least 2022

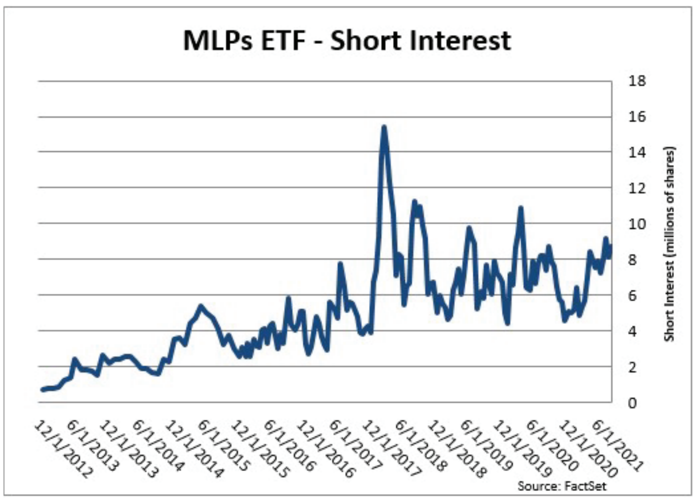
- Our E&P team's weekly piece featured highlights from a conversation they had with Southwestern's new CFO Carl Giesler (link to slides here)

- Giesler reiterated SWN's plan to stick to being a no growth company at least through late 2022/early 2023 - consistent with previous discussions by the company
- He did indicate that the expanded platform following the close of the Indigo acquisition means that SWN has the ability to flex production between Appalachia and the Haynesville depending on relative economics
- The company is also advancing rapidly to 2x debt to EBITDA then to 1.5x, and considering whether to continue toward 1x or refocus on shareholder return

Overall the comments are worth reading from a DTM perspective though largely reconfirms our expectation that SWN - which will be by far DTM's largest customer once it completes the acquisition of Indigo - will stick with 2022 volumes largely flat with 2021 exit. The comments on being able to flex between Appalachia and Haynesville is interesting and could be constructive for DTM's Haynesville territory, though where exactly SWN would take its foot off the gas in Appalachia will be important as well. Finally, the improvement on the balance sheet front is constructive for DTM from a counterparty perspective as the midstream company aims toward investment grade over the next few years.

Midstream Short Interest – Up 8% back near 2021 highs; Uneventful, but notable decline in WMB

- MLP short interest as measured by the AMLP rose 8% over the two-week period ending 8/31 alongside a 1.4% drop in the AMZ Index
- WMB short fell 18%. Subsequent to the decline in short interest, the company announced a $1.5B share buyback on September 6
- The 31% jump in ENBL short interest suggests some fear either a delay or risk to FTC approval of the ET deal. We think it likely gets done though.



Largest increases	
ENBL	31%
CQP	26%
HEP	16%
NS	12%
ETRN	10%

Largest decreases	
SUN	-25%
WMB	-18%
PAGP	-12%
DCP	-10%
TRGP	-8%

Largest dollar value of short (ex-ETFs)	
EPD	$752,814,969
ET	$626,427,996
KMI	$616,221,109
MPLX	$546,940,411
MMP	$514,773,261

Clean Energy

Clean Energy – House releases draft tax provisions for reconciliation bill; extends PTCs and ITCs, adds storage and hydrogen; would be a big step in LT support for clean energy

- On Friday the House Ways and Means Committee released the initial draft of tax provisions to be included in the reconciliation bill
- There were several provisions relevant for clean energy – EV incentives, renewable tax credits, storage, and hydrogen
- EV incentives – the proposal keeps the $7,500 per vehicle tax credit but eliminates the manufacturer volume caps
    - There is a $4,500 adder if the EV is union made in the US; $500 additional if it meets domestic content requirements (i.e. total credit could be $12,500)
    - There are caps on MSRP by vehicle type, i.e., trucks need to cost less than $74,000, and income phaseouts above $800k married
- For PTC/ITC incentives there are requirements on using apprenticeships and wages otherwise the tax credits are much lower; 10% adder if meets domestic content requirements
- PTC – can apply to solar on top of wind - $25/MWh if it hits the labor/content requirements; runs through 2031 then phases out in 2032 and 2033
- ITC – would be at 30% through 2031 then phases down to 22% in 2033. Storage and electric transmission would be included
- Nuclear power production credit is included as a contract for differences
- Hydrogen PTC – includes a $3/kg PTC for production that is >95% cleaner than existing means; phases down for higher emission technologies likes CCS
    - Runs for facilities put into construction through 2028
- There are also provisions to classify renewable/green energy as qualified income for publicly traded partnerships

This is a quick rundown on a lot of details in the markup proposal, and we will be looking for how things change as the reconciliation package evolves. Clearly though the final form of the tax incentives will be extremely important for the Clean Energy space. The wind and solar extensions would provide a long term support signal for renewables, and the addition of storage will made an increasingly critical complement to renewables more economic. Domestic content adders in the ITC/PTC could be supportive for domestic solar manufacturers like FSLR by effectively reducing their cost relative to competitors. Production credit would be favorable for nuclear power too, with EXC/PEG as beneficiaries. The PTC for green hydrogen would be a game changer for the space, particularly at $3/kg, and would represent a further tailwind for renewable development. Finally, though indirect, the EV provisions would further provide an avenue for electricity demand growth, good for both utilities and renewable developers.

Wolfe GREEN Playbook – Clean Energy initiation feedback and inaugural sentiment meter

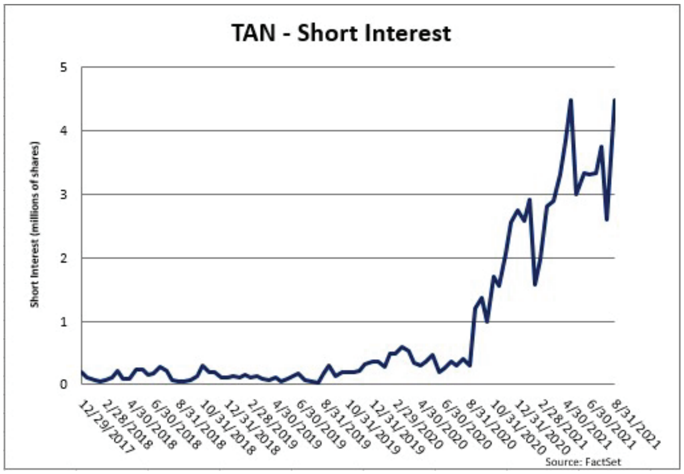
Click here to view our complete note

Clean Energy initiation feedback - lots of excitement and interest, struggling to find the right stocks; inaugural Clean Energy sentiment meter

Welcome to the Wolfe GREEN Playbook, our new weekly report on Clean Energy. Our first edition centers on investor feedback to our Clean Energy sector launch. Initiating the last week of summer heading into Labor Day, we didn't know what to expect. We worried we might be the proverbial tree falling in a forest – no one there to listen. But it's been the opposite. We have had very strong investor response across the board. In case you missed it, please see our Clean Energy initiation report, Hydrogen primer, and Residential Solar primer.

Clean Energy Short Interest – TAN short jumps 72% back to 2021 high; RUN short ratio at 2021 high; FSLR short at lowest since 2018

- TAN short interest skyrocketed this period likely due to continued supply chain concerns. Its back at 2021 highs.
- We continue to see risk near-term from supply chain into Q3 results, but would use weakness into YE to buy into a likely bullish Biden clean energy plan.
- Individual stock shorts did not change much but the already large short in RUN rose another 10%. RUN's short interest ratio is over 8x and at its highest level in over a year.
- On the other hand, FSLR short fell 10% and is at its lowest absolute level since 2018.



Largest increases	
BEP	10%
RUN	10%
GNRC	8%
PLUG	7%
NEP	4%

Largest decreases	
STEM	-30%
AY	-21%
SHLS	-12%
FSLR	-10%
CWEN	-5%

Largest dollar value of short (ex-ETFs)	
RUN	$1,581,156,443
PLUG	$1,409,649,846
ENPH	$760,053,983
FSLR	$498,499,860
NOVA	$495,909,375

Ørsted – Mgmt touches on key topics ranging from European commodity prices to upcoming auctions to hydrogen

- Early this morning, Ørsted management held a meeting with analysts, addressing a range of topical items; below are some:
- European power/gas prices – believe gas prices are not sustainable and not heavily exposed to the power price movement given contracted nature of business and hedges; small Danish heat and power business benefits.
- Wind speeds – 2Q21 was the worst quarter for wind over 22 years of detailed data; wind speeds returned to normal in August.
- Supply chain – mgmt. is not seeing any bottlenecks, as the company engaged early with suppliers; not worried about US offshore wind market, despite less mature market than Europe.
- Corporate PPAs – the market remains strong on both sides of the Atlantic, as corporates increasingly demand green products.
- Upcoming auctions – results are expected in Japan Round 1 and MD-US later this year; mgmt. does not expect 3 or 4 wins but expect something; feels good about the Toshi project working with Tepco in Japan. New auctions include UK CfD Round 4, on which there will be no cap for offshore wind.
- Hydrogen – mgmt. is seeing progress toward commercialization in Denmark, Holland and Germany.

As we noted in our feedback report, we see the biggest investor pushback on the stock's valuation. For more on our thoughts on Ørsted, see our recent initiation **report**.

Wolfe Events

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October 1: AEE non-deal roadshow in Boston
December 6: PNW non-deal roadshow in Australia

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Date	Ticker	Event	Case Docket Number	Description
9/13/21	FE	Corporate Separation	17-0974-EL-UNC	Audit Report Due
9/15/21	ES	Proposed interim decision		CT Interim Rate Decrease
9/17/21	D	Staff report due		VEPCO triennial review
9/21/21	SO	Company's Unit 3 completion target date		Vogtle
9/23/21	EIX/PCG/SRE	CPUC Voting meeting		
9/24/21	NYSE	Short Interest Release		
10/1/21	ES	Oral arguments		CT Interim Rate Decrease
10/6/21	XEL	Stipulations and settlement agreements due		CPCN CO Power Pathway Project
10/7/21	EIX/PCG/SRE	CPUC Voting meeting		
10/11/21	NYSE	Short Interest Release		
10/13/21	ES	Final decision		CT Interim Rate Decrease

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The Fleishman Daily 10/13/21 - VST, Weekly Mark, PNW, AEP, NI, AGR, CAL Watch, ET, PLUG, Solar tariffs, BLDPSteve Fleishman
to: cturnure 10/13/2021 09:17 AMPlease respond to utilities

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WOLFE RESEARCH

The Fleishman Daily 10/13/21

Utilities: VST, Weekly Mark, PNW, AEP, NI, AGR, CAL Watch

Midstream: ET

Clean Energy: PLUG, Solar tariffs, BLDP

WEBCAST: Discussion with NJ BPU President Fiordaliso, TODAY at 12:00PM ET; register here

Utilities

VST – Say hello to my little friend
The Weekly Mark – Bitcoin demand growth and introducing the "coin spread"
PNW – Moody's places A3 rating on review for downgrade; Fitch downgrades to BBB+, outlook still negative
AEP – WVPSC approves ELG spend for three coal plants; unsurprising but suggests coal to be part of AEP story through 2040
NI – ALJ recommends PA rate settlement be approved without modification
AGR – Head of Renewables Alejandro de Hoz leaving; Bill White and Jose Antonio Miranda named Co-CEOs
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ET – Pennsylvania Attorney General who charged Mariner East confirms he's running for Governor

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Wolfe Utility, Midstream & Clean Energy Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Clean Energy Comps, Valuation Charts, Models, Arb Spreads

Quarterly Data: Weather, Forward Prices, Spot Prices, Nuke Outages

Utilities

VST – Say hello to my little friend
Click here to view our complete note
VST announces big $2B buyback by 2022-end = 23% of market cap
After the close today, VST initiated a $2B share repurchase program. Part of this will be funded by a $1B perpetual preferred issuance at 8% via private offering. We view this as a strong move by the company that would effectively cover 23% of its market cap over a 14 month period. Moreover, VST pointed to the potential to buyback at least $5B in shares by 2025 (58%) and its entire market cap by 2030. The renewables funding plan is still expected later this year, but VST is wasting no time addressing its languishing stock performance with one of the most robust shareholder return plans we have seen**. We are raising our Price Target to $28 (from $25) and reiterate Outperform.**

The Weekly Mark – Bitcoin demand growth and introducing the "coin spread"
Click here to view our complete note
Bitcoin miner S-1 highlights attractive margins based on bitcoin/power spread
We took note of bitcoin miner Stronghold's latest S-1 filing, which features a plan to use waste coal plants in PA to fuel its operations. Stronghold projects 300 MWs of supply by 2023 with a net power cost of $18/MWh ($25 fuel + $18 O&M – $15 RECs – $6 capacity revenue – $4 tax credits). *Stronghold believes this corresponds to less than $3k per Bitcoin equivalent. Put another way, if $18/MWh = $3k bitcoin, then today's ~$58k bitcoin price would imply equilibrium at $348/MWh power cost. This is a massive arbitrage, which we dub a "coin spread".* Bitcoin margins are estimated at ~90% (link) and it's no surprise based on this math. In theory we should all become bitcoin miners, but the necessary hardware and siting can be difficult. Bottom line, there is incentive for significant mining growth from here to drive power demand.

PNW – Moody's places A3 rating on review for downgrade; Fitch downgrades to BBB+, outlook still negative

- Yesterday, Moody's announced that it placed both PNW's A3 senior unsecured rating and APS's A2 senior unsecured rating on review for downgrade
- Moody's said the review will "*focus on the provisions of APS's final rate case order…the review will also consider the state of APS's regulatory relationship, which has become increasingly challenged due to a number of issues including the utility's poor implementation of new rate plans in 2018, controversial disconnection policies during times of excessive heat in 2019, its provision of a faulty rate comparison tool to customers and the level of campaign contributions made by Pinnacle. These issues have stressed the company's relationship with the ACC and led regulators to open an investigation into APS's earnings, requiring APS's file a new rate case in 2019, and customer outreach program*"
    - A downgrade could result if Moody's expects PNW's CFO pre-WC to debt to be sustained below 21%
- Separately, Fitch downgraded PNW's unsecured rating to BBB+ from A- and APS's unsecured rating to A- from A; outlooks for both remain negative
- Fitch noted that the one-notch downgrade and negative outlook reflect anticipation of an adverse final order in APS's pending rate case; a final decision and clarity on management's capital spending plans and funding needs will be key factors in resolving the negative outlooks

We aren't surprised to see some action by the rating agencies after listening to the ACC's meetings last week. But we would note that PNW has been on negative outlook by these agencies for some time now (Moody's since early 2020 and Fitch since some time in 2019). PNW warned the Commissioners of this happening during the meetings last week, pointing to the higher borrowing costs that would ultimately be borne by ratepayers. While this is true, we don't find Moody's write up to be particularly helpful for the company given that it details many of PNW's missteps in recent years which has caused the friction with the ACC.

AEP – WVPSC approves ELG spend for three coal plants; unsurprising but suggests coal to be part of AEP story through 2040

- On 10/12, the WVPSC approved its Aug 2021 decision, allowing AEP's subsidiaries Appalachian Power Co and Wheeling Power Co to get recovery from WV customers for environmental upgrades at the John Amos, Mountaineer and Mitchell coal plants that would allow them to operate through 2040.
    - The capex for the environmental upgrades is about $450M and expected to be completed by YE28.
    - The upgrades are required to meet the EPA's coal-combustion residuals guidelines and effluent limitation guidelines (ELGs), which must be submitted to a permitting authority by today.
    - KY PSC previously rejected the ELG upgrades for Mitchell (50/50 between KY and WV); VA also denied those upgrades for the other two plants.
    - KY and VA customers are still expected to pay their share of the CCR-related capex.
- Approval of the ELG upgrades had support from labor, local/state government and even US Sen. Capito (R-WV), and WV Reps McKinley, Miller and Mooney, who all wrote a letter last month to the PSC.
- Last week, the KY PSC acknowledged it did not have jurisdiction over Wheeling Power (Mitchell's co-owner); Mitchell was one of several items in the KY PSC's pending investigation into KY Power's service, rates and facilities.

The WVPSC's decision is unsurprising, given the previous ruling and political support for those three large coal plants (over 5 GW). Although the environmental capex would be in rate base, AEP's move away from coal will be slower in WV than in its other states. None of the WV coal plants is expected to retire through 2030, and only 450 MW of renewables is currently planned in 2026-30 at AEP's WV/VA utilities. The continued coal ownership could be a headwind on AEP's stock valuation multiple, as some ESG-focused investors (including several overseas) screen for any coal ownership; even the ICLN Index this week appeared to remove renewables-bellwether NEE from the Clean Energy index because it has a tiny amount of coal-fired capacity.

NI – ALJ recommends PA rate settlement be approved without modification

- Yesterday, the ALJ assigned in NI's Pennsylvania rate case recommended that the company's settlement agreement be adopted and approved without modification
- Recall, parties agreed to a $58.5M base rate increase; the settlement was black box though, meaning it was silent on ROE, equity ratio and several other items
- NI requested a $98.3M base rate increase using 10.95% allowed ROE, 54.34% equity ratio and a $2,673M rate base with a test-year ending 12/31/22
    - NI is currently allowed a 9.86% allowed ROE and 54.19% equity ratio in PA

We didn't expect there to be any pushback on the settlement, though full support from the ALJ is still good to see. The PUC is expected to issue a final decision sometime between now and when new rates are scheduled to be effective (12/29/21).

AGR – Head of Renewables Alejandro de Hoz leaving; Bill White and Jose Antonio Miranda named Co-CEOs

- Yesterday, AGR announced that Bill White and Jose Antonio Miranda were named Co-Presidents/CEOs of Renewables
    - White will serve as head of Offshore and Miranda will serve as head of Onshore
    - White has already been serving as head of Offshore since October 2020, while Miranda was previously CEO of Onshore Americas region for Siemens Gamesa
- They will replace Alejandro de Hoz, who has decided to leave the company

This business segment is obviously a big focus area for the company – AGR is the third largest renewables generator in the country and is embarking on construction of the first large-scale offshore wind facility in the country. There has been a decent amount of turnover in this position at AGR – Frank Burkhartsmeyer led this division when AGR was formed in late-2015, Laura Beane then led for 2.5 years, followed by Alejandro for 2 years.

CAL Watch – Alisal Fire grows in remote part of CA, threatens over 100 homes; does not appear to be utility caused

- The Alisal Fire in the northern part of Santa Barbara county burned at least 13,400 acres, nearly 10,000 more acres than the day before; it is 5% contained.
- Alisal is threatening over 100 homes, ranches and other structures in a sparsely populated area around the Santa Ynez Mountains off the coastline, shutting portions of Highway 101.
- The area is in PCG's service territory; however, there does not appear to be any utility assets in the immediate proximity of the reported ignition site.
- The cause of the fire has not been finalized by the US Forest Service or Santa Barbara County Fire Dept.
- Red Flag Warnings dissipated in much of CA, but a RFW remains in effect in a small portion of the northern Sacramento Valley up toward Redding, CA.

We received several inbounds on the Alisal Fire, namely whether it was in PCG's territory – it is – and whether there were any indications the utility's assets caused the fire – there are none that we have seen.

Midstream

ET – Pennsylvania Attorney General who charged Mariner East confirms he's running for Governor

- Pennsylvania AG Josh Shapiro will formally announce today that he is running for governor on the Democratic ticket according to several local news reports. He is seeking to replace Governor Wolf who is term limited and is expected to endorse Shapiro. The election is in November of 2022.
- Recall, Shapiro announced 48 criminal charges against ET last week related to environmental issues on the Mariner East pipeline going back to 2017
    - See our report on the charges here

We continue to view the criminal charges as likely immaterial given limitations on the amount of fines per incident, and as the Department of Environmental Protection (DEP) has previously fined ET and suspended construction over the years for these same issues which were already known. It's notable that AG Shapiro is running for governor as 1) it could cause investors to suspect a more political rationale for the recent charges; and 2) if he wins election, a Governor Shapiro would then technically oversee the DEP. However, we'd note that the final expansion of Mariner should be in service well before this election takes place next year so we don't view this as much of a risk.

Clean Energy

PLUG – Announces JVs with Airbus and PSX on hydrogen use; a lot of opportunities to talk about at tomorrow's Symposium

- This morning Plug Power announced that it had formed partnerships with Airbus and Phillips 66 on scaling the use of hydrogen in air travel and industrial/fueling uses, respectively
- Airbus to work on integrating green hydrogen into air travel and airport operations; it has announced in the past a goal to bring net-zero aircraft to the market by 2035 and sees hydrogen as a potential solution
- Plug will contribute thoughts on hydrogen fueling infrastructure and support equipment and Airbus will work on the aircraft technology
- PSX will be working with Plug to integrate hydrogen into industrial use cases – refinery use would line up with PSX – as well as fueling and fuel cell infrastructure
- More detail on the JVs as well as updates on other business lines will come at the Plug symposium tomorrow

The announcements are more constructive datapoints on Plug's work to develop potential commercial partners in a wide range of hydrogen use cases. Plug's role in developing H2 infrastructure and supply should translate readily to airports. As for aircraft, the sense is that battery powered aircraft may work for short hops, but larger aircraft could use LH2 or potentially e-fuels developed from green hydrogen or biofuels. With PSX, refineries already use a lot of hydrogen and switching that demand from existing "gray" sources to green or blue is an opportunity for the hydrogen sector. With these on top of other announcements in the last few weeks, there's clearly going to be a lot to talk about at the Symposium tomorrow.

Solar tariffs – Petitioners to respond to Department of Commerce's questions on anti-circumvention petition by today

- The American Solar Manufacturers Against Chinese Circumvention (A-SMACC) is due to respond by today to Commerce's request for additional information on their petition seeking to extend antidumping and countervailing duties that have long been in place on China to now also apply to major manufacturers in Southeast Asia
    - Specifically, Commerce asked for more information showing A-SMACC is an interested party and identifying its members, while also asking for further information supporting A-SMACC's claim its identities need to remain confidential given potential retaliation from

the Chinese government. Commerce also wants information on A-SMACC members' international operations and any linkage to China.

A-SMACC's response should reset the 45-day clock for Commerce to make a decision on the petition. Overall, we think it is unlikely the petition is successful given the tough questions Commerce asked of the petitioners and the wide variety of resistance to the petition from government officials, utility groups like EEI, and various participants in the renewable industry.

BLDP – Announces equipment supply agreement with Talgo on trains in Europe

- Yesterday Ballard Power announced an agreement to sell 8 of its 70 kW fuel cells to Talgo, a Spanish train manufacturer
- The fuel cells will be tested for integration into Talgo's Vittal-One commuter/passenger train
- Talgo sees its fuel cell approach to be able to be added to all types of passenger trains including upgrades from diesel
- Commercial rollout is expected in 2023

This is another datapoint in Ballard's work to expand relationships as hydrogen moves from the study phase and into commercial rollouts in the coming years.

Wolfe Events

October 18-19: PEG non-deal roadshow in Australia
November 7-10: EEI Conference meetings
December 6: PNW non-deal roadshow in Australia

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Calendar

Date	Ticker	Event	Case Docket Number	Description
10/13/21	ES	Final decision		CT Interim Rate Decrease
10/15/21	AEE	Rebuttal testimony	ER-2021-0240	MO rate case
10/21/21	EIX/PCG/SRE	CPUC Voting meeting		
10/26/21	NEE	FL PSC Vote		Florida Rate Case
10/26/21	NYSE	Short Interest Release		
10/29/21	FE	DMR Audit	17-2474-EL-RDR	Final Audit Report Due
11/4/21	EIX/PCG/SRE	CPUC Voting meeting		
11/5/21	AEE	Surrebuttal testimony	ER-2021-0240	MO rate case
11/9/21	NYSE	Short Interest Release		
11/18/21	EIX/PCG/SRE	CPUC Voting meeting		

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The Fleishman Daily 10/22/21 - SO, PNW, NI, EIX, PCG, EMA, Technicals, LNG, Altus/EagleClaw, NEE/NEPSteve Fleishman to: cturnure 10/22/2021 09:25 AMPlease respond to utilities

WOLFE RESEARCH

The Fleishman Daily 10/22/21

Utilities: SO, PNW, NI, EIX, PCG, EMA, Technicals
Midstream: LNG, Altus/EagleClaw
Clean Energy: NEE/NEP, Technicals
WEBCAST: Fleish on Fridays, TODAY at 11:00AM ET; register here

Utilities

SO – Vogtle in-service dates delayed another three months, cost to be updated on Q3 call; negative surprise
PNW – New amendment would have APS target avg retail rate of $0.09/kWh by 2030 through operating and capital expense reductions; bad
NI – Preferred IRP portfolio would add 600-800 MW in 2026-28, retire Michigan City coal by 2026
EIX – Announced a deal for 535 MW storage in summer 2022; small step but good to see
PCG – CPUC ratifies utility's 2021 WMP; expected based on statute but good to see
EMA – FL PSC approves TECO's rate case settlement
Technicals – Wolfe technicals team sees rising interest rate fears and persistent concerns around inflation continuing to weigh on the relative performance of utilities

Midstream

LNG – FERC approved higher production for Corpus Christi and Sabine Pass; supports the debottlenecking progress
Altus/EagleClaw – Interesting consolidation of Permian pure plays

Clean Energy

NEE/NEP – NEE dropping 50% interest in 2.52 GW renewables portfolio to NEP funded by new $824M CEPF w/ Apollo; CAFD yield low but financing cost even lower; EBITDA/CAFD guidance unchanged
Technicals – Wolfe technicals team sees momentum building into year end if clean energy can clear resistance

Wolfe Utility, Midstream & Clean Energy Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Clean Energy Comps, Valuation Charts, Models, Arb Spreads

Quarterly Data: Weather, Forward Prices, Spot Prices, Nuke Outages

Utilities

SO – Vogtle in-service dates delayed another three months, cost to be updated on Q3 call; negative surprise

- On 10/21, SO pushed out the in-service dates by one quarter to 3Q22 for Vogtle Unit 3 and to 2Q23 for Unit 4.
- SO said the primary drivers for U-3 delay include "continued identification of additional remediation work, construction productivity related to completion of remaining electrical installations and remediation work, and the subsequent resulting pace of system turnovers."
- U-3 fuel load could occur as early as 1Q22, but fuel load as late as May 2022 should support the new 3Q22 in-service target date. The NRC must sign off on all the ITAACs before fuel load – the last milestone before commercial operation – can begin.
- For U-4, the drivers include "productivity challenges and some craft and support resources being diverted temporarily to support construction efforts on Unit 3."
- SO plans to update the total project capital cost when it reports 3Q21 earnings on 11/4 and files its 10Q. SO has said every month delay was $25M for U-3 and $15M for U-4; but those are hoteling costs and do not reflect higher costs for items like staffing of electricians, etc.
- SO filed its VCM 25 testimony yesterday detailing the issues it noted in the 8K and press release; a hearing on that testimony is scheduled for 11/15. GaPSC Staff and other intervenors file testimony on 12/1, with a hearing on 12/16.

The delay was a bit surprising and negative. The key concern this year has been whether SO can complete remediation work and electrical installations in time to meet the schedule. When it last announced a delay in July, SO suggested that it had made good progress on electrical productivity and attrition at the site. But as SO's engineers thoroughly walked through each component/system more issues were found, and actual productivity in Q3 was lower than that earlier in the year. Going forward, we will also focus on whether fuel load can be completed in around 4 months, as SO is targeting. The GaPSC Staff believes fuel load will take longer. Earlier this year, when SO was targeting by Jan 2022 for U-3, Staff projected U-3 in-service in the Jul-Aug timeframe, again proving it has been more accurate than the company on scheduling.

PNW – New amendment would have APS target avg retail rate of $0.09/kWh by 2030 through operating and capital expense reductions; bad

- Yesterday, Chair Marquez Peterson filed an amendment in APS's rate case which would adopt a performance incentive mechanism aimed at achieving a target average retail rate level by 2030
  - APS would target an average rate of $0.09/kWh by 2030 vs $0.1172/kWh in 2020
- APS would need to pursue cost reduction strategies for all controllable operating and capital expenses; specifically called out are purchased power and fuel expense, executive comp/bonuses, and rate base items
- In future rate cases, a performance incentive mechanism would allow APS to retain 45% of any achieved cost/capital savings provided that the rate case results in no increase to retail rates
- APS would need to file in the docket by April 15th of each year a comprehensive annual roadmap outlining cost reduction strategies that will be taken to meet the 2030 goal

This continues to be a slow-motion train wreck. This amendment seems totally nonsensical to us. It would seem impossible to make the necessary investments in the grid to ensure safety/reliability and to effectuate a clean energy transition without expecting some level of rate increases over time. There's only so many prudent operating expense reductions that PNW can control, and fuel/purchased power isn't one of them as the Chair suggests (and today, those are going in the wrong direction). Fortunately, this is just a proposed amendment for now and we have no reason to believe that there is broad support. The ACC will meet next week (26th & 27th) to hopefully issue a final decision in the case.

NI – Preferred IRP portfolio would add 600-800 MW in 2026-28, retire Michigan City coal by 2026

- Yesterday, NI unveiled its preferred portfolio in NIPSCO electric's pending IRP
- The most economical of NI's two preferred pathways would retire Michigan City Unit 12 by 2026 (469 MW of coal) and Schahfer Units 16A/B by 2028 (155 MW vintage gas peakers)
  - NI would be coal-free by 2026 under this scenario
- Expected capacity additions would total 600-800 MW over 2026-2028 via the following:
  - Sugar Creek Uprate (30-53 MW)
  - Solar (100-250 MW)
  - Energy storage (135-370 MW)
  - Gas Peaking (up to 300 MW) and has the potential to by hydrogen-enabled
  - Hydrogen electrolyzer pilot (20 MW)
- NI has also identified more transmission upgrades that would need to be completed prior to the Michigan City retirement (work would begin in 2022)
- NI will submit a finalized plan to the IURC by 11/15/21

The big question is what amount of the replacement capacity that NI will ultimately be able to own in rate base. Management has alluded to hoping to be able to own most of the replacement generation. The size of incremental capex will depend on the exact project types that are chosen; our rough estimate is that it could be somewhere in the range of $600-800M, assuming all is owned by NI. NI intends to hold an Analyst Day in 2Q22 to discuss these plans in detail and extend its capital plan and growth outlook.

EIX – Announced a deal for 535 MW storage in summer 2022; small step but good to see

- On 10/21, EIX announced 535 MW of batter energy storage at three of its existing substations by Aug 2022.
- Ameresco will install the storage systems; no pricing detail was provided.
- The 535 MW is in addition to the LT storage capacity contracts completed last year (1,355 MW utility scale); EIX's total amount of installed and procured storage capacity will be 2,810 MW.
- The new storage is in response to CA Gov Newsom's emergency proclamation to accelerate new clean energy projects for this past summer and next.
- EIX has estimated CA needs to add 30 GW of utility-scale storage to the grid and 10 GW of storage to meet its clean energy and carbon neutrality goals.

The capex was not disclosed but likely is north of $500M, or 10% of EIX's planned $5.3B capex in 2022. For instance, VST's CA storage project for 300 MW/1,200 MWh is around $360M. And in its 2020 Levelized Cost of Storage, Lazard pegs 100 MW/400 MWh wholesale storage capacity cost at $183-340/kW-year. EIX has pointed to storage, among other things, as investment opportunities, mostly post 2023. But in this case, given the emergency in CA, we will see incremental storage from EIX in 2022. And of course a storage tax credit, which is being proposed in the reconciliation bill, could be a tailwind for even more.

PCG – CPUC ratifies utility's 2021 WMP; expected based on statute but good to see

- On 10/21, the CPUC unanimously ratified the Office of Energy Infrastructure Safety's draft resolution to adopt PCG's 2021 Wildfire Mitigation Plan update.

- President Batjer noted the CPUC has no choice but to ratify the OEIS's approval of WMPs under AB 1054; the OEIS is a separate agency from the CPUC.
- Last month, the CPUC discussed the draft resolution and noted shortcomings in PCG's WMP; but those appear to have been addressed, as well as other procedural items.
- PCG is required to file a progress report on 11/1 and 30 new issues must be addressed in PCG's 2022 WMP filing in Feb.
- In addition, if PCG is planning to underground 10k miles of its system, it is required to detail those plans in the 2022 WMP, including the rate of pace of system hardening and whether undergrounding changes or delays/cancels deployment of advanced mitigation efforts.
- Approval of PCG's WMP is a precondition for a wildfire safety certificate, which in turn is a prerequisite for AB 1054 protections. PCG has yet to file for the next WSC, but its current WSC is in place until a decision on the new one is issued.

The CPUC's ratification was a foregone conclusion once the OEIS approved the WMP. But last month's CPUC tone on the matter was negative. It is good to see the commissioners appeared placated by the revisions made to the 2021 WMP. We believe PCG will work to address the CPUC/OEIS' concerns and await its progress report on 11/1. We also are watching for the WSC filing, which is expected by YE21.

EMA – FL PSC approves TECO's rate case settlement

- Yesterday, the FL PSC approved TECO's previously announced settlement agreement
- Recall, the revenue increases are $191M in 2022, $90M in 2023 and $21M in 2024
- TECO was allowed an ROE range of 9-11% (9.95% used for rate making), 54% equity ratio and $7.5B rate base
  - The ROE includes a trigger mechanism – if the 30-yr UST is 50bps higher for 6 months consecutively than the yield on the date the PSC approves the settlement, TECO's ROE shall increase by 25bps ($10M revenue increase)
- A Clean Energy Transition Mechanism (CETM) was included to provide recovery for remaining book value of Big Bend Units 1-3 and AMR meters on a levelized basis over 15-yrs
- There was also a provision that would allow TECO to update rates to address potential changes to federal and state corporate income tax rates

This was expected but still good to see, nonetheless. EMA now has rate certainty at its largest subsidiary for at least the next three years.

Technicals – Wolfe technicals team sees rising interest rate fears and persistent concerns around inflation continuing to weigh on the relative performance of utilities

- Yesterday, Wolfe's technicals team highlighted the utilities sector in its daily chart packet. Please see the slides here.
- The team noted that the 10-year treasury yield, currently above its 200-day moving average at 1.68%, looks primed to breakout next, especially if it closes the gap with breakevens or even just tracks them higher.
- Prior to the pandemic, a solid negative correlation existed between the 10-year treasury yield and utility performance. However, this correlation has been a bit more inconsistent since. That said, the team believes that rising interest rate fears continue to weigh on how utilities perform on a relative basis.
- 10-year inflation breakevens punched through decade long resistance yesterday, with only the September 2012 high of 2.73% remaining. Given this base and rising commodity prices, the team doubts the September 2012 high puts up much of a fight.
- Given the historically negative correlation between the relative performance of utilities and 10-year inflation breakevens, the team believes that persistent concerns around inflation are providing a headwind for utilities as well.
- Last month's deeply oversold signal helped utilities hold and respond at support, but the lack of relative performance on this bounce highlights the sector's broader lack of momentum.
- From our coverage, the team highlighted EIX, EXC, NEE, and PEG as longs & LNT, CMS, WEC, and XEL as shorts.

Midstream

LNG – FERC approved higher production for Corpus Christi and Sabine Pass; supports the debottlenecking progress

- Yesterday FERC approved Cheniere's request to boost the annual output capacity at Sabine Pass and Corpus Christi by about 12%
- For Sabine, the capacity would go to 1.67 Bcf/year, up from 1,5 Bcf/yr (both based on 6 trains)
- For Corpus the capacity increase is to 875 Bcf/year, up from 767 Bcf/year (3 trains)

We believe this capacity uprate request reflects the ongoing work that Cheniere has been doing to boost capacity off the existing assets – it has essentially uprated the facilities from 4.5 mtpa to 5 mtpa, which effectively means that off 9 trains it has unlocked basically an additional train to sell output from. The next major operating catalyst for Cheniere is introducing feed gas into Sabine 6 and start up commissioning cargoes. Given how stretched the global gas market is, those cargoes are really needed, and represent significant amounts of cash to Cheniere.

Altus/EagleClaw – Interesting consolidation of Permian pure plays

- After market close yesterday, Altus Midstream and EagleClaw announced an all-stock merger to create a larger Permian gas/NGL pure play.

  - Altus is a C-corp that is 79% owned by Apache and 21% by the public. They are focused on servicing the Alpine High development and own equity interests in several pipelines, including the GCX and PHP gas pipelines, Shin Oak NGL, and the EPIC crude pipeline. ALTM also owns 600 mmcf/d of processing capacity.
  - EagleClaw is a private company backed by Blackstone and I Squared Capital. The company operates 1.3 bcf/d of processing capacity and owns an equity interest in the Permian Highway Pipeline. They also own crude and water gathering pipelines.
  - The combined company will be owned 75% by Blackstone / I Squared, 20% by Apache, and 5% by the public
  - The combined company is expected to have $800-850M of EBITDA
- The CEO of the combined company will be Jamie Welch, who is currently CEO of EagleClaw and was the former CFO of Energy Transfer
- The companies are holding a call at 9:30am ET

This is an interesting combination for two Delaware Basin pure plays to consolidate and increase market share. It reminds us somewhat of what Plains and Oryx did on the crude side to consolidate Permian gathering / intrabasin assets. The combined Altus / EagleClaw company will only have a very small public ownership, but will own considerable Permian processing capacity and ownership in several key newer takeaway pipelines out of the basin.

Clean Energy

NEE/NEP – NEE dropping 50% interest in 2.52 GW renewables portfolio to NEP funded by new $824M CEPF w/ Apollo; CAFD yield low but financing cost even lower; EBITDA/CAFD guidance unchanged

- **This morning, NEP announced that it was acquiring a 50% interest in a 2.52 GW contracted renewables portfolio (plus 115 MWs storage) from NEE for $849M (plus $866M in tax equity)**
  - The portfolio is a mix of wind/solar/storage w/ IG counter-parties and 19-year average contract life
- **The assets are expected to contribute run-rate $184-194M of EBITDA and $58-67M CAFD – implying 9.1x EBITDA and 7.4% CAFD yield**
- **Additionally, NEP entered into a $824M convertible equity portfolio financing with Apollo –** 4.8% coupon over 10 years, 5.6% pre-tax unlevered IRR buy-out in years 6-10 at no NEP unit discount (100% equity option)
  - This compares w/ NEP's last CEPF done at a 4.4% coupon and 6.75% unlevered IRR over 10 years
- Reaffirms expecting upper-end of run-rate EBITDA range $1,440-1,620M and CAFD range $600-680M for YE21 (calendar '22)
- Reaffirms run-rate EBITDA range of $1,775-1,975M and CAFD range $675-765M for YE22 (calendar '23)
  - This transaction was baked in and closing is expected around year-end

While the CAFD yield is the lowest we've seen for NEP, it is also reflects a declining cost of capital, as the pre-tax IRR is the cheapest CEPF done to-date (250 bps lower than original CEPFs). This was essentially baked into the run-rate guidance for YE22 given earlier in the week though, so NEP is only reaffirming its outlook. Netting the cash cost of the CEPF against the CAFD, results in CAFD of ~$23M, which is essentially a one-year payback of the net purchase price (~$25M).

Technicals – Wolfe technicals team sees momentum building into year end if clean energy can clear resistance

- Yesterday, Wolfe's technicals team highlighted the clean energy sector in its daily chart packet. Please see the slides here.
- After looking quite distributive, clean energy responded with an encouraging oversold bounce over the past few weeks. Since clean energy is now overbought at resistance, some digestion is probable. However, the team believes that if clean energy can punch through resistance, momentum can really build into year end.
- The team called for PLUG stock to reach the mid to high $40s if it can top its 200-day moving average and cross $36.
- The team also noted that ENPH, currently trading above its 200-day moving average at $179.80, looks primed to breakout next.
- SEDG is digesting its recent overbought signal after clearing resistance (~$300). The team continues to expect SEDG stock to make a run at the January 2021 high of $377.00.
- With FSLR coiling and building, the team believes that its just a matter of time before it punches through resistance.

Wolfe Events

November 7-10: EEI Conference meetings
December 6: PNW non-deal roadshow in Australia

Most Popular Reports

Wolfe Clean Energy Initiation
Utilities Top 10 for 2021
Midstream Top 10 for 2021
Power Supply Outlook 2020
Utility Proxy Review
Midstream Proxy Review
PJM Auction Postview
Utilities Credit Metrics Outlook
Midstream Credit Metrics Outlook
Utilities 2020 Election Preview

[Utility Pension Review]
[Utility Liquidity Review]
[Midstream Leverage Report]
[Wolfe Midstream Primer]
[Wolfe Utility Primer]

Calendar

Date	Ticker	Event	Case Docket Number	Description
10/26/21	NEE	FL PSC Vote		Florida Rate Case
10/26/21	NYSE	Short Interest Release		
11/4/21	EIX/PCG/SRE	CPUC Voting meeting		
11/5/21	AEE	Surrebuttal testimony	ER-2021-0240	MO rate case
11/9/21	NYSE	Short Interest Release		
11/15/21	SO	Hearing on company testimony		VCM 25
11/18/21	EIX/PCG/SRE	CPUC Voting meeting		
11/19/21	FE	Supplemental Audit on Brown Stadium Naming	20-1629-EL-RDR	DCR Audit
11/24/21	NYSE	Short Interest Release		
11/24/21	AEE	Final reconciliation	ER-2021-0240	MO rate case
11/29/21	AEE	Hearings begin	ER-2021-0240	MO rate case

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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Overweight
IPPs – Market Weight
Gas/Power Infrastructure – Market Overweight

August 24, 2021

UTILITIES & POWER

Utilities value drivers – ESG and beyond

ESG and quality differences drive utility valuations, not growth. Wolfe is hosting our inaugural ESG conference this week – see the agenda here. We thought it would be a good opportunity to look at what drives utility valuations vs peers, including ESG positioning and other metrics. The punchline is that quality and risk metrics matter most – B/S, credit, ESG position, business mix, regulation and risk exposures. While we don't rate it in the tables, we also think management execution, track record and communication matter a lot. And EPS growth rates appear to matter least – nearly all utilities are growing 5-8% and the higher growth rate utilities are spread across all valuation levels.

What defines a premium utility? In our tables in this report, we sort utilities by 2023 P/E. Premium utilities trade 1x above average or more. Discount utilities trade 1x below the average or less. And the Average utilities trade within +/- 1 turn. So, what makes a premium utility? They typically grow EPS 5-8%. Their credit ratings are mid BBB or higher and FFO/D is typically 15%+. Most are pure play utilities. Some like NEE are diversified but only in renewables. Many have little to no coal. The ones that have a lot of coal are aggressively shrinking it the next 5 years. ESG ratings are generally above average, but some are weaker due to current high coal exposure. All have average or above average regulation. Project/event risk issues are mainly just in offshore wind. Finally, nearly all have management with a long track record of execution.

What defines a discount utility? Some discount utilities have top growth targets (NI, AES, PCG), but many don't give a stated EPS growth target due to risk issues. FFO/debt is a little weaker on average and credit ratings tend to be mid-BBB or lower. Coal exposure is all over the map, but few have large renewables business, only AES. ESG ratings tend to be below average. Regulation is Average or Below. Most notably, discount utilities tend to have regulatory, event or project risks that keep investors away (like CA fires).

ESG ratings for Utilities – a review of MSCI and Sustainalytics ratings. More investors are using ESG ratings to find winners, screen out potential losers and improve the ESG profile of their funds. In this report, we show the most quoted ESG ratings – MSCI and Sustainalytics – and how utilities rank on their ratings. We have a few takeaways: 1) Top-ranked ESG winners are pretty consistent with what we hear from investors (NEE, ES, AGR) with the surprise exception of AWK; 2) Current coal exposure appears to be a big driver of ESG ratings with those having the highest % being toward the bottom (EVRG, VST, AES, PPL, WEC, SO, DTE). There appears to be little credit for planned coal reductions; and 3) The majority of ratings are consistent, but there are some wide discrepancies. Many of the discrepancies appear to be adjustments made by MSCI committee review (NI, XEL, PEG adjusted up, EIX, NRG adjusted down). EXC also has a wide discrepancy as MSCI dings them on their governance score likely due to the deferred prosecution agreement in IL.

Exhibit 1: Utility ESG Rankings

Ranking	MSCI	Sustainalytics
1	AGR	ES
2	NEE	CMS
3	NI	EXC
4	ES	ED
5	PEG	PNW
6	LNT	AGR
7	PNW	NEE
8	FTS	FTS
9	XEL	EIX
10	ED	AWK
11	CMS	LNT
12	OGE	D
13	CWEN	DUK
14	AWK	PEG
15	POR	AEE
16	ETR	XEL
17	EIX	SRE
18	DUK	NI
19	EXC	AEP
20	AEE	DTE
21	D	NRG
22	AEP	WEC
23	SRE	ETR
24	DTE	SO
25	WEC	PPL
26	PCG	FE
27	SO	AES
28	AES	CNP
29	PPL	VST
30	CNP	EMA
31	FE	PCG
32	NRG	OGE
33	VST	EVRG
34	EVRG	NR*

Source: Wolfe Utilities & Power Research
*NR refers to Not Ranked

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WOLFE RESEARCH

UTILITIES & POWER

August 24, 2021

Utilities Value Drivers

We often get the question of how to determine a premium utility from a discount one. Utilities nearly all grow in the same 5-8% range, why do the premium ones trade at 21x (median P/E) and the discount ones at 16x? Exhibits 2-4 explain this. They sort utilities by 2023 P/E and show a summary of value drivers for utilities. The punchline is that quality and risk metrics matter most – B/S, credit, ESG position, business mix, regulation and risk exposures. We also think management execution, track record and communication matter a lot.too (though we prefer not to rate that in a table). ESG ratings are explained on Page 3.

Exhibit 2: Utilities Value Drivers – Utilities Trading at a Premium

Company Name	Ticker	2023 P/E Multiple	EPS Growth Rate	FFO/Debt (2022E)	Credit Ratings (Moody's/S&P)	Coal % EPS	Renewables % EPS	ESG Ratings (MSCI/ Sustainalytics)	Regulation	Diversified	Event/Project Risk
American Water	AWK	38.2x	7-10%	14%	Baa1/A	0%	0%	BBB/27.7	Average	✓	
NextEra Energy	NEE	28.8x	6-8%	20%	Baa1/A-	2%	26%	AAA/26.9	Above Average	✓	
Avangrid	AGR	21.1x	6-8%	13%	Baa2/BBB	0%	21%	AAA/26.6	Below Average	✓	✓
Alliant Energy	LNT	20.9x	5-7%	17%	Baa2/BBB+	13%	18%	AA/27.9	Above Average		
Eversource Energy	ES	20.9x	5-7%	15%	Baa1/BBB+	0%	1%	AA/21.8	Average	✓	✓
WEC Energy Group	WEC	20.7x	5-7%	16%	Baa1/BBB+	21%	6%	A/32.5	Above Average		
Exelon	EXC	20.5x	6-8%	20%	Baa2/BBB	0%	1%	A/24.4	Average	S	✓
Xcel Energy	XEL	20.3x	5-7%	17%	Baa1/BBB+	8%	12%	AA/29.3	Average		
CMS Energy	CMS	20.1x	6-8%	15%	Baa2/BBB	15%	4%	AA/23.9	Above Average		
Ameren	AEE	20.0x	6-8%	17%	Baa1/BBB	12%	3%	A/29.1	Average		
Median		20.8x	6-8%	17%		5%	5%				
Mean		23.1x	6-8%	16%		7%	9%				

Source: Wolfe Research Utilities & Power Research
*Regulated P/E avg is 18.3x as of 8/24/21
**Coal % EPS & Renewables % EPS are calculated for 2019
***S in the Diversified column refers to simplification in process

Exhibit 3: Utilities Value Drivers – Utilities Trading Near the Group Average

Company Name	Ticker	2023 P/E Multiple	EPS Growth Rate	FFO/Debt (2022E)	Credit Ratings (Moody's/S&P)	Coal % EPS	Renewables % EPS	ESG Ratings (MSCI/ Sustainalytics)	Regulation	Diversified	Event/Project Risk
DTE Energy	DTE	19.3x	5-7%	16%	Baa2/BBB	16%	6%	A/31.5	Above Average	✓	
Fortis	FTS	18.6x	N/A	13%	Baa3/BBB+	6%	2%	AA/27	Below Average		
Duke Energy	DUK	18.3x	5-7%	14%	Baa2/BBB	9%	6%	A/28.5	Average		
PSEG	PEG	18.0x	N/A	18%	Baa1/BBB	0%	0%	AA/28.9	Average	✓	
CenterPoint Energy	CNP	17.9x	6-8%	15%	Baa2/BBB	3%	0%	BBB/35.4	Average	S	
Dominion	D	17.9x	6.5%	15%	Baa2/BBB	8%	4%	A/28.2	Above Average	✓	✓
Evergy	EVRG	17.8x	6-8%	16%	Baa2/BBB+	33%	3%	BB/48	Average		
Portland General	POR	17.7x	4-6%	21%	A3/BBB+	3%	18%	A/N/A	Below Average		
Emera	EMA	17.5x	N/A	12%	Baa3/BBB-	12%	6%	N/A/39.1	Average	✓	
Southern Company	SO	17.5x	5-7%	16%	Baa2/BBB+	13%	4%	A/33.5	Above Average		✓
Median		17.9x	5-7%	15%		8%	4%				
Mean		17.9x	5-7%	16%		10%	5%				

Source: Wolfe Research Utilities & Power Research
*Regulated P/E avg is 18.3x as of 8/24/21
**Coal % EPS & Renewables % EPS are calculated for 2019
***S in the Diversified column refers to simplification in process

Exhibit 4: Utilities Value Drivers – Utilities Trading at a Discount

Company Name	Ticker	2023 P/E Multiple	EPS Growth Rate	FFO/Debt (2022E)	Credit Ratings (Moody's/S&P)	Coal % EPS	Renewables % EPS	ESG Ratings (MSCI/ Sustainalytics)	Regulation	Diversified	Event/Project Risk
American Electric	AEP	16.8x	5-7%	14%	Baa2/BBB+	11%	3%	A/30.6	Average		
Entergy	ETR	16.7x	5-7%	15%	Baa2/BBB	2%	0%	A/33.5	Average		
NiSource	NI	16.6x	7-9%	15%	Baa2/BBB+	14%	0%	AA/30.4	Average		
Pinnacle West	PNW	16.1x	N/A	18%	A3/BBB+	8%	1%	AA/26.3	Below Average		✓
PPL Corp.	PPL	16.0x	N/A	13%	Baa2/BBB+	14%	0%	BBB/33.6	Average		
OGE Energy	OGE	15.8x	5%	21%	Baa1/BBB+	8%	2%	A/42.2	Average	S	
Con Edison	ED	15.7x	4-6%	15%	Baa2/BBB+	0%	6%	AA/25.1	Below Average	✓	
Sempra Energy	SRE	15.0x	N/A	16%	Baa2/BBB	0%	3%	A/30.2	Average	✓	✓
FirstEnergy	FE	13.9x	N/A	10%	Ba1/BB	4%	0%	BB/34.5	Average		✓
AES Corp	AES	13.5x	7-9%	13%	Ba1/BBB-	23%	11%	A/35	Average	✓	
Edison International	EIX	12.4x	N/A	17%	Baa3/BBB-	0%	0%	BBB/27.3	Average		✓
PG&E	PCG	7.9x	10%	15%	Ba2/BB-	0%	0%	N/A/41.3	Average		✓
Median		15.7x	5-7%	15%		6%	1%				
Mean		14.7x	6-8%	15%		7%	2%				

Source: Wolfe Research Utilities & Power Research
*Regulated P/E avg is 18.3x as of 8/24/21
**Coal % EPS & Renewables % EPS are calculated for 2019
***S in the Diversified column refers to simplification in process

ESG Ratings – Comparison of MSCI and Sustainalytics

ESG is becoming a key differentiator. While we have our own views of management and ESG for companies, many investors use rating services for this which could impact how stocks trade. MSCI and Sustainalytics are the most common we encounter. Exhibit 5 summarizes MSCI and Sustainalytics ESG rankings and ratings for utilities (for Sustainalytics on the far right, lower numbers are better than higher numbers). We see the majority of ratings being consistent between the two services. However, there are some discrepancies which mainly appear to come from MSCI committee adjustments (NI, XEL, PEG up and EIX, NRG down). Current coal exposure appears to be the #1 driver of ESG rating overall.

Exhibit 5: MSCI and Sustainalytics ESG Rankings and Ratings for Utilities

Company Name	Ticker	MSCI ESG Ranking	MSCI ESG Rating	Sustainalytics ESG Risk Ranking	Sustainalytics ESG Risk Rating
Ameren Corp.	AEE	20	A	15	29.1
American Electric Power Co Inc	AEP	22	A	19	30.6
AES Corp.	AES	28	A	27	35.0
Avangrid Inc	AGR	1	AAA	6	26.6
American Water Works Co Inc	AWK	14	BBB	10	27.7
CMS Energy Corp	CMS	11	AA	2	23.9
CenterPoint Energy Inc	CNP	30	BBB	28	35.4
Clearway Energy Inc.	CWEN	13	A	Not Ranked	N/A
Dominion Energy Inc	D	21	A	12	28.2
DTE Energy Co	DTE	24	A	20	31.5
Duke Energy Corp	DUK	18	A	13	28.5
Consolidated Edison Inc	ED	10	AA	4	25.1
Edison International	EIX	17	BBB	9	27.3
Emera, Inc.	EMA	Not Ranked	N/A	30	39.1
Eversource Energy	ES	4	AA	1	21.8
Entergy Corp	ETR	16	A	23	33.5
Evergy, Inc.	EVRG	34	BB	33	48.0
Exelon Corp.	EXC	19	A	3	24.4
FirstEnergy Corp.	FE	31	BB	26	34.5
Fortis Inc.	FTS	8	AA	8	27.0
Alliant Energy Corp.	LNT	6	AA	11	27.9
NextEra Energy Inc	NEE	2	AAA	7	26.9
NextEra Energy Partners LP	NEP	Not Ranked	N/A	Not Ranked	N/A
NiSource Inc.	NI	3	AA	18	30.4
NRG Energy, Inc.	NRG	32	B	21	31.8
OGE Energy Corp.	OGE	12	A	32	42.2
PG&E Corp	PCG	26	N/A	31	41.3
Public Service Enterprise Group, Inc.	PEG	5	AA	14	28.9
Pinnacle West Capital Corp.	PNW	7	AA	5	26.3
Portland General Electric Company	POR	15	A	Not Ranked	N/A
PPL Corp	PPL	29	BBB	25	33.6
Southern Co.	SO	27	A	23	33.5
Sempra Energy	SRE	23	A	17	30.2
Vistra Corp.	VST	33	B	29	38.6
WEC Energy Group, Inc.	WEC	25	A	22	32.5
Xcel Energy Inc.	XEL	9	AA	16	29.3

Source: Wolfe Utilities & Power Research, Company Reports
*Legend for Sustainalytics ESG Risk Ratings: 0-10 = Negligible Risk; 10-20 = Low Risk; 20-30 = Medium Risk; 30-40 = High Risk; and 40+ = Severe Risk

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Peer Perform:	38%	4% Investment Banking Clients
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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Overweight
IPPs – Market Weight
Gas/Power Infrastructure – Market Overweight

October 18, 2021

UTILITIES & POWER

And my utility bill is going up too! Impact of Rising Gas Prices

- **Assessing utilities exposure to rising nat gas and power prices**
  This report is an initial take on each utilities' position relative to rising nat gas and power prices with company takeaways we learned from our Wolfe Conference and pre-earnings calls. This is the #1 question we are getting from investors as many have never seen a rising gas and power price environment…it's been awhile. We remind them that nearly all utilities have very clear-cut passthrough mechanisms for power and fuel costs. And we have seen this movie before when nat gas rose from $2 to $10 from 2002 to 2008 and utility regulation still held up fine. That said, the next year or two will be the first time that utility bills may rise above inflation levels (a target for many utilities) and investors are rightly focused on the political/regulatory risk of bill shock and whether that could impact companies' ratebase growth plans.

- **How long does this last? This will be key for utilities exposure**
  The nat gas and power price spike is particularly acute now into 2022 led by soaring global gas prices and LNG demand and little supply growth. However, prices are highly backwardated and roll over meaningfully in 23/24. See Exhibits 6-9 in this report. Many utilities have partial hedges/storage in place for this winter so their exposure to near-term spikes is moderate. However, the longer prices stay elevated, the impact on bills will grow. Most are counting on prices to reset lower as the US has plenty of gas that is very economic at current prices. We agree, but the timing will be important. Either way, this winter will be a challenge. **The EIA just published their estimate of winter heating bills projecting gas heating bills up 30% and electric heating up 6%.**

- **Thoughts on who may be more or less exposed**
  So who is more exposed to bill pressure? Gas LDCs have the most since they have pure gas passthrough though some have hedged/stored more for this winter than others. FL utilities use a lot of gas and are not permitted to hedge, but all have recently achieved long-term rate deals. Wisconsin (WEC, LNT) and OR (POR) have fuel bands where the utility may absorb some cost but it is small. NE, NY and CA gas prices trade at big premiums to HH; NE/NY could particularly face pressure in a cold winter. Retailers like NRG and VST need to carefully manage resetting prices higher to offset higher supply costs.

  To the positive, companies like AEE and EVRG are net long and use a lot of nuke, coal and renewables such that they could even see customer benefits. EXC utilities mainly use nuclear too. Oncor (SRE) and CNP don't have any customers in TX – they are just wires companies.

See full report for company-by-company views.

Ex. 1: Natural Gas Price Trend

Natural Gas	12/31/20	10/14/21	Change
Spot Price	$2.54	$5.45	114.7%
2022	$2.59	$4.52	74.7%
2023	$2.46	$3.63	47.5%
2024	$2.48	$3.32	33.8%

Source: Platts, Wolfe Utilities & Power Research

Ex. 2: Power Price Trend

ERCOT	12/31/20	10/14/21	Change
2022	$25.31	$50.69	100.3%
2023	$23.68	$39.46	66.7%
2024	$24.32	$34.09	40.2%
PJM	**12/31/20**	**10/14/21**	**Change**
2022	$28.25	$50.83	79.9%
2023	$27.78	$39.67	42.8%
2024	$28.72	$37.56	30.7%
Northeast	**12/31/20**	**10/14/21**	**Change**
2022	$34.84	$74.60	114.1%
2023	$36.15	$53.89	49.1%
2024	$38.78	$50.64	30.6%

Source: Platts, Wolfe Utilities & Power Research

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Company Commentary

Please see our company-by-company commentary below. Please note that not all of this can be considered any apples-to-apples comparison, as not every company responded in a uniform fashion as to how to think about their exposure here. More detail or transparency should not necessarily be construed as more concerning exposure, nor should less commentary necessarily be read as minimal exposure.

AEE:

- A little over half of AEE is MO (vertically integrated mostly electric utility), just under 40% electric T&D (FERC and IL) and 10% gas LDC.
- In MO, 25% of AEE's capacity is gas but energy supply is only 0.5% and those are peaking units; most MO's capacity is baseload nuke (~20%) and coal (~70%), plus new renewables.
- In MO, AEE is about 1500-2000 MW long generation through 2035, as of its last IRP.
- If power prices spike, any margin AEE makes flows back to customers through FAC; 95% goes back to AEE customers, 5% shareholders.
- The margin flow back means MO customers could actually be benefiting as opposed to seeing their bills rise.
- In IL, large majority of purchased power is fixed contracts (1, 2, or 3 years); only 2% of resi customers were on hourly rates; if gas move is sustained, then could show up in customer bills.
- On the gas LDC side, AEE is 100% volumetrically hedged and 75% priced-hedged; so if winter ends up being mild, that price hedge goes up to 90%.

AEP:

- AEP's vertically integrated utilities make up about 45% of the company, with T&D and Transmission Holdco making up a slightly larger amount; G&M (non-regulated) represents less than 10%.
- AEP's owned capacity is 43% is coal, 27% gas, 7% nuke, 20% renewables. By 2030, coal is expected to decline to 18%, while renewables are projected to be 52%.
- AEP does not implement hedging on its coal plants; inventory levels were down to 30 days supply but that should be sufficient. Any hedging AEP has is at the G&M (non-regulated) segment.
- Purchased power costs is not impacting the T&D segment; could see some customer bill pressure if commodity price spikes persist.

AES:

- AES' biggest exposure to rising natural gas costs is at its LNG businesses in Central/South America. While AES doesn't have direct exposure to the price of the fuel, some tolling arrangements are structured such that 100% of the commitment doesn't need to be met if prices rise above a certain level. As of Q2, AES' EPS exposure to a 10% increase in natural gas above $3.65/mmbtu was ($0.005).
- Most of AES' generation business operates under long-term contracts. Contracts requiring fuel (i.e., non-renewables) are structured to recover the variable costs, including fuel & O&M, either through direct or indexation-based contractual pass-throughs or tolling arrangements.
- AES' total proportional MW in operation is as follows: 37% gas, 35% renewables (incl. hydro), 25% coal and 3% pet coke/oil/diesel. 100% of the 1,486 proportional MWs under construction are renewables.
- For the U.S. utilities, AES Ohio is only T&D. AES Indiana is vertically integrated with proportional ownership of ~2,600 MW – about 43% is coal, 45% is natural gas, 10% is wind/solar and the balance is oil.

AGR:

- Mostly T&D utility, with unregulated generation business almost entirely wind. Small amount of solar and 636 MW Klamath cogen/peaker plant
- Gas LDCs are ~23% of rate base. Gas and energy costs are pure pass-through across jurisdictions.
- Northeast service territory around among the highest bills in the nation. Starting to have conversations with regulators and have small LNG storage to address peak winter demand.

CMS:

- Utility fuel fix of owned generation is 53% coal, 39% gas. Purchased power is 55% of supply, which is 100% at fixed prices. Use MISO market purchases for less than 15% of purchased power.
- Gas LDC is ~35% of rate base. Have fuel recovery mechanisms that allow for monthly adjustments and any under-recovery is trued-up the following year.
- Have 70% of winter purchased/stored at $3.00 weighted avg. cost. Will likely move toward $3.50 assuming $5 gas through the winter. Can seek recovery up to a ceiling of >$5. Cold weather will be larger driver of bills because 90%/80% electric/gas bills consist of volumetric charges.

CNP:

- CNP will be 60-65% electric vs gas LDC following its sale of AR/OK. The bulk of CNP's electric business (Houston Electric) is just a T&D utility.
- CNP said that for a sustained $1 increase in natural gas, the average annual residential bill increase would be 5-10%. CNP's average monthly bill ranges from $30 (TX) to $70 (MN).
- About 50% of CNP's gas supply for the winter heating season is hedged.
- As a percentage of the average disposable wallet, gas bills for CNP's customers only take ~1% share.

D:

- About 93% of D's generation is owned vs 7% through PPAs. For the owned capacity, 45% is natural gas, 40% is nuclear, 10% is coal and 5% is renewables.
- If current gas prices were to sustain, D estimates a $4.50-5.0 increase per month for the average residential electric customer (average bill is $117/mo.).
- D does have established hedging practices, though did not disclose specific percentages for gas or other commodities used in power generation.
- For D's LDCs (~20% of total rate base), roughly 60% of total throughput is competitively supplied.

DTE

- Utility fuel mix is 45% coal, 20% nuclear, 18% gas. Own 96% of generation.
- Gas LDC is ~18% of earnings. Natural gas costs are a pass-through.
- Have various coal purchase contracts at fixed prices to mitigate volatility.
- Use gas purchase-ahead program – covered 75% of requirements for September 2021-March 2022, 63% of requirements for April 2022-March 2023, and 24% of April 2023-March 2024.
- For every $1 of NYMEX price increase, average annual residential gas customer bill could increase $40-60 (6%).

DUK:

- DUK owns all of its generation in the Carolinas, FL, IN, KY; the only jurisdiction in which DUK doesn't own is OH.
- The generation mix differs by jurisdiction: coal is 85-100% of IN and KY, but 10-20% in the Carolinas and FL; gas is 20-40% in the Carolinas but 90% in FL; nuke is 50-55% in the Carolinas but zero elsewhere.
- The gas portion of electric bill is about 10-12%. DUK hedges in the Carolinas and IN but not in FL and KY.
- On the gas LDC side, all but OH/KY are hedged. The hedges are for rolling 12 month intervals; for the first 12 months in Carolinas, DUK procures at least 75% of the forecasted physical gas need and hedges 40% to 60% of that need. For the next 12 months, hedges 25% to 45%. In IN, hedges are up to 100% of the upcoming winter gas need; 50% for all the other months within 12 months.

ED:

- About 25% of ED's total rate base is gas LDC. ED's electric utilities are mostly T&D.
- The NY PSC issued a press release earlier in the month saying that electric utilities have on average hedged over 70% of their estimated residential needs, while gas utilities have hedged 53% of their

estimated customer needs for upcoming winter season. ED has suggested this is a fair representation for CECONY and O&R.

EIX:

- EIX is fully electric T&D and decoupled.
- EIX's system avg rates rise 0.40-0.50 ₵/kWh for every $1/MMBtu increase; that is about a couple percentage points off of next year based on current hedges/contract rates.
- EIX never fully open, given hedges, PPAs and owned generation, which is about 15-20% (mostly hydro and ownership stakes in PV).
- EIX typically gets cash recovery over 12 months; it submits a forecast of power costs in its annual ERRA filing.

EMA:

- TECO is not allowed to hedge at the direction of the FL PSC. TECO already passed through a 12% rate increase in July through its fuel clause due to the higher gas prices. If prices sustain at these levels, it's possible TECO may need to re-up at an even higher rate when the adjustment rolls off in January. The average customer bill under TECO's new rate plan is expected to be $120/mo.
- Nova Scotia Power is fully hedged for the rest of 2021/2022 and is also 50% hedged for 2023.
- EMA doesn't see a big impact at its LDCs given that nominal bill levels at PGS and NMGC are fairly low to begin with.

ES:

- ES' electric utility business is T&D only and represents about 85% of the company; its gas LDCs represent about 15%.
- On the electric side, typically a $0.015/kwh increase every January in standard offer bills in CT and MA to reflect the inadequate gas supply in New England.
- Last winter had extremely low gas prices; so compared to that customers could see much higher bills if a normal or colder winter.
- ES is actually making money for the benefit of customers under the Millstone PPA agreement, given the current level of market prices.
- On the gas side, rate increases occur in November; ES is working with MA regulators on a mitigation plan for gas customers (collect over 12-18 months vs usual 6 months).

ETR:

- ETR owns generation in all of its jurisdictions and self-supplies its customers; costs are recovered over several months through fuel clause mechanisms.
- About half of ETR's generation is gas; another 45% is nuclear.
- ETR's forecasted bill increases do not use Nymex; instead, ETR uses various forward curves which had been above Nymex gas curve. ETR does some hedging.
- Industrial customers' health metrics are good, given rising underlying natural gas prices (e.g., LNG).
- ETR does not expect the storm cost securitization to start hitting customer bills until the backwardation portion of current gas curve.

EVRG:

- Utility fuel mix is 63% coal, 29% nuclear, 5% gas. Own 75% of generation with 25% under PPA almost all wind and fixed prices for energy.
- Have coal purchase contracts – covers 60% of 2021 requirements and 10% of 2022 as of 10K filing. Coal transportation contracts cover all of 2021 requirements and 80% of 2022, but adjust for changes in railroad costs.
- Own majority of Wolf Creek nuclear plant – have under contract all uranium, enrichment, and conversion services needed through 2027-2028 time frame.
- Should hold up relatively better than most given very small gas percentage of electric fuel mix and no gas LDC business.

EXC:

- Utility is almost entirely electric T&D and does not own any generation.
- Lower capacity prices have created headroom in EXC's customer bills for higher purchased power costs.
- At the merchant/ExGen, the hedging strategy continues to be ratable, so ExGen is almost fully hedged for 2022.

FE:

- No gas LDC business. Mostly pure electric T&D. Have fuel recovery mechanism at West Virginia generation business.
- Only regulated generation is two big coal plants in West Virginia, Bath County hydro in Virginia and tiny stake in OVEC coal.

FTS:

- Mostly electric and gas T&D. Regulated generation business is only in Arizona, which is mix of coal/gas. Also have contracted hydro generation in Belize.
- Gas LDC is ~19% of earnings/rate base.
- Changes in commodity costs are pass-throughs across jurisdictions.

LNT:

- Utility fuel mix is 25% coal, 41% gas, 34% renewables. Generation mix is 60% owned and 40% PPA. All PPAs are fixed price.
- Gas LDC business is ~10% of rate base. Wisconsin has 2% fuel band, which has historically been very manageable. Any exposure outside of this to positive or negative is passed-through. Iowa is pure pass-through.
- Gas is hedged at ~60% for this winter. Coal is hedged at 100% through end of year, with additional hedges through 2023.

NEE/NEP:

- No gas LDC business. Unregulated generation is mostly renewables (82%) and contracted nuclear (9%). FPL utility fuel mix is 73% natural gas and 22% nuclear.
- Can't hedge as per Florida statute in 2016 rate settlement. Embedded $4.70 price in recent rate case filing. Fuel is pass-through.
- NEP could actually be modest beneficiary with 0.8 Bcf/d uncontracted pipeline capacity out of its total 4.3 Bcf/d.

NI:

- NI's rate base is about 65% gas LDC, 35% electric.
- For NI's LDCs, 100% of industrial customers procure their own gas and they account for 55% of total throughput. Of the 45% of throughput that is residential and commercial customers, about 1/3 is competitive supply.
- Of the 2/3 of the 45% that is supplied by NI, about 40% is hedged for calendar year 2022. The average bill for a gas customer is $70/mo., of which, about 1/3 is for fuel.
- Today, NI's owned generation is 74% coal, 25% gas and 1% hydro. However, that is expected to change dramatically in the coming years as renewables are added and coal is retired (NI will retire 80% of its coal in 2023, then 100% by 2028 or earlier).
- For electric customers, NI has estimated that the bill increase would be 2.5-3.0% for the full year for every $1 increase in natural gas prices (average annual bill is $1,430/yr.).

OGE:

- 95% of generation is owned by OG&E. Of the ~5% that is through PPAs, all are fixed prices. For owned generation, 21% is coal, 4% is dual coal/gas, 64% is gas and 11% is renewables.

- OG&E recently had new fuel rates approved October 1st to include the under recovery of costs this year due to the increase in natural gas prices. Our understanding is that prices were submitted around mid-September, such that a good bit of the recent run-up was captured in the filing. It wasn't clear to us what the % impact was to the average customer bill.
- Relatedly, under the proposed settlement in OK, customer bills are projected to increase ~2% related to the securitization of Winter Storm Uri costs.
- No gas LDC business.

PCG:

- PCG is fully electric T&D and decoupled.
- Natural gas was 16% of PCG's power mix (both owned generation and PPAs); whereas nuclear (43%), renewables (31%) and large hydro (10%) made up the rest.
- PCG doesn't disclose hedging, but expects little impact on the electric bill and not much near-term on gas bill.
- The gas cost is 8% of the total bundled electric and gas customer bill.

PEG:

- Mostly pure T&D with exception of unregulated nuclear business. Have fossil sale expected to close around year-end – mostly CCGTs.
- Gas LDC is 20% of earnings (40% of distribution rate base).
- Supply is 40% of the bill for both electric/gas. Electric uses BGS to layer in commodity changes over 3 years, so would need to see sustained elevated prices. Expecting minimal electric bill impact.
- Can self-implement 2 gas rate increases of 5% max per winter in December/February (so 10% max impact). Overall expecting 4% max bill impact across electric/gas.

PNW:

- For owned generation 56.5% is gas, 21.5% is coal, 18% is nuclear and 4% is renewables. For total annual generation, about 75% is company-owned vs PPA.
- No gas LDC business.

POR:

- 65% of generation is owned vs 35% through PPA/ST-contracts. For owned generation, 53% is natural gas, 9% coal, 24% is wind and 14% is hydro.
- POR is one of the only utilities that has a direct earnings exposure to rising fuel costs through its power cost adjustment mechanism (PCAM). Under the PCAM, POR is on the hook for up to $30M of power costs above a baseline level set each year in its annual update tariff (AUT) before there is sharing with customers. Conversely, POR can benefit up to $15M below the baseline level before sharing with customers.
- POR's AUT is typically approved in November and then goes into effect the following year. POR's proposed change from AUT net variable power cost for 2022 is +2%.
- No gas LDC business

PPL:

- PPL owns generation in KY but not in PA or RI (home to the newly acquired NEC pending regulatory approval). KY is about 45% of the pro forma company. PA is about the same, and RI makes up the rest.
- In KY, a vast majority of the power comes from self-owned generation; 80% of that is coal.
- In PA, PPL enters into POLR contracts that go through an auction process. If high power/gas prices persist, then customer bills will go up.

SO: SoCo and time

- SO has a vertically integrated electric utility that makes up around 80% of the company, while its gas LDCs and midstream represent roughly 15% and the rest is Southern Power, Power Secure, and other small segments.

- SO has a diverse mix of generating assets, with modest amounts of PPAs for renewables; currently SO still has about 10 GW of coal. The coal generation in 2020 was less than 20% coal, but as gas prices rise, SO dispatches coal more.
- SO has seen some supply chain issues due to rail for coal plants; but SO curtailed some coal to have adequate supplies for winter; this appears to be a minor issue.
- SO passes through fuel costs; even SO's unregulated Southern Power sub passes through fuel costs.
- For electric and LDCs, SO has hedging programs in place. For the LDCs, SO has storage in place for the short term.
- On electric side, customer bills could go up in the low single digits at current gas prices due to natural hedges and hedging policy.

SRE:

- SRE's electric utilities are pure T&D entities – SDG&E in California and Oncor in Texas. In California, T&D is fully decoupled and generation procured is mainly a combination of natural gas and renewables. In Texas, generation service by third parties is customer facing.
- In California given the temperate climate, energy usage is relatively low so the bill component exposed to energy prices is small; this is especially so for natural gas heating demand.
- On the gas LDC side, Southern California has the Aliso Canyon gas storage facility outside LA. Aliso stores about 35 Mcf of gas following the leak, but could store more than twice that. In any case, we understand that most anticipated natural gas requirements are secured well in advance of the heating season and thus we do not think that SoCalGas has much exposure to the elevated gas price environment.

WEC:

- Utility fuel mix is 36% coal, 36% gas, 22% nuclear. Derive 75% of generation from owned or long-term contracts (ie: Point Beach nuclear). MISO market purchases make up the remaining 25%.
- Gas LDC business is ~35% of assets/earnings. Wisconsin has 2% fuel band (we estimate about $0.05/sh), which has historically been very manageable. Any exposure outside of this to positive or negative is passed-through. Commodity is two-thirds of bill for gas LDC.
- Fully hedged with gas for generation through this winter, coal is fully hedged for this year and 90% for next year. Partially hedged 2 years out of gas and 3 years out on coal. Use gas storage as well.
- Residential natural gas bills could increase 30-45% or $25-40/month. Electric bills expected to increase low-single-digit percentage. Assuming $4.50 average price now, which could increase bills $180-200 for entire heating season.

XEL:

- For a $1 increase in natural gas prices, XEL projects a $7/mo. bill increase for its gas customers and $1/mo. bill increase for electric customers. The fuel component of XEL's electric customer bills was 32% in 2020 and shrinking due to the company's successful Steel for Fuel program.
- For XEL's electric business, it's energy mix is 21% coal, 32% gas, 13% nuclear and 34% renewables.
- About 20% of XEL's total rate base is gas LDC.
- 50% of the supply for XEL's gas LDC customers is hedged for the winter heating season.
- XEL supplies the gas for all its LDC customers (i.e., no competitive supply).

Appendix

Exhibit 3: 2020 Nameplate Capacity (MWs) Mix by Fuel Type

Company Name	Ticker	Coal	Nuclear	Natural Gas	Renewable	Other
Alliant Energy	LNT	27%	0%	48%	23%	2%
Ameren	AEE	46%	11%	33%	1%	9%
American Electric Power	AEP	50%	9%	31%	7%	3%
Avangrid	AGR	0%	0%	7%	89%	4%
CenterPoint	CNP	80%	0%	15%	5%	0%
Clearway Energy	CWEN	0%	0%	40%	57%	3%
CMS Energy	CMS	25%	0%	48%	14%	14%
Con Edison	ED	0%	0%	18%	80%	2%
Dominion	D	17%	20%	41%	9%	14%
DTE Energy	DTE	47%	9%	22%	12%	10%
Duke Energy	DUK	28%	16%	41%	7%	8%
Edison Int'l	EIX	0%	18%	37%	11%	34%
Emera	EMA	33%	0%	46%	10%	12%
Entergy	ETR	9%	20%	70%	0%	0%
Evergy	EVRG	49%	9%	32%	5%	5%
Eversource Energy	ES	0%	0%	0%	100%	0%
Exelon	EXC	0%	61%	23%	6%	11%
FirstEnergy	FE	88%	0%	0%	0%	12%
Fortis	FTS	26%	0%	55%	7%	12%
NextEra Energy Partners	NEP	0%	0%	0%	98%	2%
NextEra Energy	NEE	3%	11%	44%	37%	5%
NiSource	NI	59%	0%	38%	2%	1%
NRG Energy	NRG	35%	5%	43%	1%	16%
OGE Energy	OGE	25%	0%	69%	6%	0%
PG&E	PCG	0%	30%	20%	2%	48%
Pinnacle West	PNW	20%	17%	59%	3%	1%
Portland General	POR	9%	0%	56%	22%	14%
PPL Corp.	PPL	63%	0%	35%	1%	1%
PSEG	PEG	0%	34%	62%	1%	3%
Sempra	SRE	0%	0%	70%	26%	3%
AES Corp.	AES	27%	0%	53%	18%	2%
Southern Company	SO	24%	9%	51%	9%	8%
Vistra Energy	VST	29%	6%	63%	0%	2%
WEC Energy Group	WEC	38%	0%	42%	16%	5%
Xcel Energy	XEL	30%	8%	39%	18%	5%
Average		**25%**	**8%**	**39%**	**20%**	**8%**
Median		**25%**	**0%**	**41%**	**9%**	**5%**

Source: Wolfe Research Utilities & Power Research, S&P Capital IQ; AES is U.S. generation only

Exhibit 4: 2020 Net Generation of Reporting Plants (MWhs) Mix by Fuel Type

Company Name	Ticker	Coal	Nuclear	Natural Gas	Renewable	Other
Alliant Energy	LNT	32%	0%	44%	23%	2%
Ameren	AEE	72%	21%	1%	0%	6%
American Electric Power	AEP	52%	23%	19%	4%	2%
Avangrid	AGR	0%	0%	20%	79%	1%
CenterPoint	CNP	99%	0%	1%	0%	0%
Clearway Energy	CWEN	0%	0%	45%	55%	0%
CMS Energy	CMS	31%	0%	56%	6%	8%
Con Edison	ED	0%	0%	50%	50%	0%
Dominion	D	9%	39%	45%	4%	3%
DTE Energy	DTE	59%	19%	12%	7%	4%
Duke Energy	DUK	21%	35%	37%	2%	3%
Edison Int'l	EIX	0%	48%	29%	2%	21%
Emera	EMA	16%	0%	77%	6%	1%
Entergy	ETR	4%	45%	50%	0%	0%
Evergy	EVRG	63%	28%	5%	3%	0%
Eversource Energy	ES	0%	0%	0%	100%	0%
Exelon	EXC	0%	86%	10%	2%	2%
FirstEnergy	FE	75%	23%	0%	0%	3%
Fortis	FTS	38%	0%	61%	1%	0%
NextEra Energy Partners	NEP	0%	0%	0%	100%	0%
NextEra Energy	NEE	1%	26%	54%	18%	1%
NiSource	NI	55%	0%	44%	0%	0%
NRG Energy	NRG	45%	25%	28%	2%	0%
OGE Energy	OGE	21%	0%	73%	5%	0%
PG&E	PCG	0%	54%	21%	1%	23%
Pinnacle West	PNW	24%	34%	40%	2%	0%
Portland General	POR	23%	0%	59%	9%	9%
PPL Corp.	PPL	82%	0%	17%	0%	1%
PSEG	PEG	0%	57%	41%	0%	1%
Sempra	SRE	0%	0%	100%	0%	0%
AES Corp.	AES	43%	0%	49%	7%	0%
Southern Company	SO	17%	18%	56%	4%	5%
Vistra Energy	VST	33%	12%	55%	0%	0%
WEC Energy Group	WEC	44%	0%	44%	8%	3%
Xcel Energy	XEL	30%	21%	34%	13%	2%
Average		**28%**	**18%**	**36%**	**15%**	**3%**
Median		**23%**	**12%**	**41%**	**4%**	**1%**

Source: Wolfe Research Utilities & Power Research, S&P Capital IQ; AES is U.S. generation only

Exhibit 5: Gas LDC Contribution to 2022 EPS for Regulated Utilities

Company Name	Ticker	Gas LDC % of 2022 EPS
NiSource	NI	65%
CenterPoint	CNP	40%
CMS Energy	CMS	35%
WEC Energy Group	WEC	35%
Sempra	SRE	28%
Con Edison	ED	21%
PSEG	PEG	20%
Fortis	FTS	19%
DTE Energy	DTE	18%
Dominion	D	17%
PG&E	PCG	17%
Avangrid	AGR	16%
Eversource Energy	ES	15%
Emera	EMA	13%
Xcel Energy	XEL	13%
Ameren	AEE	10%
Southern Company	SO	11%
Exelon	EXC	9%
Alliant Energy	LNT	8%
Duke Energy	DUK	8%
PPL Corp.	PPL	3%
Entergy	ETR	1%
AES Corp.	AES	0%
American Electric Power	AEP	0%
Edison Int'l	EIX	0%
Evergy	EVRG	0%
FirstEnergy	FE	0%
NextEra Energy	NEE	0%
OGE Energy	OGE	0%
Pinnacle West	PNW	0%
Portland General	POR	0%
Average		**14%**
Median		**11%**

Source: Wolfe Research Utilities & Power Research, Company Filings, S&P Global

Exhibit 6: Natural Gas Price Trend

		Natural Gas							
		Spot Price	Change	2022	Change	2023	Change	2024	Change
Year End	12/31/20	$2.54	114.7%	$2.59	74.7%	$2.46	47.5%	$2.48	33.8%
Current	10/14/21	$5.45		$4.52		$3.63		$3.32	

Source: Platts, Wolfe Research Utilities & Power Research; Current spot price as of 10/18/21

Exhibit 7: ERCOT Power Price Trend

		ERCOT					
		2022	Change	2023	Change	2024	Change
Year End	12/31/20	$25.31	100.3%	$23.68	66.7%	$24.32	40.2%
Current	10/14/21	$50.69		$39.46		$34.09	

Source: Platts, Wolfe Research Utilities & Power Research

Exhibit 8: PJM Power Price Trend

		PJM					
		2022	Change	2023	Change	2024	Change
Year End	12/31/20	$28.25	79.9%	$27.78	42.8%	$28.72	30.7%
Current	10/14/21	$50.83		$39.67		$37.56	

Source: Platts, Wolfe Research Utilities & Power Research

Exhibit 9: Northeast Power Price Trend

		Northeast					
		2022	Change	2023	Change	2024	Change
Year End	12/31/20	$34.84	114.1%	$36.15	49.1%	$38.78	30.6%
Current	10/14/21	$74.60		$53.89		$50.64	

Source: Platts, Wolfe Research Utilities & Power Research

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Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
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Market Overweight (MO):	Expect the industry to outperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.
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Wolfe Research, LLC Distribution of Fundamental Stock Ratings (As of October 15, 2021):

Outperform:	55%	5% Investment Banking Clients
Peer Perform:	38%	3% Investment Banking Clients
Underperform:	7%	0% Investment Banking Clients

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WOLFE RESEARCH

ELECTRIC UTILITIES

Regulateds – Market Overweight
IPPs – Market Weight

December 8, 2021

UTILITIES & POWER

Utilities & Politics: CPA-Zicklin Index – 2021 refresh

Utilities score best of any sector on political disclosure, accountability. Political scandals in Ohio and Illinois over the past few years raised investor awareness of political/legal risks for the utility sector. We think some of the issues could have been avoided with better transparency on political donations. In this report we highlight where companies score within the CPA-Zicklin Index, which is used to rank corporate political disclosure and accountability. For 2021, utilities scored well-above the average for S&P 500 companies (80.5% vs 54.1%) and were the highest ranked amongst all GICs sectors for the 2nd year in a row. We are encouraged by this, and it coincides with a constructive 2021 on the political/regulatory front including an OH rate settlement for FE and an IL nuclear law for EXC. See the CPA-Zicklin report here for full details.

What is the CPA-Zicklin Index? The Index has been independently developed by the Center for Political Accountability along with the Zicklin Center for Business Ethics and UPenn's Wharton since 2011. The Index measures performance in three areas – disclosure, political spending policy, and board oversight. The Index uses 24 indicators, one of which is disclosure on 501c4 contributions (central to the FE controversy), including a ranking (1-6) for each company. Scores are based solely on public information. We view this metric as good as any to judge where companies stack up on transparency for their political activities.

FE, DTE and AEP lead utilities improvement; CNP a notable laggard. The average overall score for utilities in 2021 was 80.5%. This rose from 77.2% last year and 69.6% in 2019, helping maintain the group's top rank amongst all GICs sectors (Energy was notably 2nd at 74.2). Most companies improved their scores or remained flat. Biggest improvements were from FE (+43%), DTE (+36%) and AEP (+20%). The Ohio companies have clearly gotten the message! SO score also improved 10% after falling in 2020. The notable backslider this year was CNP whose score fell 40% to the lowest in the sector. We checked in with management on this and it frankly just appears to be a communication issue amidst changes in management last year, they actually still do all of the disclosures they did in the past. We expect this to be fixed in next year's survey.

ED/AEE/EIX best, CNP/ATO/NRG worst; Who still doesn't disclose 501c4? In Exhibit 1 we show top-10/bottom-10 scores within the sector. Only a handful of companies do not disclose 501c4 donations at this point – DTE, DUK, CMS, NEE, NRG, ATO and CNP (discloses 501c4, but got lost in '21 amidst mgmt. changes).

Utilities "Trendsetters" – ED, AEE, EIX, SRE, D, EXC, FE, PPL, ETR, EVRG. 87 companies within the S&P 500 received this designation, which means a score of 90% or higher. Utilities included in the group are ED, AEE, EIX, SRE, D, EXC, FE, PPL, ETR, EVRG. It's encouraging to see FE and EXC on this list after what the events of a few years ago.

See the full report for a summary of all company scores and 501c4 rankings

Exhibit 1: Best/Worst Index Scores

Ticker	2021 Score	▲ vs 2020	Disclose 501c4 Payments?
Top-10			
ED	100.0%	+5.7%	Yes
AEE	97.1%	0.0%	Yes
EIX	97.1%	0.0%	Yes
SRE	95.7%	0.0%	Yes
D	94.3%	+2.9%	Yes
EXC	92.9%	-1.4%	Yes
PPL	91.4%	0.0%	Yes
FE	91.4%	+42.9%	Yes
ETR	90.0%	0.0%	Yes
EVRG	90.0%	+1.4%	Yes
Bottom-10			
LNT	77.1%	-5.7%	Yes
NI	75.7%	+1.4%	Partial
DTE	72.9%	+35.7%	No
SO	71.4%	+10.0%	Partial
DUK	70.0%	+8.6%	No
CMS	68.6%	+7.1%	No
NEE	60.0%	0.0%	No
NRG	57.1%	0.0%	No
ATO	44.3%	-4.3%	No
CNP	32.9%	-40.0%	No
Utility Avg	**80.5%**		

Source: Wolfe Research Utilities & Power Research

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Exhibit 2: Summary of 2021 CPA-Zicklin Index Scores

Company	Ticker	Overall Score	Change vs 2020	Disclose Payments to 501c4s?	501c4 Ranking; 0 = lowest, 6 = best
Consolidated Edison Inc.	ED	100.0%	+5.7%	Yes	6
Ameren Corp.	AEE	97.1%	0.0%	Yes	6
Edison International	EIX	97.1%	0.0%	Yes	6
Sempra Energy	SRE	95.7%	0.0%	Yes	6
Dominion Energy Inc.	D	94.3%	+2.9%	Yes	6
Exelon Corp.	EXC	92.9%	-1.4%	Yes	6
PPL Corp.	PPL	91.4%	0.0%	Yes	6
FirstEnergy Corp.	FE	91.4%	+42.9%	Yes	6
Entergy Corp.	ETR	90.0%	0.0%	Yes	6
Evergy	EVRG	90.0%	+1.4%	Yes	6
WEC Energy Group Inc.	WEC	88.6%	+0.0%	Yes	6
Xcel Energy Inc.	XEL	87.1%	+5.7%	Partial	3
Pinnacle West Capital Corp.	PNW	85.7%	0.0%	Yes	6
Public Service Enterprise Group	PEG	85.7%	0.0%	Yes	6
American Electric Power Company Inc.	AEP	85.7%	+20.0%	Partial	3
Eversource Energy	ES	84.3%	-1.4%	Partial	3
AES Corp.	AES	84.3%	+4.3%	Yes	6
American Water Works Co., Inc.	AWK	82.9%	0.0%	Partial	3
Alliant Energy Corp.	LNT	77.1%	-5.7%	Yes	6
NiSource Inc.	NI	75.7%	+1.4%	Partial	3
DTE Energy Co.	DTE	72.9%	+35.7%	No	0
Southern Co.	SO	71.4%	+10.0%	Partial	3
Duke Energy Corp.	DUK	70.0%	+8.6%	No	0
CMS Energy Corp.	CMS	68.6%	+7.1%	No	0
NextEra Energy Inc.	NEE	60.0%	0.0%	No	0
NRG Energy Inc.	NRG	57.1%	0.0%	No	0
Atmos Energy Corporation	ATO	44.3%	-4.3%	No	0
CenterPoint Energy Inc.	CNP	32.9%	-40.0%	No	0

	2021	2020
Utility Average	**80.5%**	**77.2%**
Utility Median	**85.7%**	**82.9%**

	2021	2020
Average Index Score (S&P 500 Companies)	**54.1%**	**50.1%**
Median Index Score (S&P 500 Companies)	**64.3%**	**57.9%**

Source: Wolfe Utilities & Power Research, 2021 CPA-Zicklin Index of Corporate Political Disclosure and Accountability Report

Exhibit 3: CPA-Zicklin Index Tier Ranking Criteria

Tier	Score (%)
First Tier	80 - 100
Second Tier	60 - 79.9
Third Tier	40 - 59.9
Fourth Tier	20 - 39.9
Bottom Tier	0 - 19.9

Source: 2021 CPA-Zicklin Index of Corporate Political Disclosure and Accountability Report

Exhibit 4: S&P 500 Scores and Rankings - 2021

	First Tier	Second Tier	Third Tier	Fourth Tier	Bottom Tier
Total Companies	171	89	52	53	128
Average Market Cap	$132.0B	$67.9B	$43.3B	$40.5B	$37.3B
Average Overall Score (%)	89.9	70.9	50.3	27.3	7.3

Source: 2021 CPA-Zicklin Index of Corporate Political Disclosure and Accountability Report

Exhibit 5: Average Sector Performance (2015 – 2021)

Sector	Average Score (%)							Number of Companies						
	2015	2016	2017	2018	2019	2020	2021	2015	2016	2017	2018	2019	2020	2021
Communication Services	46.3	47.4	50.4	68.6	80.5	55.4	70.0	5	5	4	3	3	5	5
Consumer Discretionary	32.2	33.0	36.4	36.2	40.7	47.4	44.1	78	83	82	77	75	72	73
Consumer Staples	47.1	48.0	46.7	52.3	54.9	62.5	69.5	34	35	37	32	33	33	32
Energy	45.7	49.1	49.9	53.4	55.0	60.1	74.2	38	39	34	31	29	27	23
Financials	42.4	48.0	50.0	49.1	52.3	53.3	56.7	60	64	66	71	71	70	69
Health Care	52.2	52.2	53.2	52.7	55.1	55.3	56.6	53	57	59	61	61	58	62
Industrials	37.1	38.0	37.3	37.7	41.9	39.1	45.7	61	64	66	67	67	70	70
Information Technology	35.4	40.0	37.4	37.9	37.8	42.0	47.4	59	65	67	68	72	74	78
Materials	47.7	47.9	50.5	47.2	53.2	60.2	59.6	28	27	25	24	26	26	26
Real Estate	19.5	14.8	17.8	20.8	23.2	26.7	39.0	22	27	31	31	31	29	27
Utilities	48.0	57.6	62.1	66.2	69.6	77.2	80.5	26	27	28	28	28	28	28

Source: 2021 CPA-Zicklin Index of Corporate Political Disclosure and Accountability Report

WOLFE RESEARCH

Utilities & Power

December 8, 2021

Comparables Tables

Exhibit 6: Utility Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
AES Corp.	AES	$24.82	667	$16,548	16.6x	15.3x	14.2x	13.1x	2.4%	5.0%	40%	6.8x	18%
Alliant Energy	LNT	$58.33	250	$14,604	22.2x	21.3x	20.2x	19.1x	2.8%	5.9%	61%	2.4x	46%
Ameren	AEE	86.53	258	22,291	22.6x	21.2x	19.8x	18.8x	2.5%	7.0%	57%	2.3x	43%
American Electric	AEP	83.91	504	42,261	17.9x	16.8x	15.8x	15.0x	3.5%	5.7%	63%	1.9x	37%
Avangrid	AGR	51.01	387	19,751	24.3x	20.7x	19.6x	19.2x	3.5%	0.0%	84%	1.0x	70%
CenterPoint Energy	CNP	27.88	629	17,533	21.8x	20.2x	18.8x	17.3x	2.2%	8.0%	49%	2.2x	35%
CMS Energy	CMS	62.03	290	17,970	23.4x	21.6x	19.6x	17.8x	2.8%	6.7%	66%	3.1x	32%
Con Edison	ED	81.56	354	28,852	19.4x	17.5x	17.1x	16.3x	3.8%	1.3%	74%	1.4x	45%
Dominion	D	75.46	810	61,116	19.5x	18.3x	17.2x	16.0x	3.3%	6.0%	65%	2.5x	39%
DTE Energy	DTE	115.01	194	22,281	19.6x	19.6x	18.5x	17.4x	3.1%	7.2%	61%	2.6x	33%
Duke Energy	DUK	101.17	769	77,822	19.4x	18.7x	17.6x	16.5x	3.9%	2.0%	76%	1.6x	43%
Edison International	EIX	67.26	380	25,553	15.1x	14.5x	13.6x	12.7x	3.9%	4.0%	59%	1.9x	34%
Emera*	EMA	60.16	259	15,563	21.1x	19.1x	17.9x	17.0x	4.3%	4.0%	90%	1.9x	38%
Entergy	ETR	104.85	201	21,073	17.5x	16.6x	15.6x	14.7x	3.8%	6.0%	67%	1.9x	31%
Evergy	EVRG	66.67	229	15,288	18.8x	18.8x	17.4x	16.5x	3.3%	6.2%	61%	1.6x	46%
Eversource Energy	ES	87.30	344	30,014	22.6x	21.1x	19.8x	18.8x	2.8%	6.2%	62%	2.1x	43%
Exelon	EXC	53.92	978	52,751	19.7x	23.9x	22.6x	21.4x	2.8%	0.0%	56%	1.6x	45%
FirstEnergy	FE	39.46	544	21,483	15.2x	16.3x	15.3x	14.2x	4.0%	0.0%	60%	2.9x	24%
Fortis*	FTS	57.78	473	27,324	21.2x	19.8x	18.6x	17.9x	3.5%	5.8%	75%	1.6x	43%
NextEra Energy	NEE	90.41	1,962	177,397	35.7x	33.5x	31.0x	28.9x	1.7%	10.0%	61%	4.8x	40%
NiSource	NI	25.83	393	10,144	19.0x	17.8x	16.9x	14.9x	3.4%	6.0%	65%	2.1x	40%
OGE Energy	OGE	36.05	200	7,216	14.7x	16.9x	16.1x	15.4x	4.4%	2.0%	65%	1.9x	44%
PG&E	PCG	12.44	1,985	24,698	12.3x	11.4x	10.5x	9.5x	0.0%	N/A	0%	1.2x	32%
Pinnacle West	PNW	66.56	113	7,509	12.7x	17.0x	16.4x	15.4x	5.0%	5.1%	64%	1.2x	44%
Portland General	POR	50.87	89	4,548	18.3x	18.1x	17.4x	16.9x	3.3%	7.1%	61%	1.7x	44%
PPL Corp.	PPL	29.32	751	22,011	27.1x	17.6x	16.5x	N/A	5.7%	0.0%	153%	1.5x	57%
PSEG	PEG	64.62	506	32,676	17.8x	18.6x	17.7x	16.7x	3.2%	4.1%	56%	2.3x	41%
Sempra	SRE	126.91	319	40,527	15.3x	15.3x	14.7x	13.9x	3.6%	8.0%	54%	1.7x	48%
Southern Company	SO	64.47	1,059	68,262	19.0x	18.6x	17.2x	15.8x	4.1%	3.9%	78%	2.4x	35%
WEC Energy Group	WEC	92.34	315	29,127	22.7x	21.4x	20.1x	18.9x	2.9%	7.1%	67%	2.7x	43%
Xcel Energy	XEL	66.04	539	35,574	22.2x	20.8x	19.4x	18.3x	2.8%	6.4%	61%	2.3x	38%
Average					**19.8x**	**19.0x**	**17.8x**	**16.8x**	**3.3%**	**4.9%**	**65%**	**2.2x**	**40%**
Average (ex EIX & PCG)					**20.2x**	**19.4x**	**18.2x**	**17.2x**	**3.4%**	**4.9%**	**67%**	**2.3x**	**41%**

Source: Wolfe Utilities & Power Research, FactSet
*Current price shown in $CAD

Exhibit 7: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div Yield
Clearway Energy	CWEN	37.47	202	7,558	13.9x	11.8x	12.6x	13.2x	3.6%
NextEra Energy Partners	NEP	85.06	177	15,079	12.3x	9.9x	9.6x	9.2x	3.2%
Atlantica Yield*	AY	38.55	111	4,273	11.9x	11.0x	10.4x	10.5x	4.5%
Brookfield Renewable Partners*	BEP	34.95	275	9,609	24.1x	22.6x	21.7x	20.3x	3.5%
Average					**15.6x**	**13.8x**	**13.6x**	**13.3x**	**3.7%**

Source: Wolfe Utilities & Power Research, FactSet
*Not covered by Wolfe Research, estimates based on consensus

Exhibit 8: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Free Cash Flow Yield 2021E	Free Cash Flow Yield 2022E	Free Cash Flow Yield 2023E	Free Cash Flow Yield 2024E
NRG Energy	NRG	38.86	245	9,514	9.3x	7.6x	6.5x	N/A	8.5%	13.7%	18.9%	N/A
Vistra Corp	VST	20.93	483	10,101	9.6x	6.0x	5.7x	N/A	2.0%	24.9%	24.3%	N/A
Average					**9.4x**	**6.8x**	**6.1x**	**N/A**	**5.2%**	**19.3%**	**21.6%**	**N/A**

Source: Wolfe Utilities & Power Research, FactSet

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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Overweight
IPPs – Market Weight
Gas/Power Infrastructure – Market Overweight

August 1, 2021

THE UTILITY TRADER

Utilities finally bottom; Mgmt change, activism is working

- **Utilities finally find a relative floor as virus concerns re-emerge**
  The Delta variant was the story in July reviving a slight defensive bid for the first time in several months. Utilities rose 4.2% beating the overall market gain of 2.3%. While it was nice to see utilities finally find a relative floor, they still trail the market by 1200bps YTD (up 5% vs market up 17%). Whether its Growth or Value, the market just seems to keep going up. This is now the 3rd year in a row of outsized S&P 500 returns – remember this year's 17% rise follows an 18% total return in 2020 and over 31% in 2019. We have not seen a bull market like this other than the tech bubble, when stocks posted 20%+ total returns 5 yrs in a row. We continue to view this as an opportune time for long-term investors to buy utilities; they are cheap vs the market (10%-20% discount to normal), out-of-favor and will provide stability when the bull market inevitably ends.

- **Does management/activism matter for utilities? The market says yes**
  The one common thread among 2021 top performers is management change and/or activism. Among the mid-to-large utilities, 7 of the top 8 performers fit this theme (see Ex 2 on right). Here's a quick rundown: FE – Icahn, new internal CEO; CNP – Elliott/Bluescape, new external CEO/CFO; EVRG - Elliott/Bluescape, new external CEO/CFO; DUK – Elliott; AGR – new external CEO; POR – new external CFO; and DTE – Elliott. Common themes among these include asset sales, business simplification, cost cutting, and better execution and investor communication. This begs the obvious question of who could be next. Discount utilities with no big externality risks that may fit include AEP, ETR, NI, OGE, PPL, and SRE (again).

- **PCG is one exception; what will it take for CA utilities to rebound?**
  Management change has not worked yet for PCG stock even with a very strong new team. Both EIX and PCG ended the month at new relative lows and are now heading into the main fire season. ROEs are likely to trigger lower, Newsom is in a recall election and of course we have to monitor the Dixie Fire. All that said, we still have not had any high-damage fires (beyond insurance) since 2018 and the actions being taken by the companies and state keep reducing this risk despite the drought. EIX's covered conductor program (which we think gets fully supported by the PUC) and PCG's undergrounding work provide a path to much lower risk in a few years. PCG will talk more about their strategy at their Aug 9 Analyst Day. Nonetheless, investors will likely want to see how this fire season progresses before stepping into the stocks.

- **Events names for August: EXC, PNW, ES, PEG/CNP/EVRG into Sept A.D.**
  EXC is in triple OT on an IL nuke bill to keep Byron and Dresden running. There's been little progress in recent weeks, but Byron shuts in early Sept without a bill and we think chances are better than 50/50% a bill passes. PNW is still waiting for an ALJ on its 2-yr old rate case. We remain cautious on the outcome and on regulatory lag risks for the company. ES has hearings on its CT interim rate review and has become more hopeful about potential settlement. PEG will announce its fossil sale this month; the market already expects a tepid outcome and we think the stock sets up well to hear the new PEG story at its Sept AD. We expect positive Sept ADs for CNP and EVRG. CNP may give some preview on its Q2 call this week, EVRG not likely.

Source for all exhibits in this report: FactSet, Wolfe Research; prices as of 7/30/21

Ex 1: 2021 Income Sectors Perf

Sector	Performance
MLP Index (AMZ)	31.5%
XLE Index	30.3%
REIT Index (FNER)	24.5%
S&P 500	17.0%
S&P Pharma	12.7%
S&P Consumer Staples	6.1%
S&P Utility	**5.0%**
WR IPP Index	3.6%
WR YieldCo Index	3.4%
Wolfe GREEN Basket	**(0.1%)**
S&P Telecom	(0.7%)

Source: FactSet, Wolfe Research

Ex 2: 2021 Utilities Perf

Company	Ticker	YTD Perf
Top 10	**Top 10**	
FirstEnergy	FE	25.2%
Hawaiian Electric	HE	22.5%
CenterPoint	CNP	17.7%
Evergy	EVRG	17.5%
NextEra Energy Partners	NEP	15.6%
Duke Energy	DUK	14.8%
Avangrid	AGR	14.7%
Portland General	POR	14.3%
Alliant Energy	LNT	13.6%
DTE Energy	DTE	13.6%
Bottom 10	**Bottom 10**	
NextEra Energy	NEE	1.0%
AES Corp.	AES	0.9%
PPL Corp	PPL	0.6%
Eversource Energy	ES	(0.3%)
PNM Resources	PNM	(0.4%)
Dominion	D	(0.4%)
Vistra Energy	VST	(2.6%)
Clearway Energy	CWEN	(10.2%)
Edison Intl	EIX	(13.2%)
PG&E Corp.	PCG	(29.5%)

Source: FactSet, Wolfe Research

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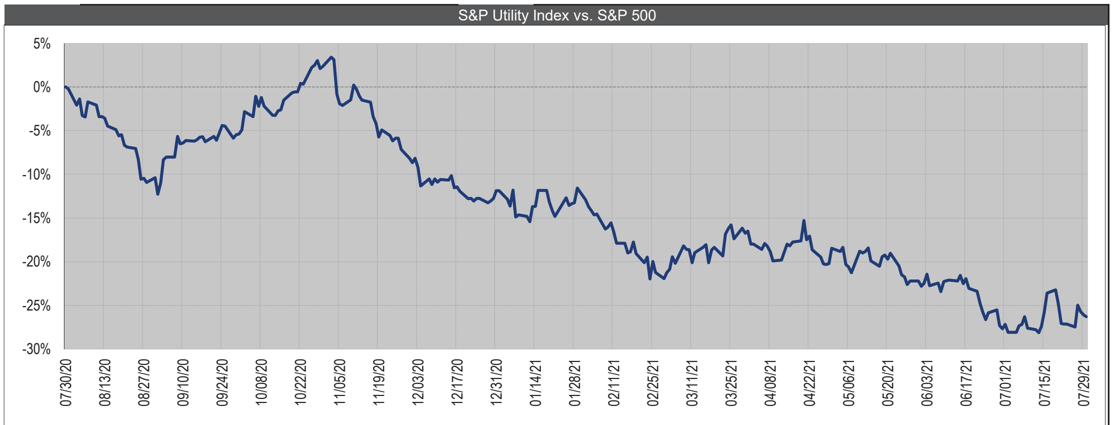
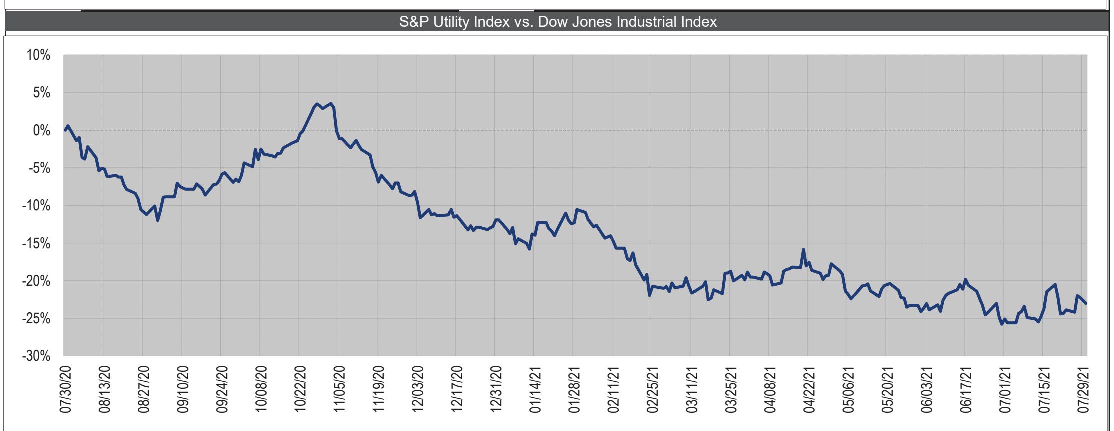
S&P Utility Index vs Market

Utilities outperformed the S&P 500 by 190bps in July and now trail by 1200bps YTD. Renewed COVID fears from the delta variant coupled with mildly positive Q2 earnings spurred the utilities sector to show some signs of resurgence. The combination of the continued decline in the US 10Y and respite from growth/recovery stocks caused by renewed COVID concerns from the delta variant incentivized investors to flee to defensive stocks and income sectors, thereby benefitting utilities. Thus far, utility earnings have been characterized by mostly small beats with a couple of guidance raises and clearly improving sales growth with residential fall-off not as much as feared. Renewables inflation has not been as much an issue as feared either.





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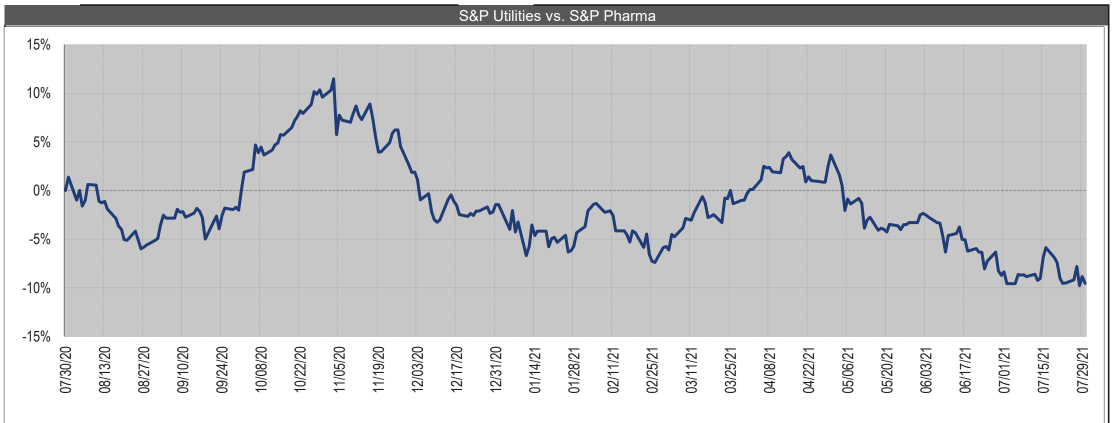
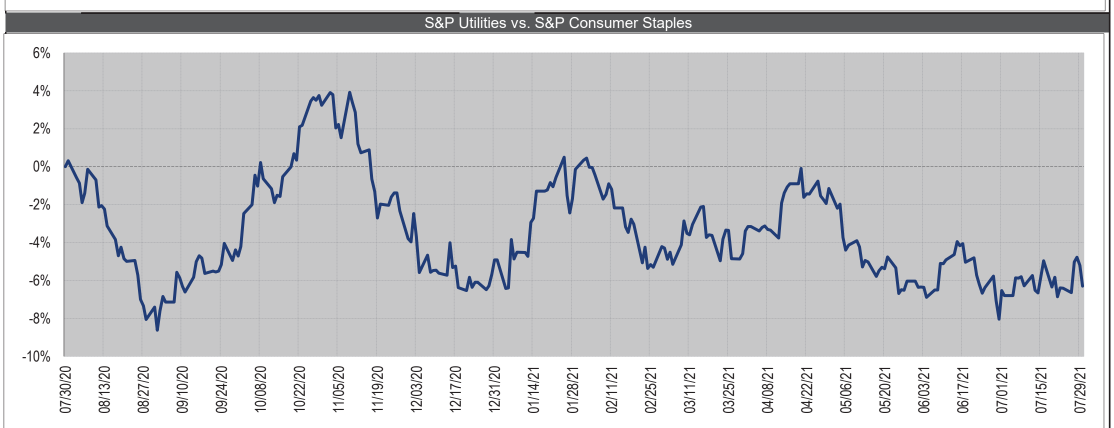
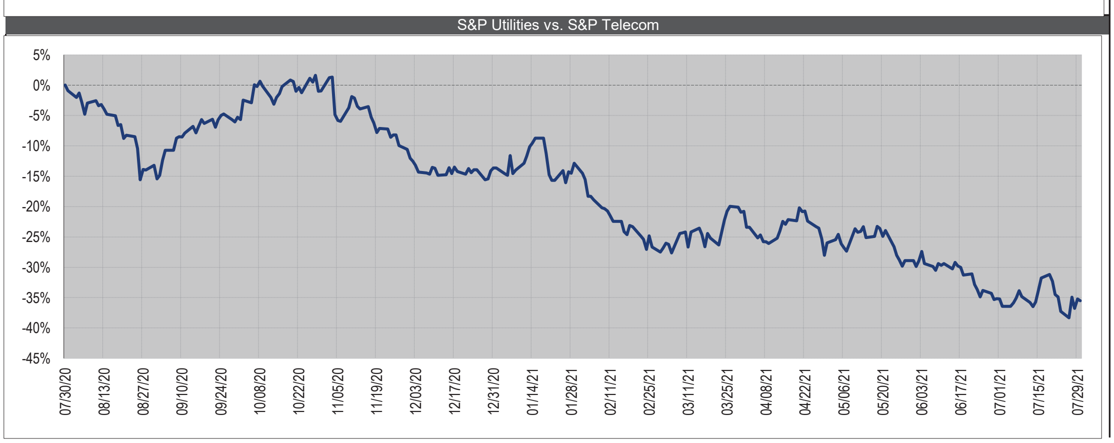
Utilities vs Other Sectors

In July, utilities (+4.2) outperformed Consumer Staples (+2.4%) and Telecom (-0.8%). On the other hand, utilities underperformed Pharma (+4.6%) in July







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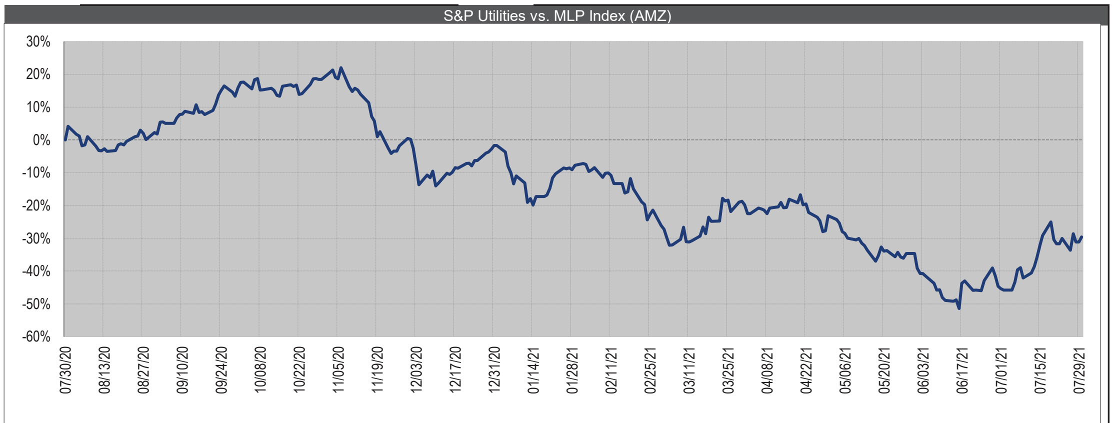
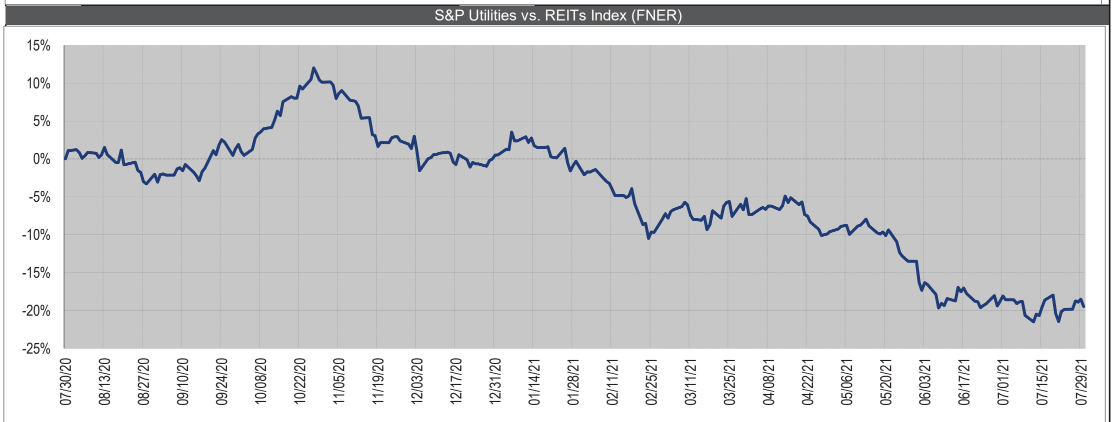
Utilities vs Other Sectors continued

The AMZ Index (-7.1%) and Wolfe C-corp Basket (-2.9%) both underperformed the S&P 500 (+2.3%) in July, marking the first month of 2021 where the midstream group underperformed the market. We credit the underperformance to a broader thematic shift – we think investors are becoming more concerned that we've reach a cyclical peak with commodity prices trading near 5-year highs and the demand recovery having mostly played out. On top of this, renewed COVID concerns and a return of growth over value with falling interest rates have added further headwinds to energy stocks in the near-term. For a more thorough discussion of July stock performance, see our Midstream of Consciousness here. However, REITs (+4.1% in July) have continued to trade well through Q2 earnings.

S&P Utilities vs. MLP Index (AMZ)



S&P Utilities vs. REITs Index (FNER)



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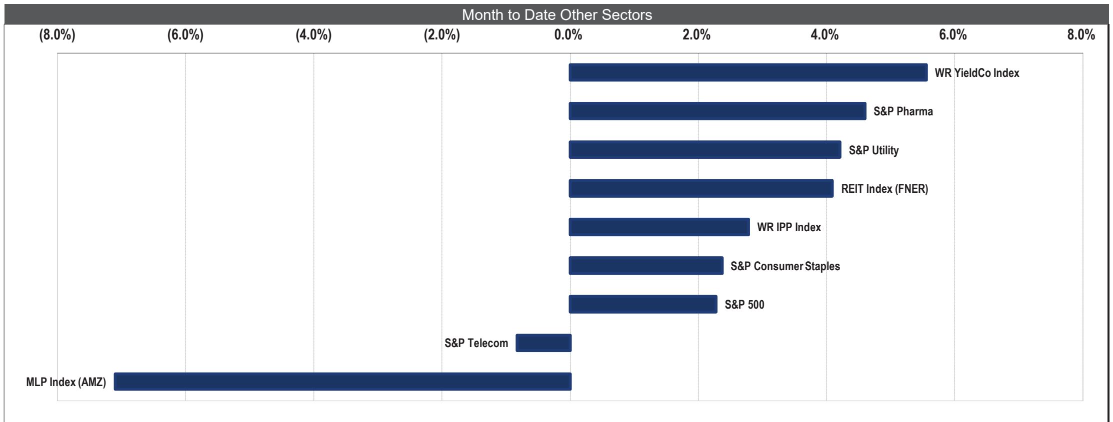
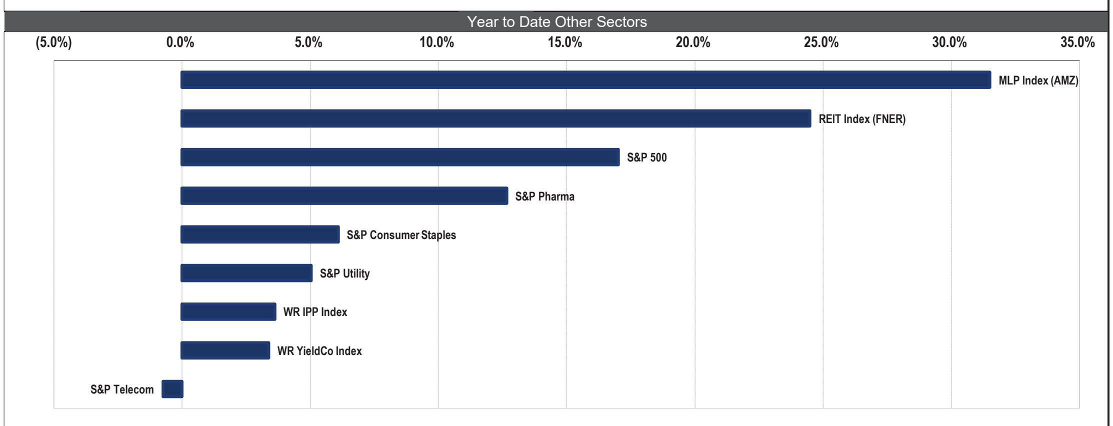
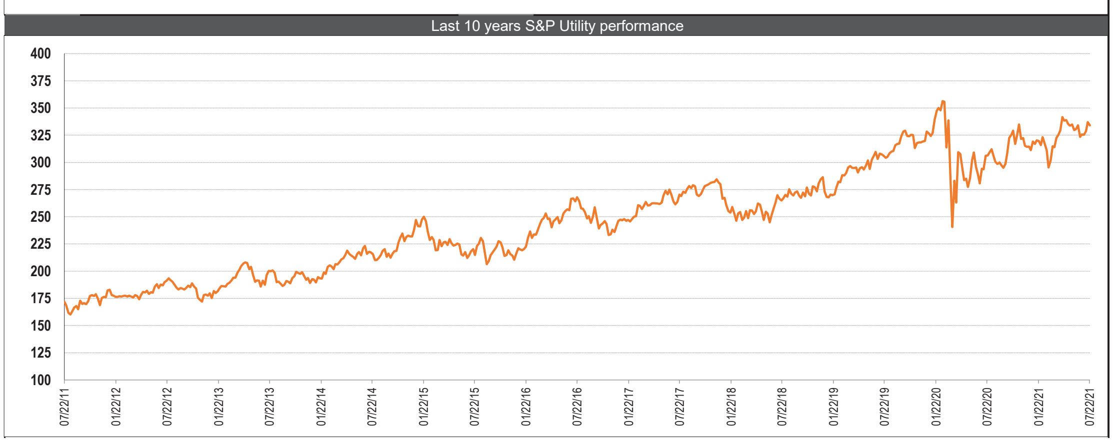
Month to Date and Year to Date performance of income sectors

The YieldCos led the way in July, rising 5.6% as a result of renewables inflation not being as much an issue as feared. Within the income sectors, Pharma and Utilities also performed well as renewed COVID apprehension of an economic downturn caused by the delta variant grappled investors. While Midstream, Telecom, and Consumer Staples are at the bottom of the board for July, Telecom, the YieldCos, and the IPPs occupy the bottom positions YTD. The defensive sectors (Consumer Staples, Utilities, and Telecom) remain laggards for 2021.







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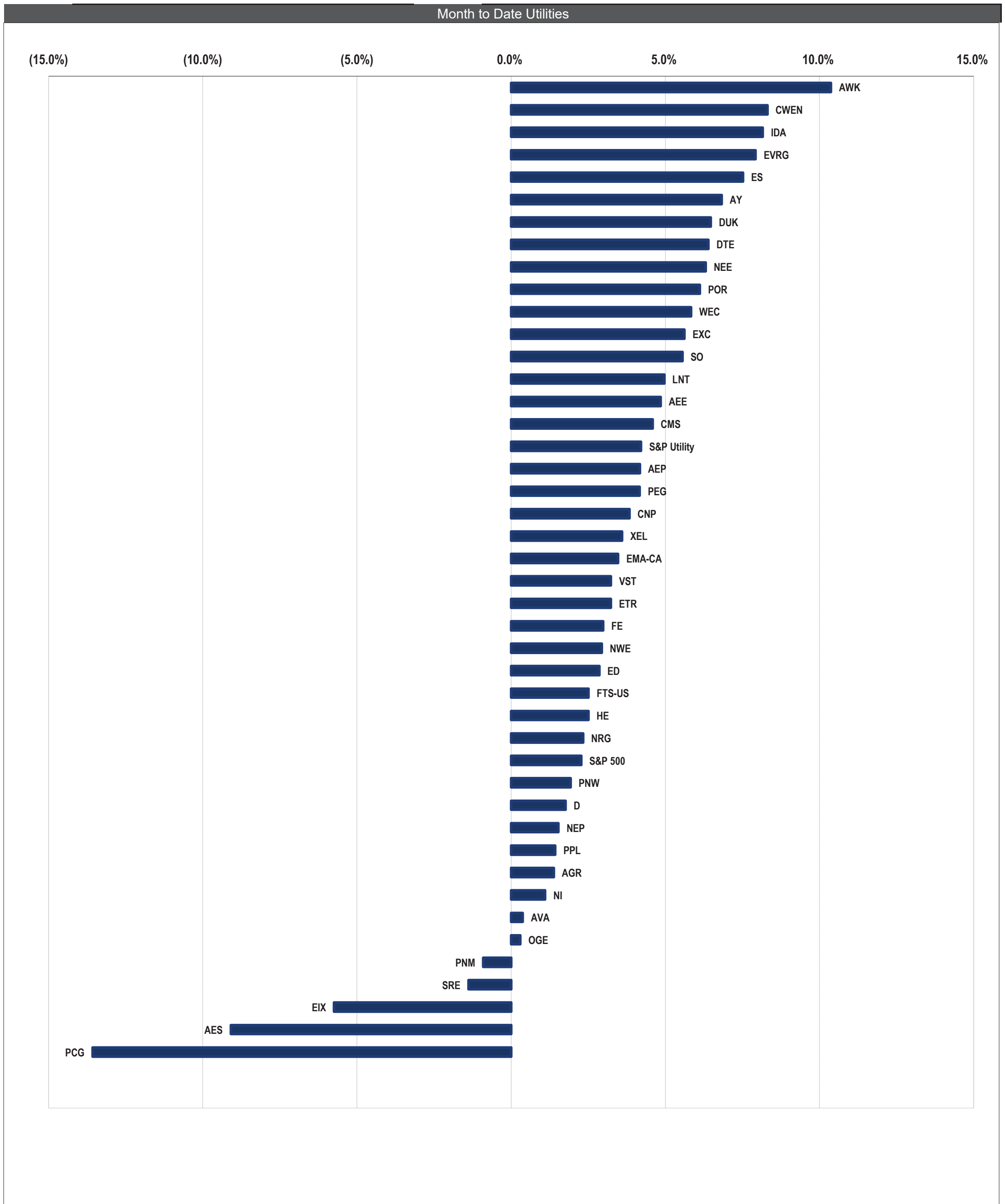
Month to Date performance of Utilities Group

AWK was the top-performer in July on no notable news with the overall resurgence of utility stocks as the US 10Y continued to decrease and investors took respite from growth / recovery stocks on COVID fears from the delta variant. CWEN also outperformed in July after recent investor attention has been focused on the potential of the company to sell its thermal business at an accretive valuation that would recycle capital and provide funding for new growth. EVRG was an outperformer in July on no notable news as momentum builds into the September Analyst Day that should better highlight the long-term plan under new mgmt. PCG was the worst-performer in July, after its reported involvement in the Dixie Fire and a possible ROE cut in 2022 appeared increasingly likely. AES also lagged in July despite no notable news. However, we mostly attribute the underperformance to inflation / supply chain concerns for renewable developers and perhaps some around renewed COVID fears given AES' exposure in emerging markets. EIX was an underperformer in July and hit new relative lows post Q2 earnings due to lower rate base recommendation in its GRC and possibly a ROE cut in 2022.

Month to Date Utilities



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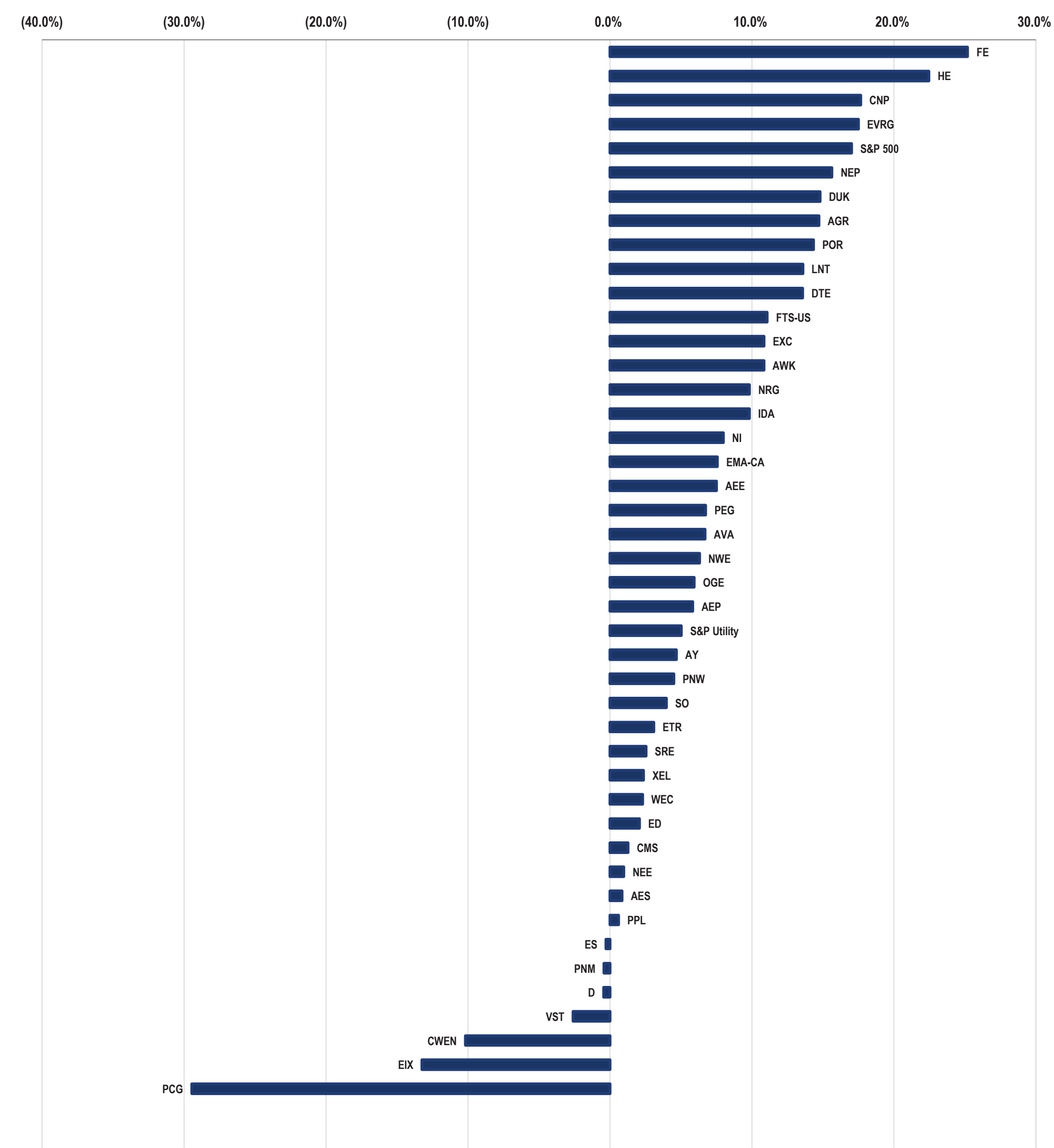
Year to Date performance of Utilities Group

FE maintained the top spot YTD. FE began its march higher earlier this year after it was revealed that activist Carl Icahn had taken a stake in the company. HE remains a top performer as small caps generally have fared well in 2021. CNP is still a top performer following its landmark gas LDC sales (2.5x rate base) in May and with the new management team pitching an effective story. PCG remains the worst performer YTD. Sentiment on both CA utes (EIX too) remains negative mostly due to wildfire risk overhang. CWEN remains a worst-performer YTD despite being one of the best performers in the broader utility group in July and outperforming its YieldCo peers.

Year to Date Utilities



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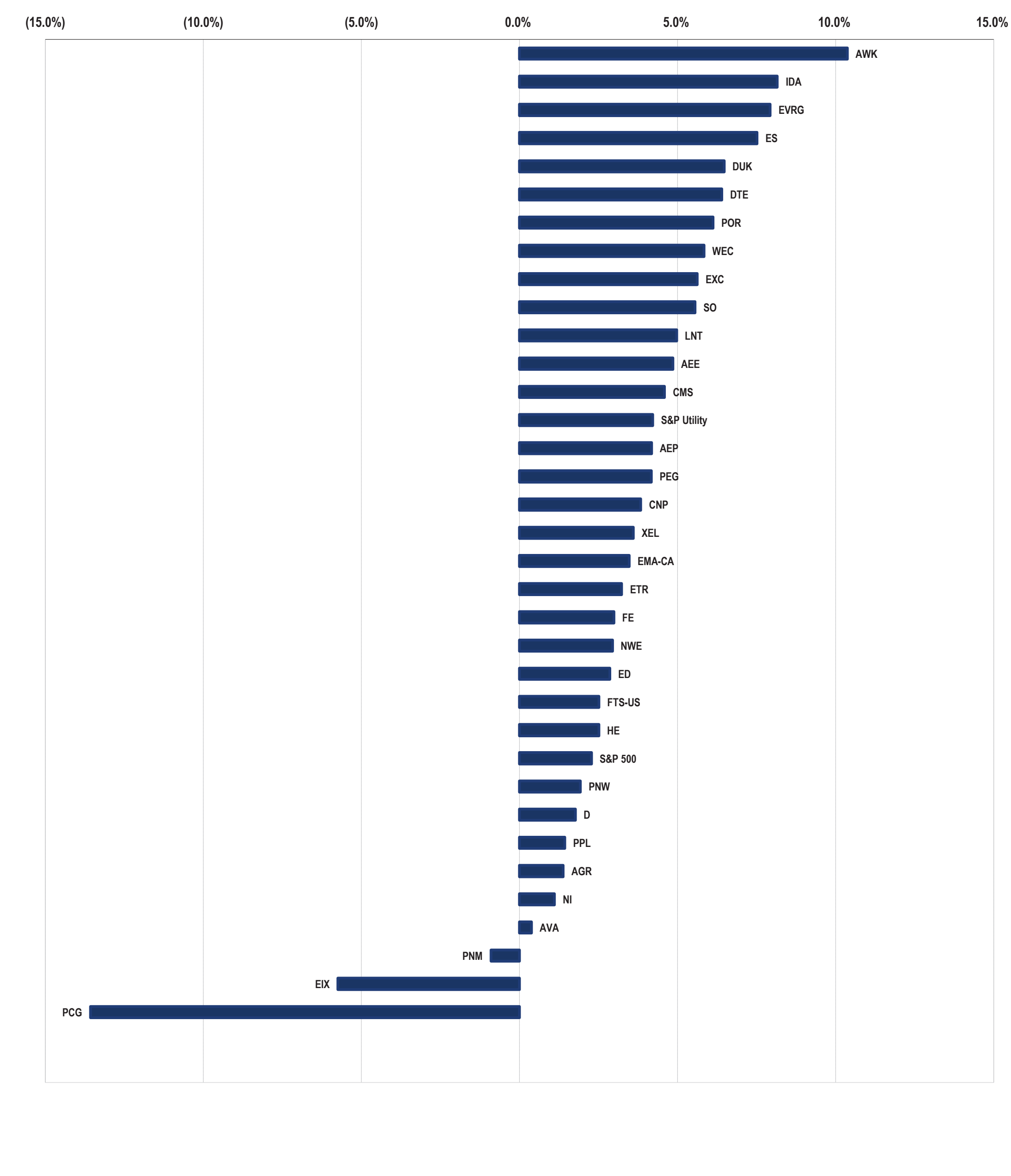
Month to Date performance of Regulated Utilities

Despite no notable news, AWK was the top-performer in July as, generally, utility stocks recovered with the US 10Y continuing to drop off and investors fled from growth / recovery stocks due to COVID fears from the delta variant. EVRG was an outperformer in July on no notable news as momentum builds into the September Analyst Day that should better highlight the long-term plan under new mgmt. ES also outperformed its peers for the second straight month in July, bouncing off its 52-week lows in early June, as there was more positive tone on a potential settlement in CT over rates, and likely ROE and capital structure. The California utilities, PCG and EIX, were the worst-performers in July mostly as a result of fire risk. NI also lagged in July on little notable news except the company filing a rate case at its largest gas LDC on June 30th – the subsidiary's first base rate case filing in Ohio in 13 years.

Month to Date Regulated Utilities



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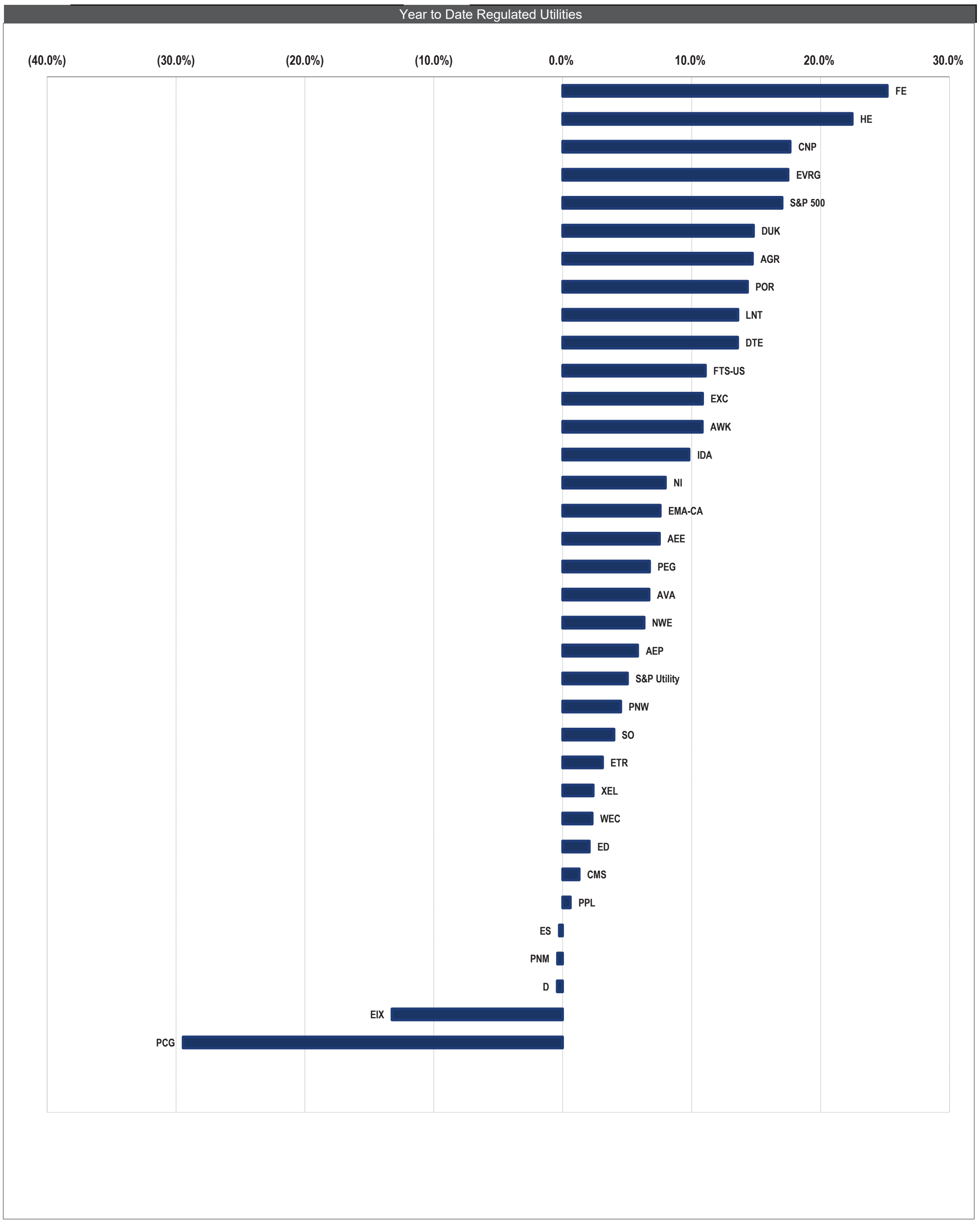
Year to Date performance of Regulated Utilities

FE maintained the top spot YTD. FE began its march higher earlier this year after it was revealed that activist Carl Icahn had taken a stake in the company. HE remains a top performer – some of this was on HE being named a new candidate for the ICLN index in March as well as a potential unwind of some short positions earlier in the year. CNP is now a top performer as the new management team continues to pitch a compelling story; CNP's upcoming September Analyst Day should also be a positive catalyst for the stock. The California utilities, PCG and EIX, continue to trail mostly because of wildfire risk overhang. D is now a bottom performer as the stock seems to continue to get hit by the same issue – concerns over VEPCO's triennial review.



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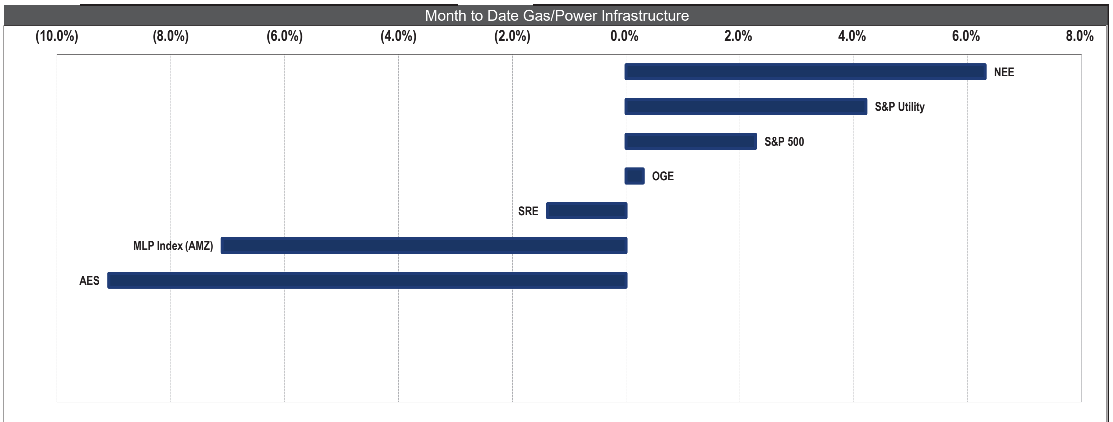
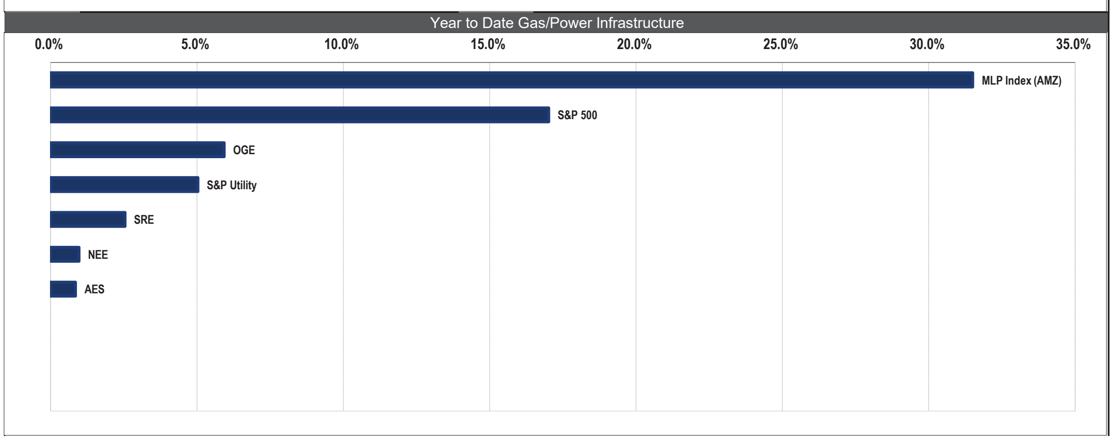
Month to Date and Year to Date performance of Gas/Power Infrastructure

NEE was the top-performer in the Gas/Power Infrastructure group in July as it continued to bounce off of relative lows in mid-June, after renewables inflation fears weighed on the stock, with Q2 earnings so far suggesting that renewables inflation has not been as much an issue as feared. AES was the worst-performer in July and YTD despite no notable news. However, we mostly attribute the weakness to inflation / supply chain concerns for renewable developers and perhaps some around renewed COVID fears given AES' exposure in emerging markets. NEE continues to remain the big underperformer in the group YTD despite no fundamental issues with the company reporting just in-line earnings for Q2.





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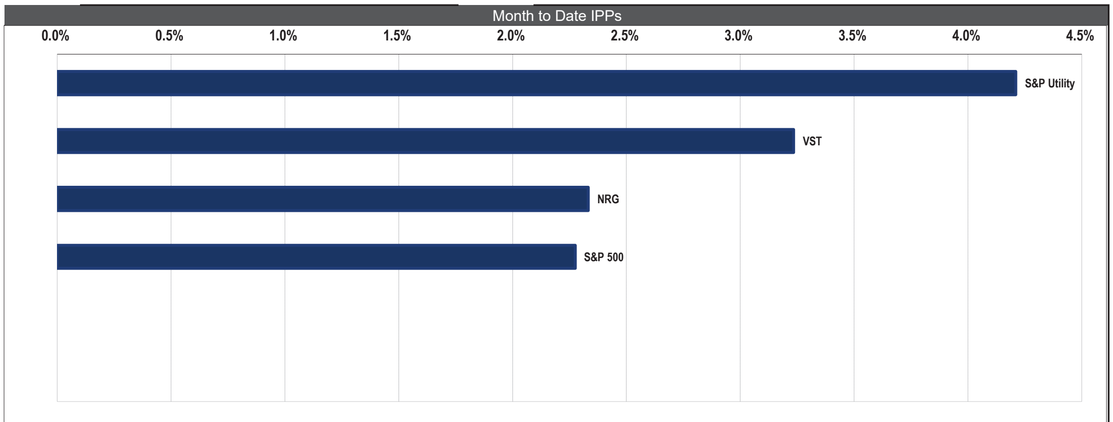
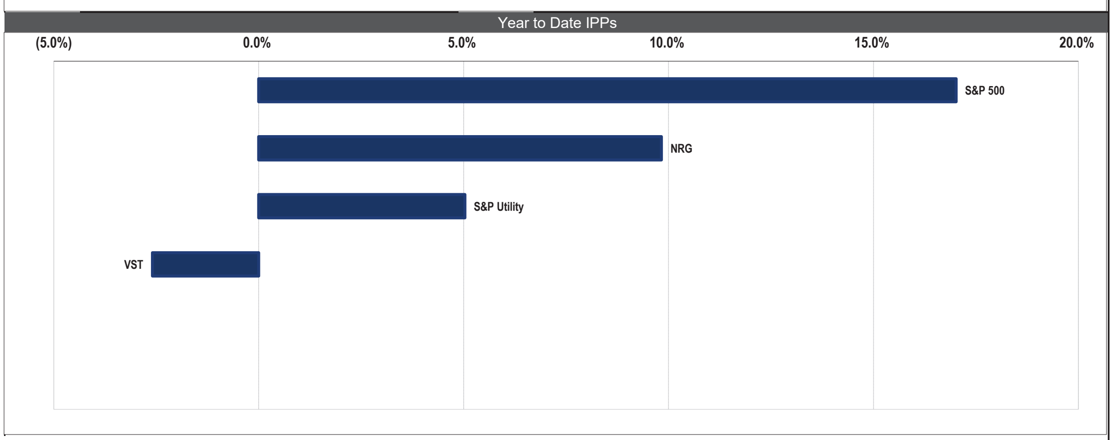
Month to Date and Year to Date performance of IPPs

The IPPs traded slightly ahead of the market in July as energy prices continued to rally throughout the month. Despite gas and power prices continuing to rip up higher, VST remains considerably lagging the broader utilities sector and the S&P 500 YTD.





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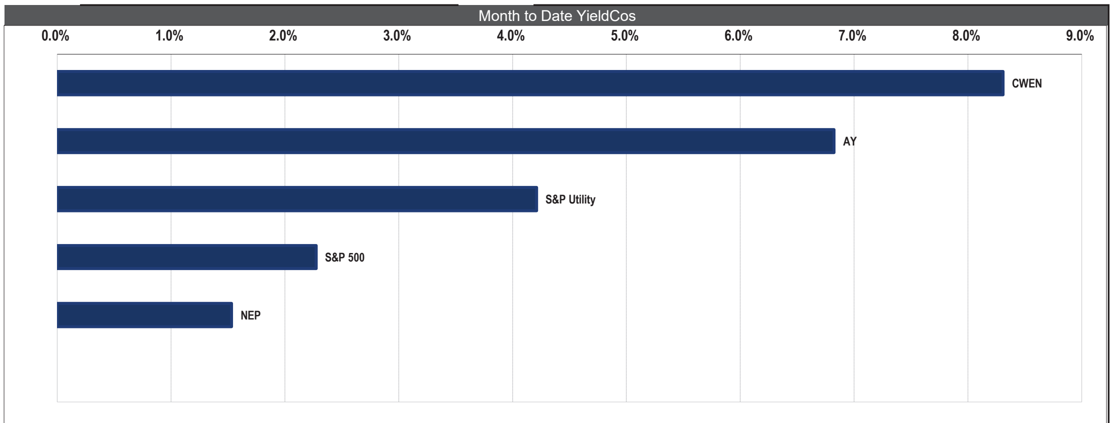
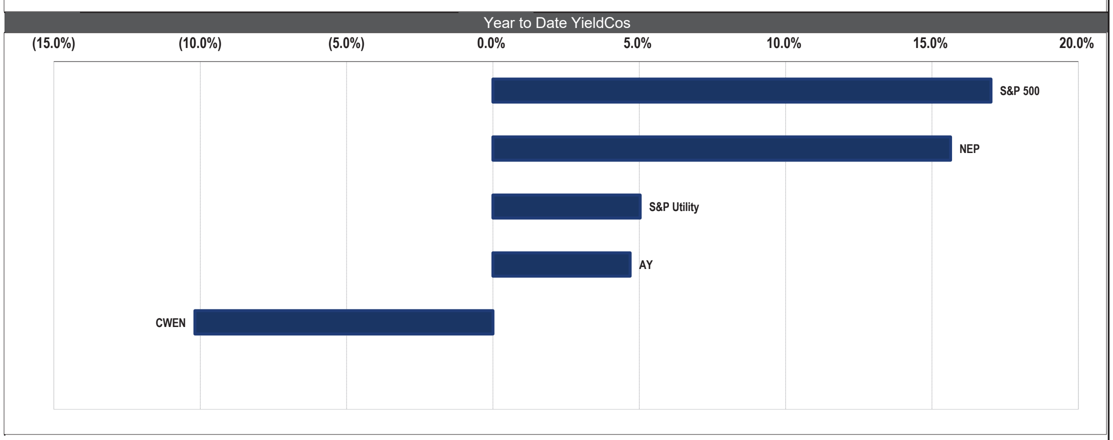
Month to Date and Year to Date performance of YieldCos

The YieldCos traded well in July with CWEN and AY outperforming both the broader utilities sector and the S&P 500, but the YieldCos are still lagging the market YTD. CWEN was the top-performer in the group and narrowed its YTD trailing margin. Recent investor attention has been focused on the potential for the company to sell its thermal business at an accretive valuation that would recycle capital and provide funding for new growth. On the other hand, NEP underperformed both the broader utilities sector and the market in July due to slightly disappointing Q2, as EBITDA missed and the latest drop from NEE was done at the weakest CAFD yield yet (8.0%).





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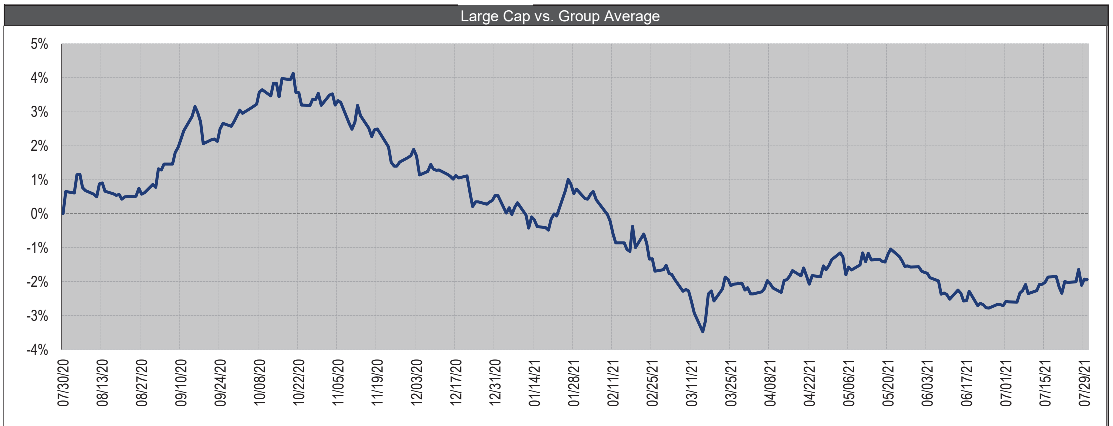
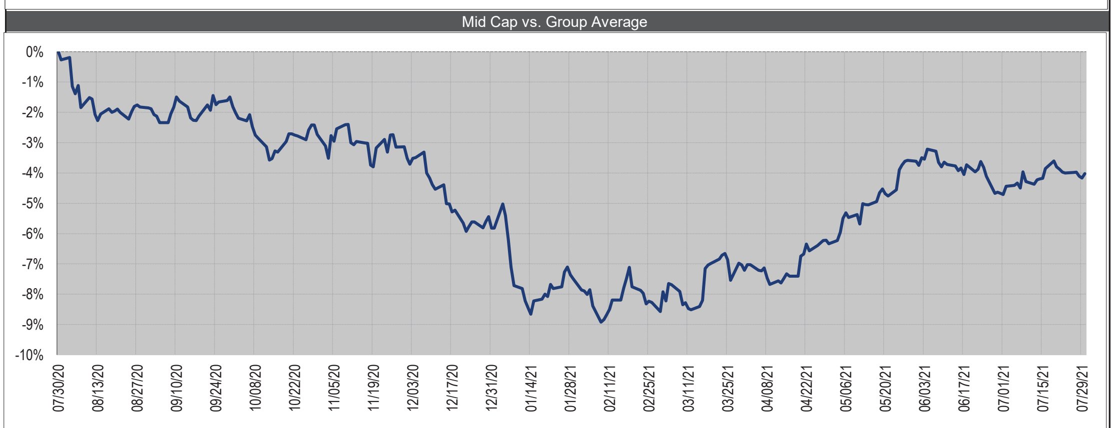
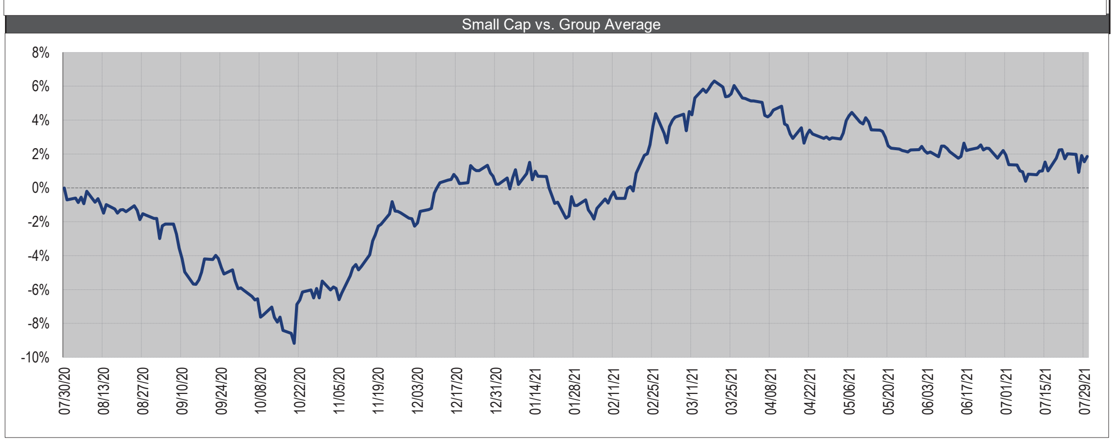
Utilities Performance by Market Cap

- Large-caps underperformed the utility average in July, led by PCG (-13.6%) and EIX (-5.7%).
- Mid-caps underperformed the group average in July, led down by OGE (0.3%) and NI (1.1%).
- Small-caps outperformed the group average in July, led up by IDA (8.2%) and POR (6.1%).







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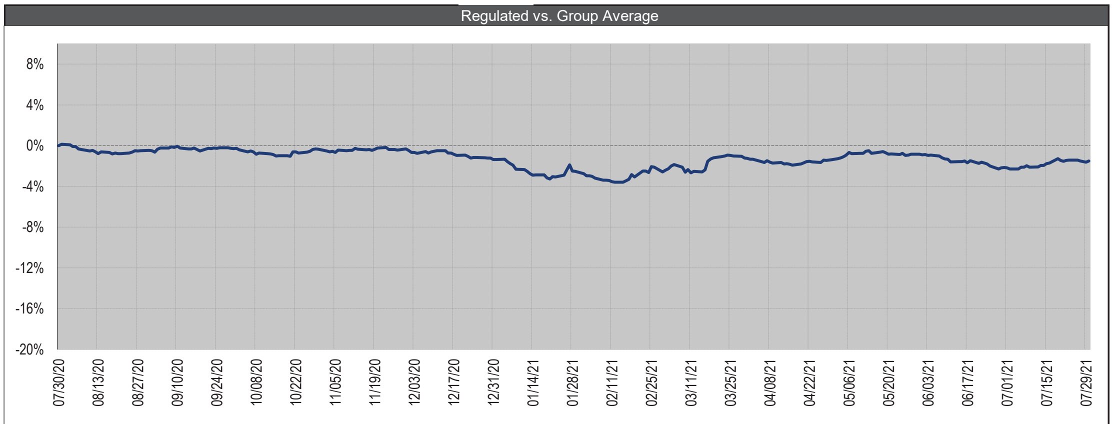
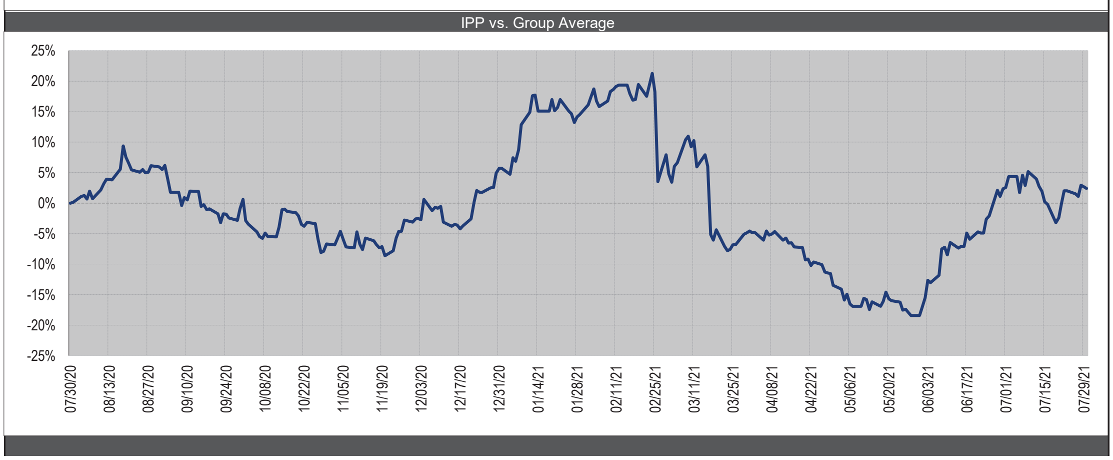
Utilities Performance by Segment

- Regulateds underperformed the utility average in July, led down by PCG (-13.6%) and EIX (-5.7%).
- IPPs outperformed the group average in July, led up by VST (3.2%) and NRG (2.3%).





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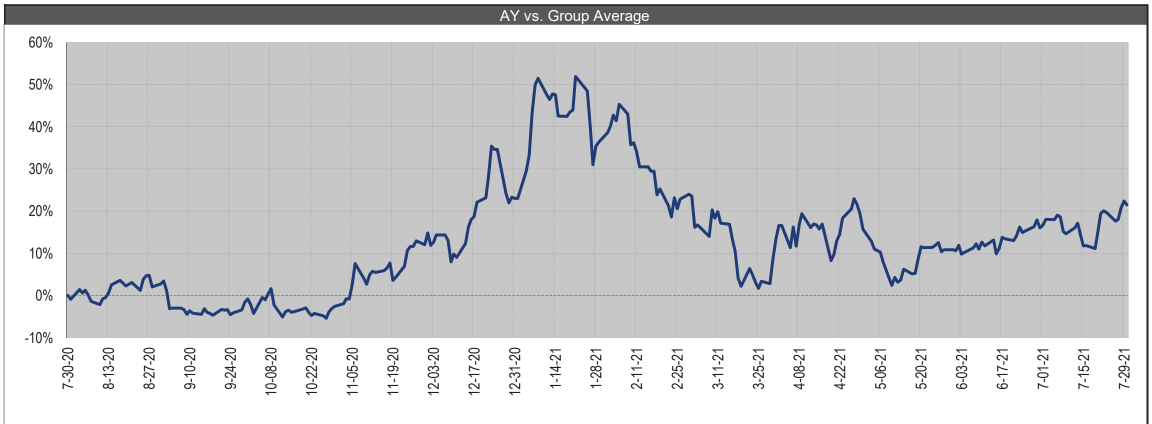
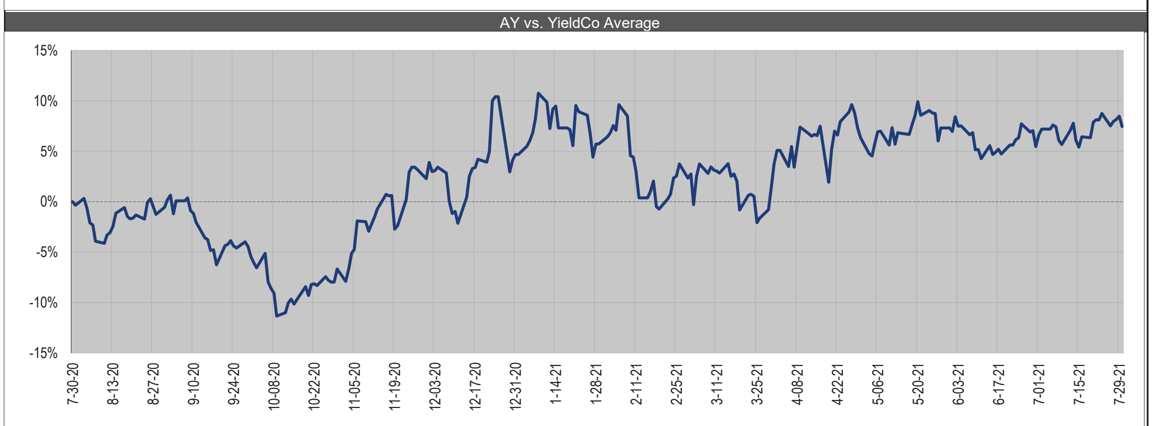
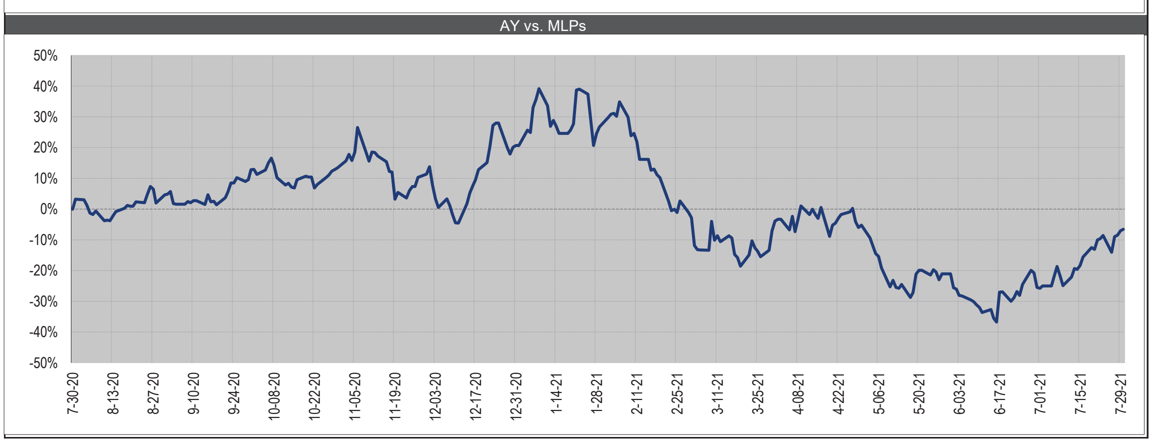
Atlantica Yield (AY) $39.76, NR

Atlantica Sustainable Infrastructure had a strong month in July and has performed about in line YTD. There was no notable news during the month.







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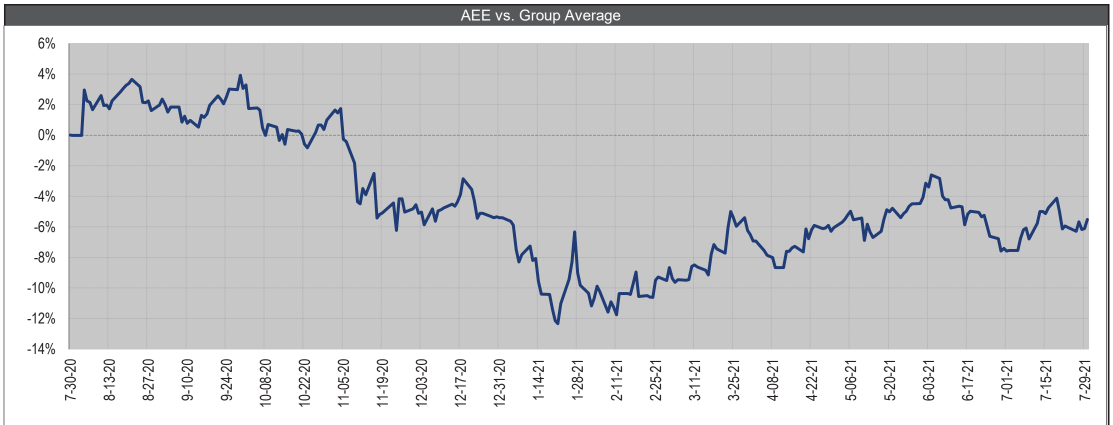
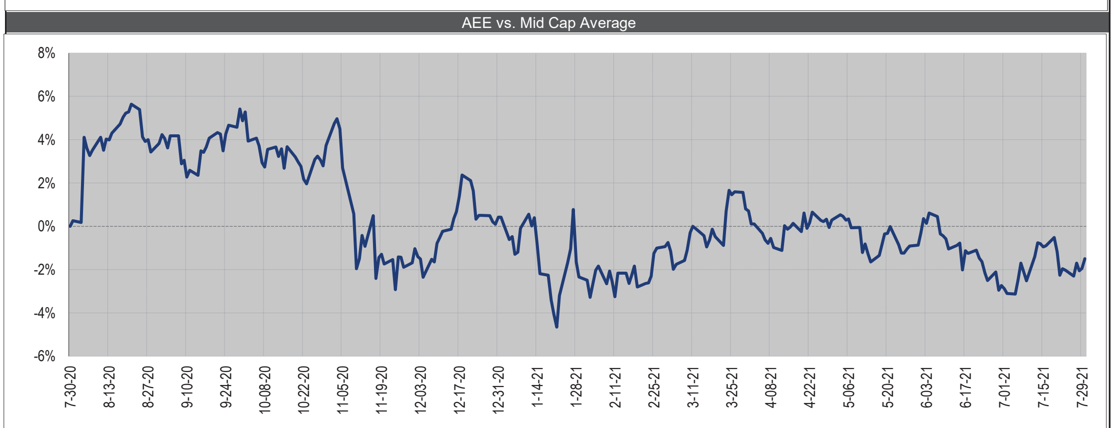
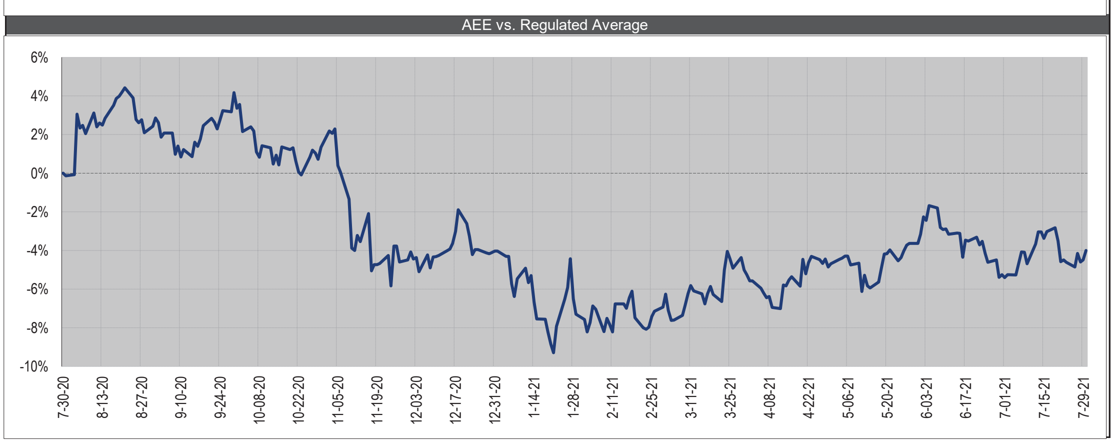
Ameren (AEE) $83.92, Outperform, $90 PT

AEE modestly outperformed peers on little company-specific news in Jul, as Q2 earnings and possibly IL legilation is expected in Aug.







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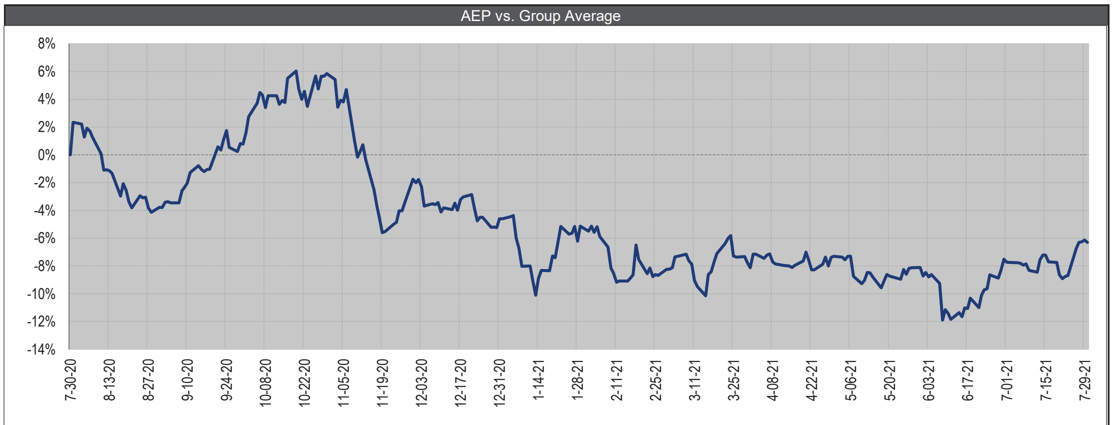
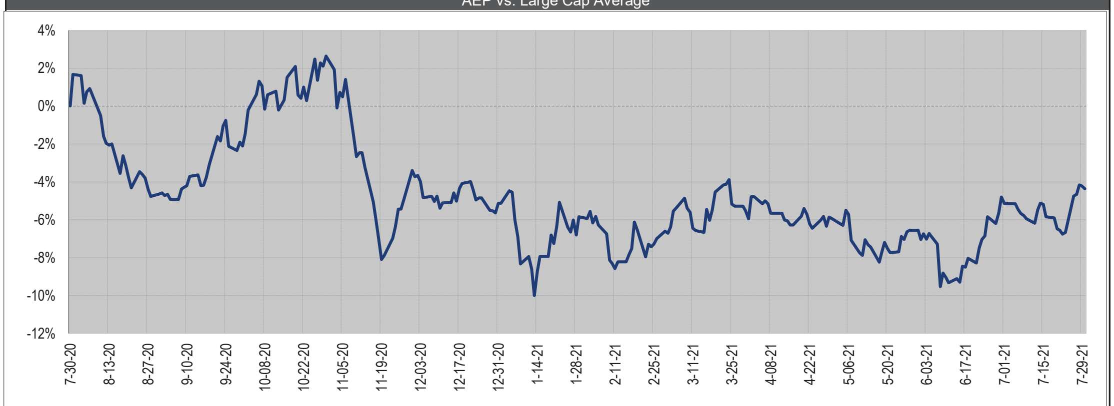
American Electric Power (AEP) $88.12, Peer Perform, $93 PT

AEP continued its rebound that started after hitting 52-week lows in mid-June, including in line Q2 earnings results in late Jul.

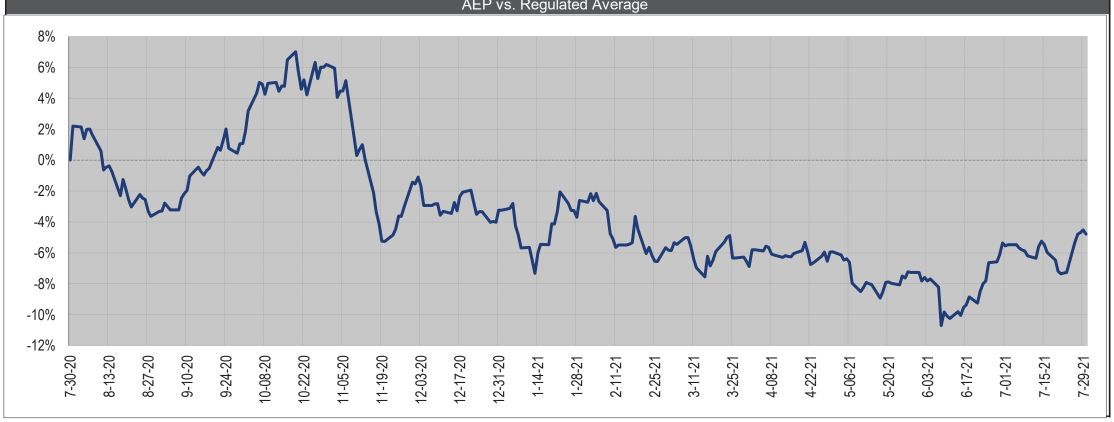
AEP vs. Group Average



AEP vs. Large Cap Average



AEP vs. Regulated Average



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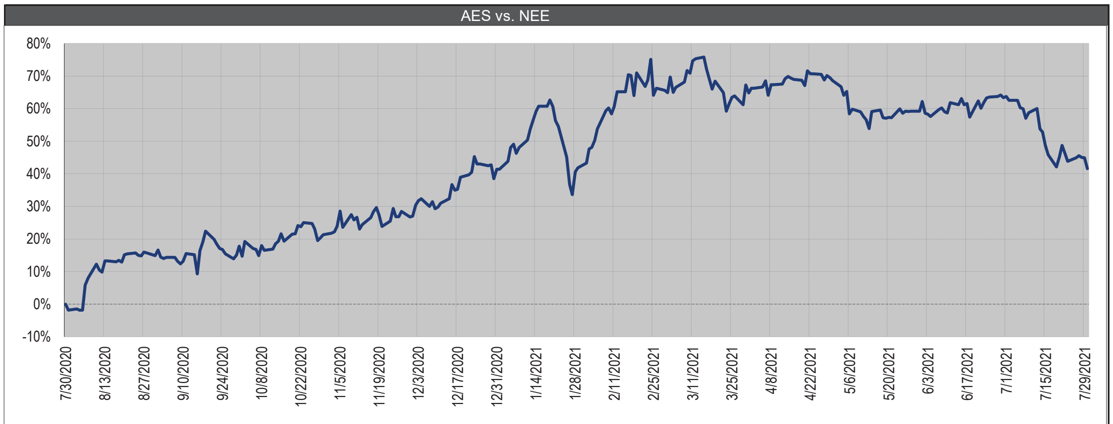
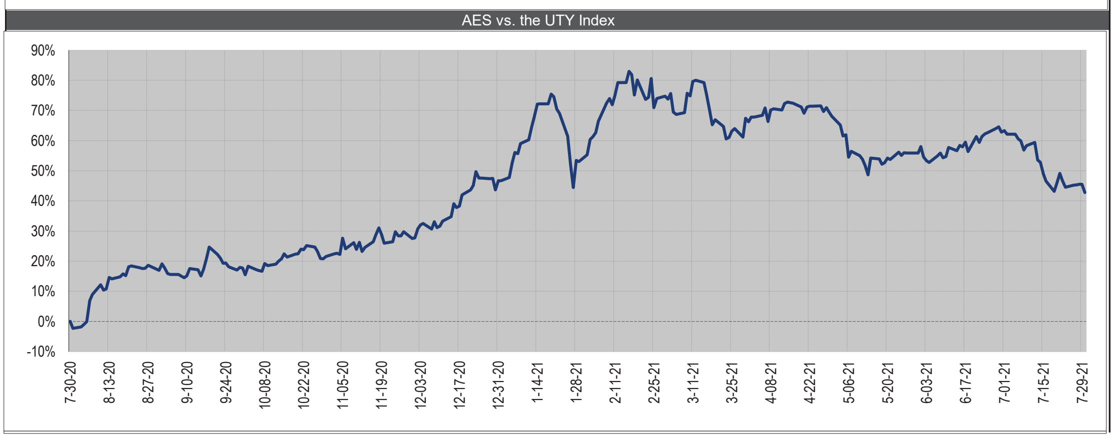
AES Corporation (AES) $23.70, Peer Perform, $29 PT

AES was the second worst performer in the group in July and underperformed the utilities index by over 1,300 bps. We saw no company specific news that would explain the underperformance. We mostly attribute the weakness to inflation / supply chain concerns for renewable developers and perhaps some around renewed COVID fears given AES' exposure in emerging markets.





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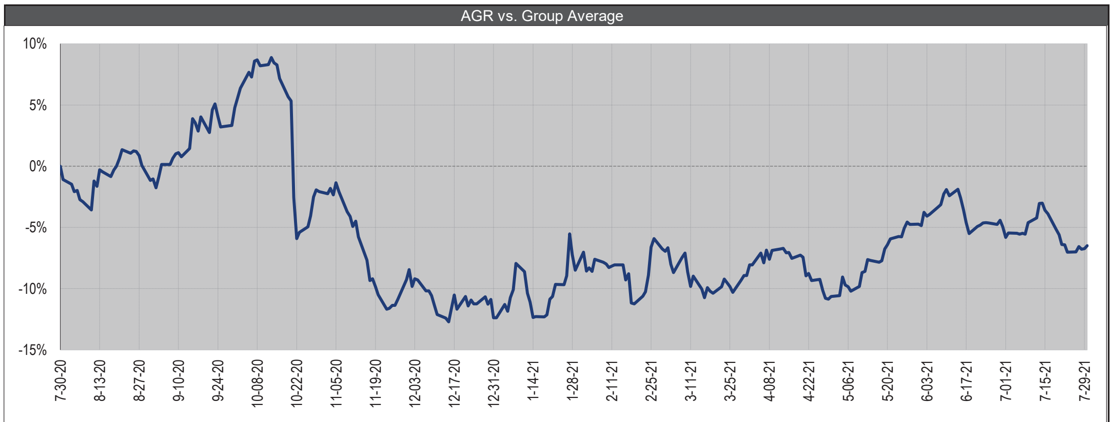
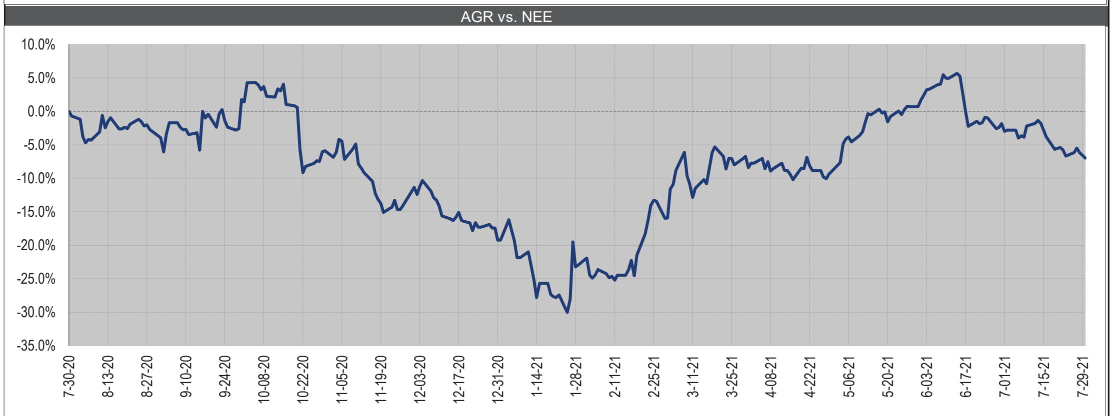
Avangrid (AGR) $52.14, Underperform, $47 PT

AGR underperformed into its earnings call in the back-half of the month. That said, the stock is still outperforming on the year. The Q2 update was a bit messy, as AGR raised its net income guidance, but lowered its EPS guidance to reflect the share issuance associated with the PNM merger (without the PNM earnings contribution). Given the Winter Storm Uri benefit in Q1 of $0.27/sh, our sense is that the business is on track (not ahead or behind) for the year when adjusting for that the dilution.

AGR vs. Group Average



AGR vs. NEE



AGR vs. Regulated Average

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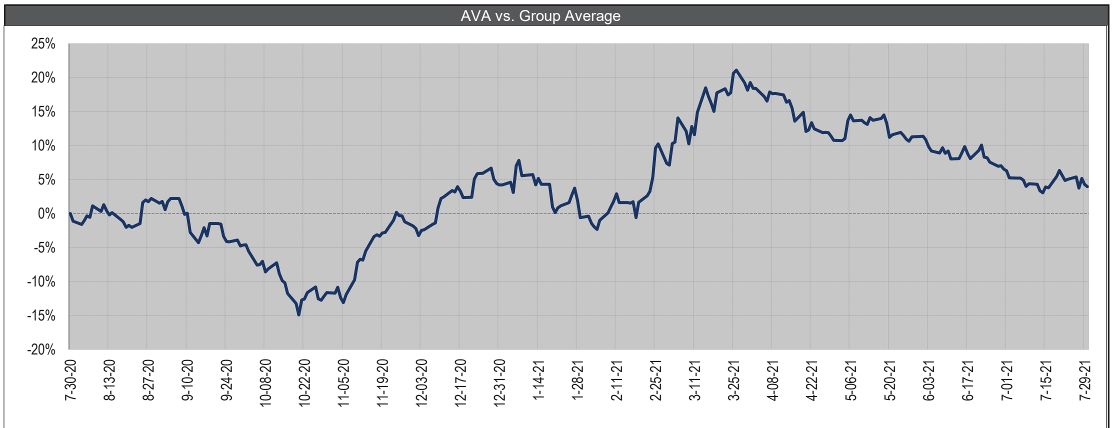
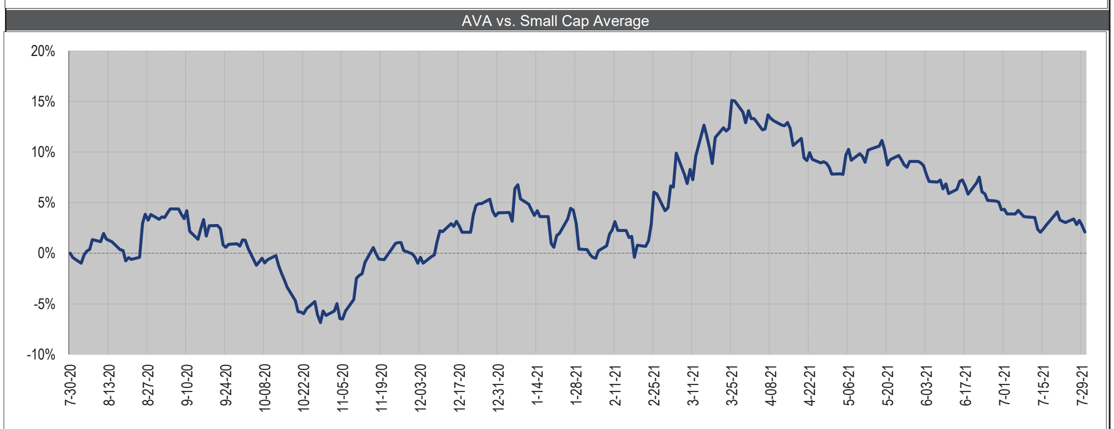
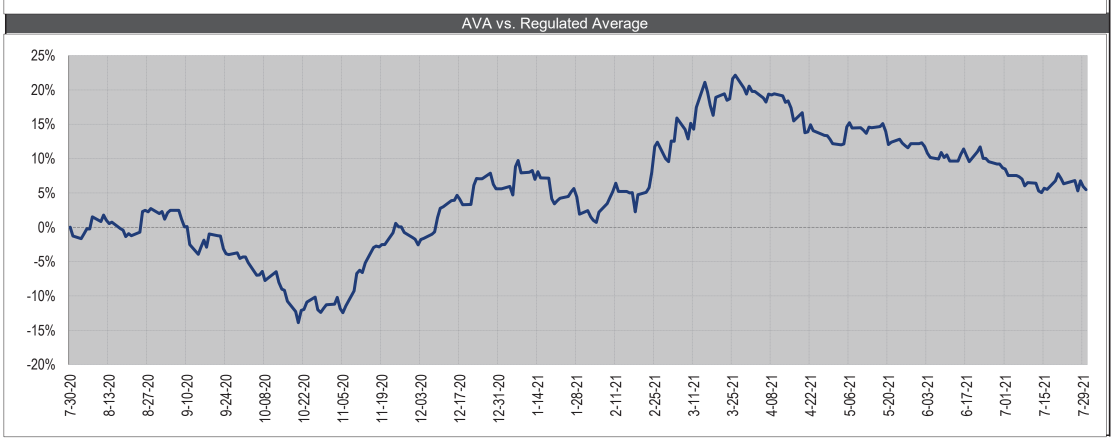
WOLFE RESEARCH

Avista Corporation (AVA) $42.83, NR





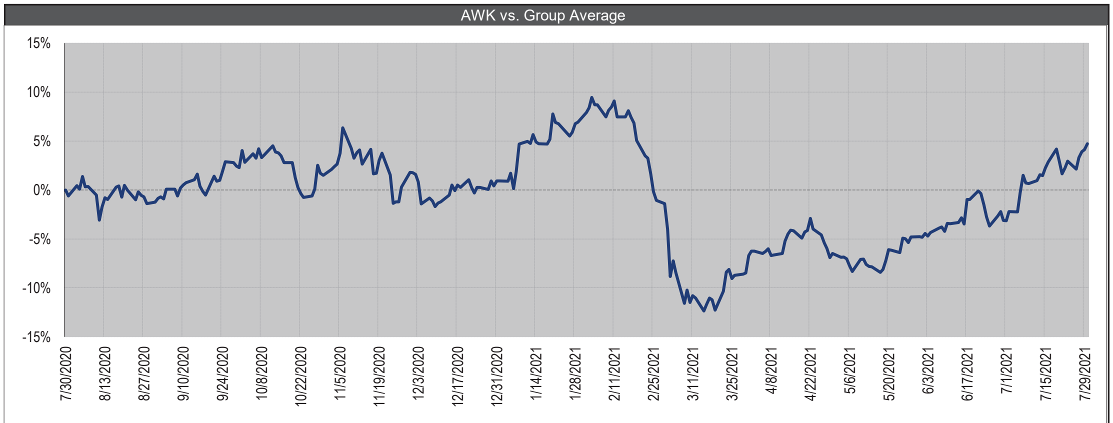


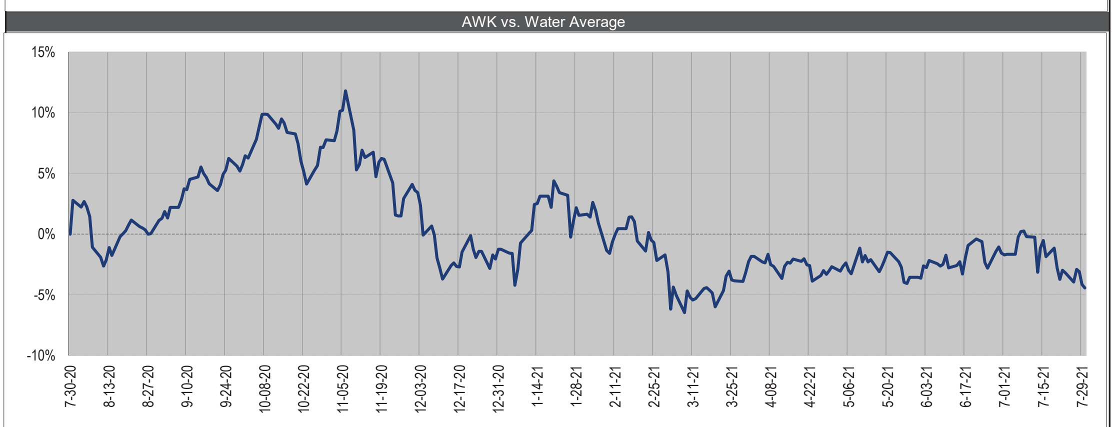
8/1/2021

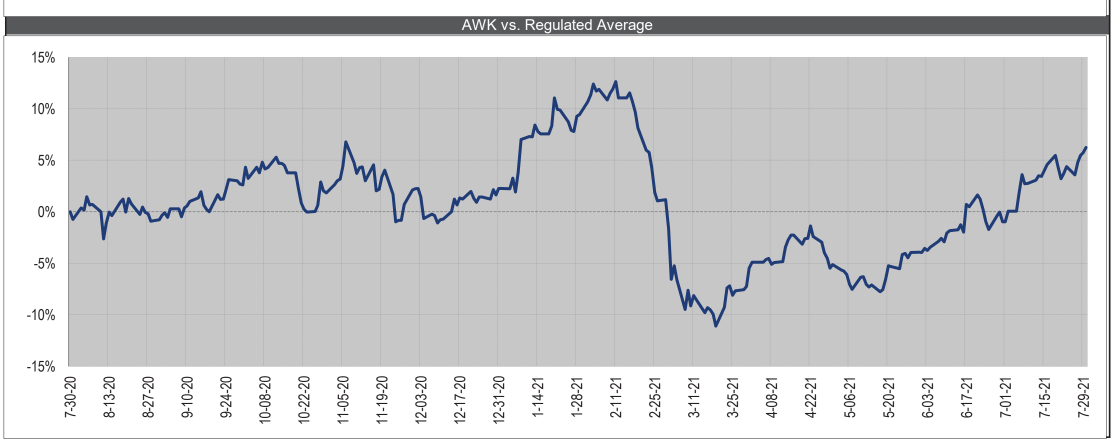
WOLFE RESEARCH

American Water Works (AWK) $170.11, Peer Perform, $156 PT

AWK was the top performer in the group during the month of July. That said, AWK still underperformed its water utility peers (MSEX was up big after being added to the S&P Small Cap Index). It was a relatively quiet month for AWK, we attribute the outperformance to the revival of utility stocks generally – the US 10Y continued to fall and growth / recovery stocks took a breather on COVID fears from the delta variant.







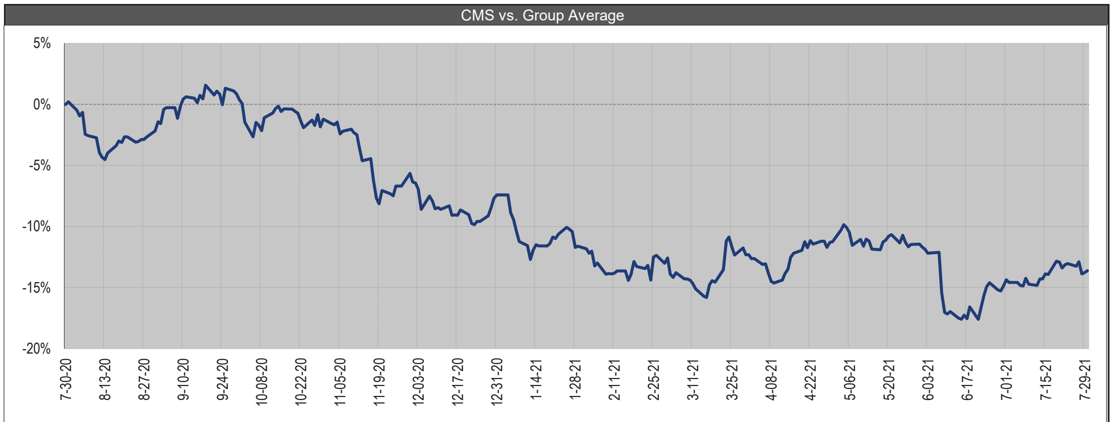
8/1/2021

WOLFE RESEARCH

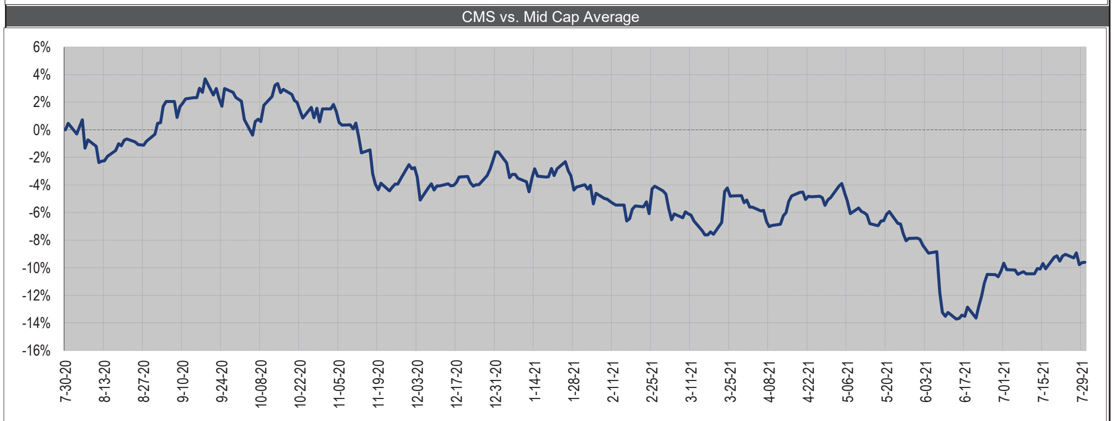
CMS Energy (CMS) $61.79, Peer Perform, $64 PT

CMS traded in-line with peers for the month, but is trailing most of the sector in 2021. After a busy June that featured the Enerbank sale and IRP filing, news flow was a bit quieter in July. CMS set the record straight with a bullish tone on its Q2 call near month-end – pointing to the high-end of 2021 guidance and the 6-8% L-T EPS CAGR, with confidence in IRP approval that should result in $1B+ in incremental rate base opportunities tied to two existing gas plants.

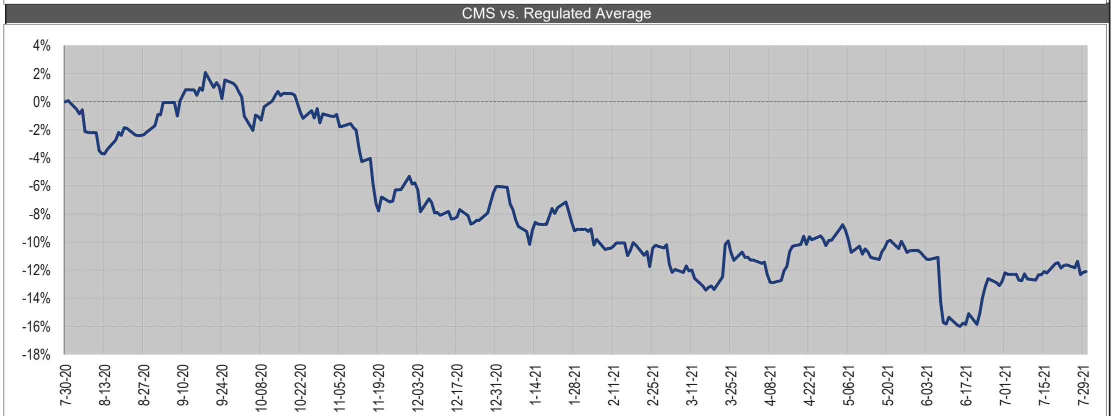
CMS vs. Group Average



CMS vs. Mid Cap Average



CMS vs. Regulated Average

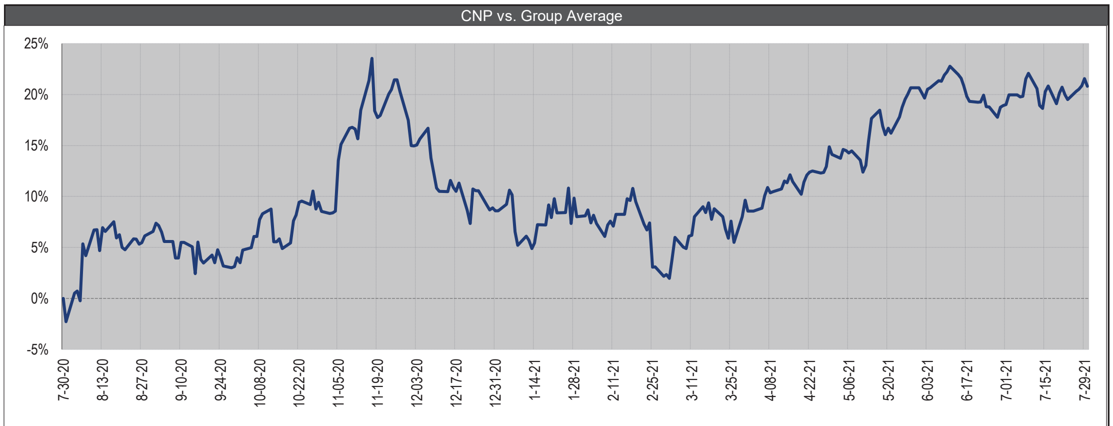


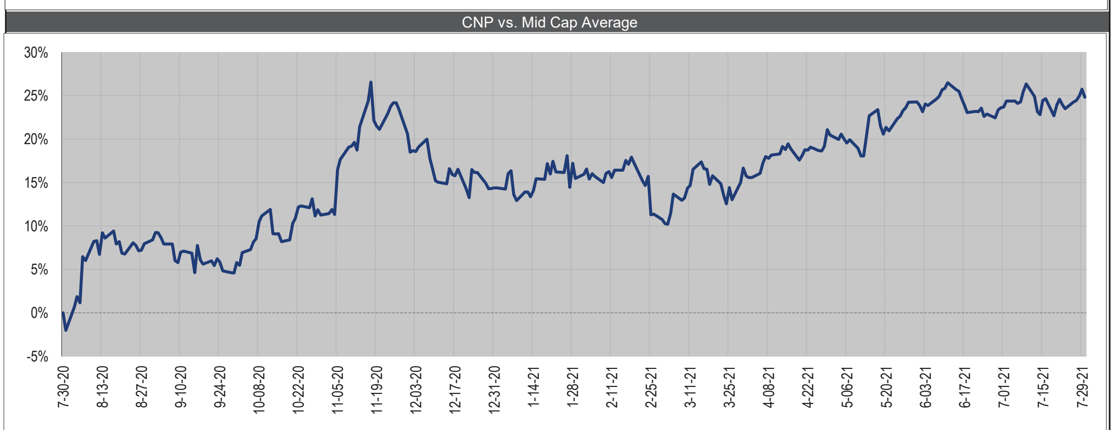
8/1/2021

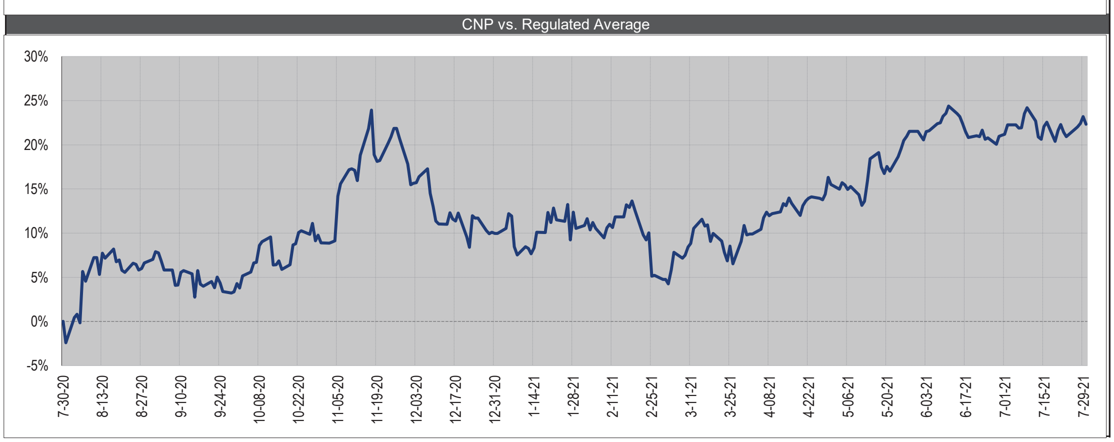
WOLFE RESEARCH

CenterPoint Energy (CNP) $25.46, Outperform, $28 PT

CNP modestly underperformed the group in July. During the month, CNP announced several changes to its Board and governance structure. Most notable of which being that longtime Executive Chair, Milton Carroll, was leaving the company and that his position was being eliminated entirely in favor of new independent leadership. CEO Dave Lesar was also given a multi-year retention grant (1M shares over two years).





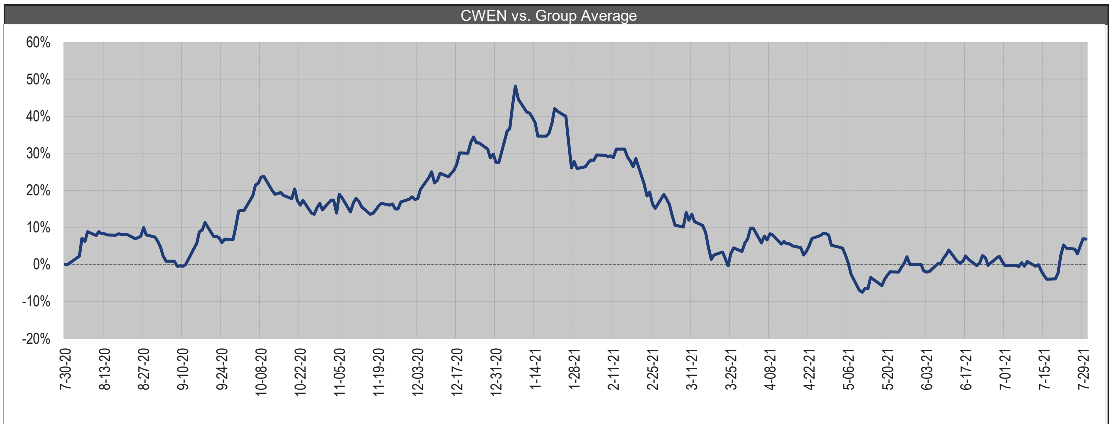


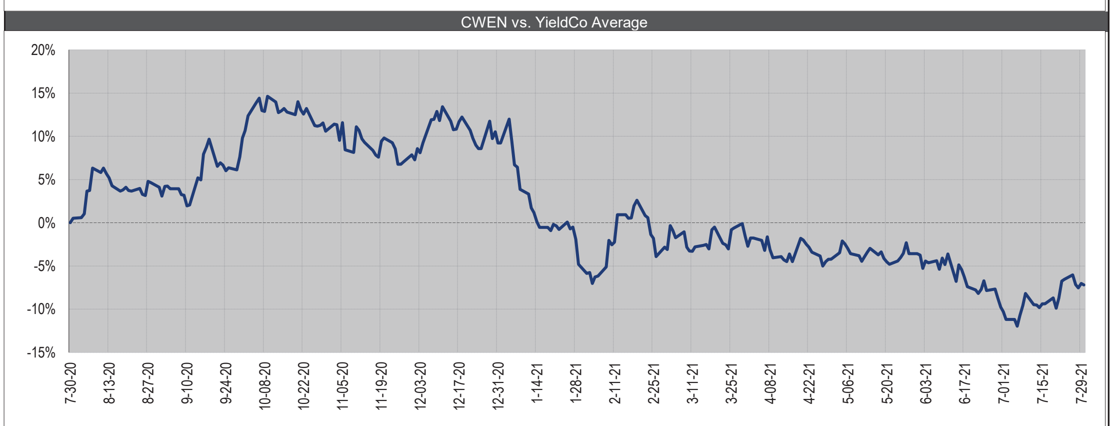
8/1/2021

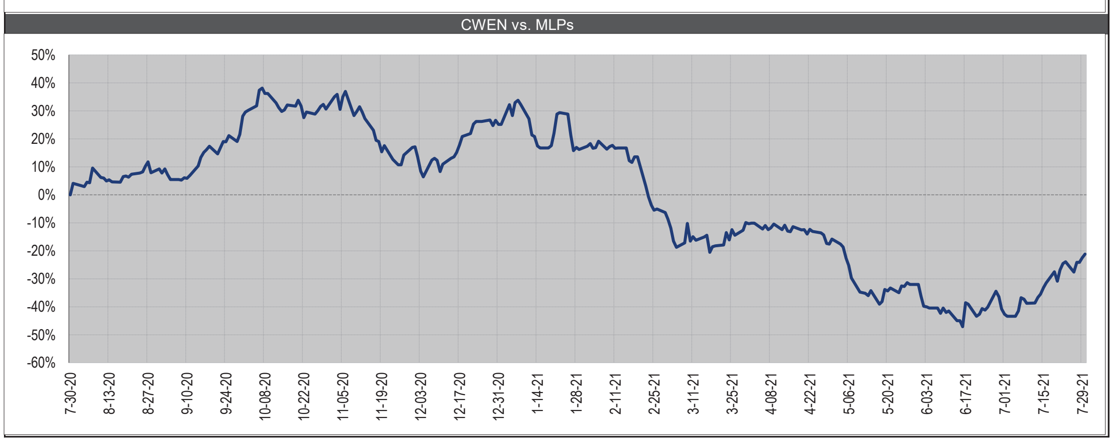
WOLFE RESEARCH

Clearway Energy (CWEN) $28.68, Outperform, $33 PT

CWEN was one of the best performers in the broader group in July and outperformed YieldCo peers, although it still remains the worst performing YieldCo YTD. Recent attention has been on the potential for the company to sell its thermal business at an accretive valuation that would recycle capital and provide funding for new growth.





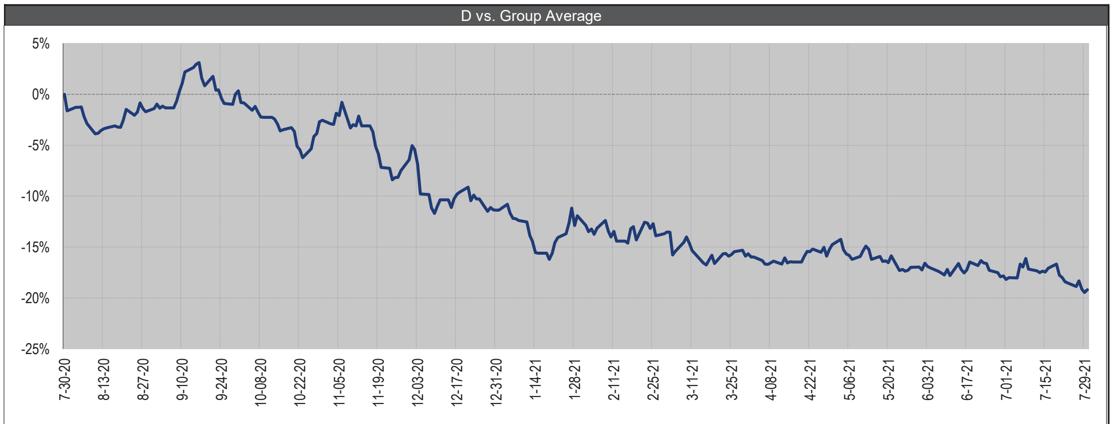


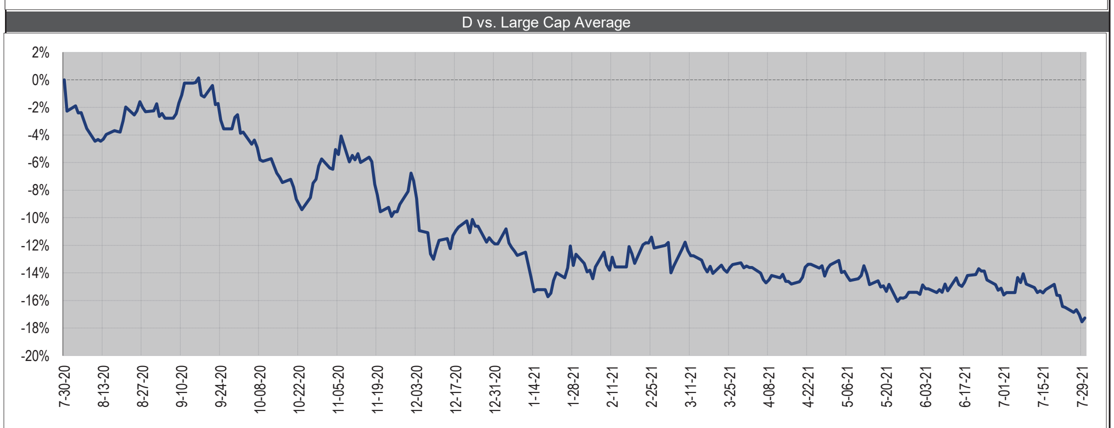
8/1/2021

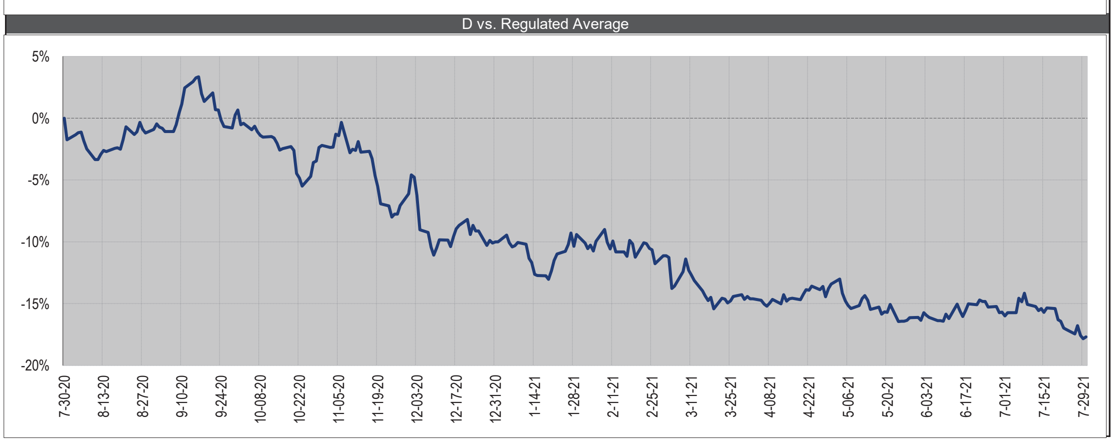
WOLFE RESEARCH

Dominion Energy (D) $74.87, Outperform, $88 PT

D underperformed the utility average in July and is now the worst performing regulated utility YTD (ex-CA utilities PCG and EIX). During the month, D terminated its Q-Pipe transaction with Berkshire due to ongoing uncertainty associated with achieving the requisite HSR clearance from the FTC; but D is targeting a sale by YE to an alternative buyer. D did receive some good news out of South Carolina when the PSC approved DESC's rate case settlement.





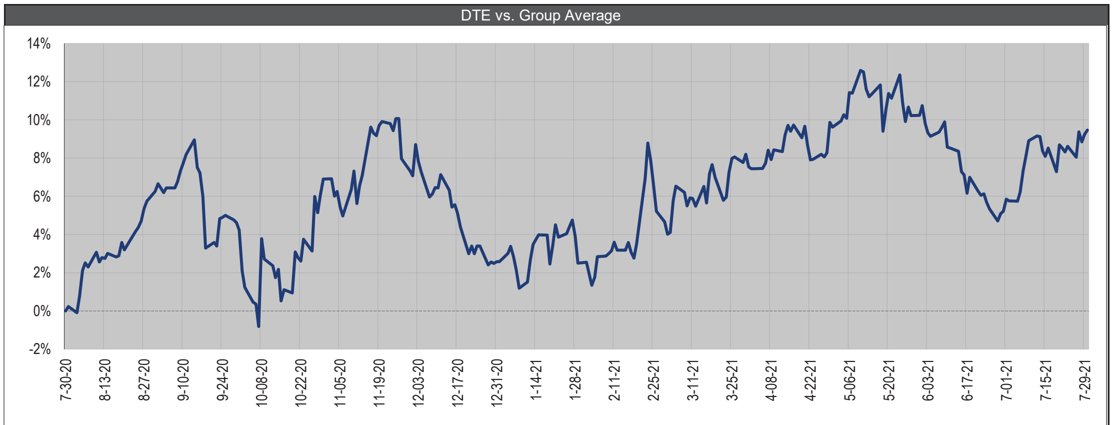


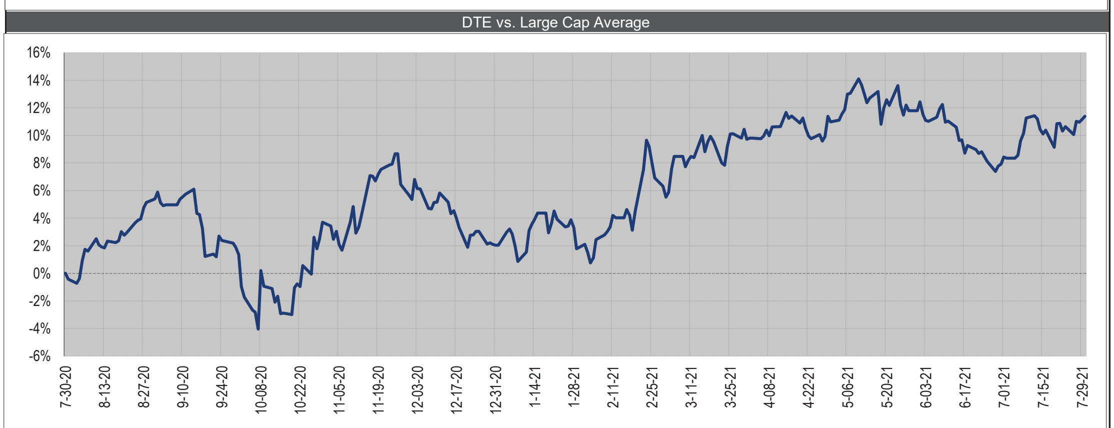
8/1/2021

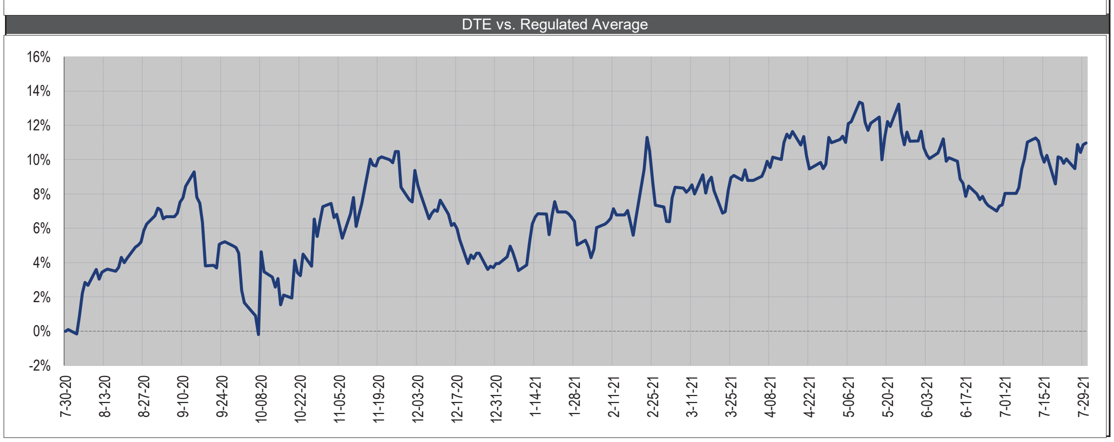
WOLFE RESEARCH

DTE Energy (DTE) $117.32, Peer Perform, $119 PT

DTE returned to outperforming in July, as the company completed its spin of DT Midstream. Earnings were strong as expected – Q2 beat consensus, 2021 guidance was raised, and mgmt. reiterated confidence in the L-T 5-7% EPS CAGR.







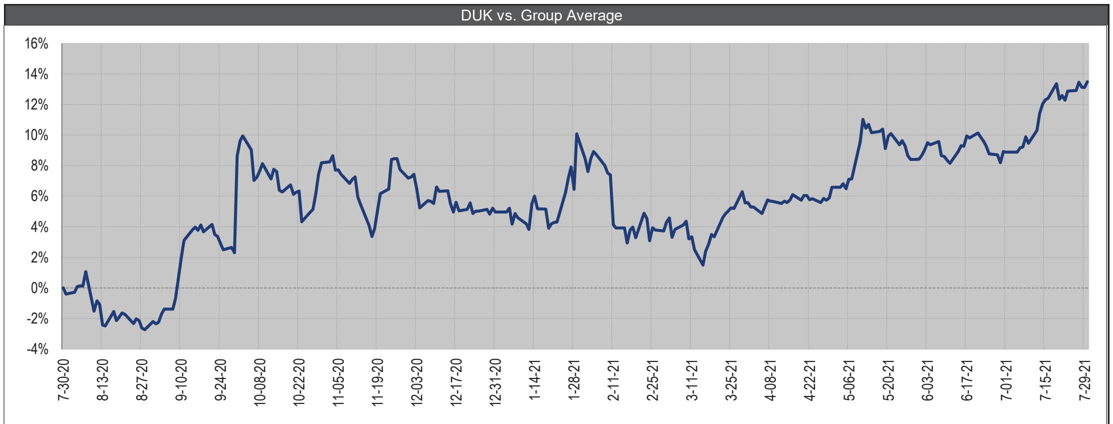
8/1/2021

WOLFE RESEARCH

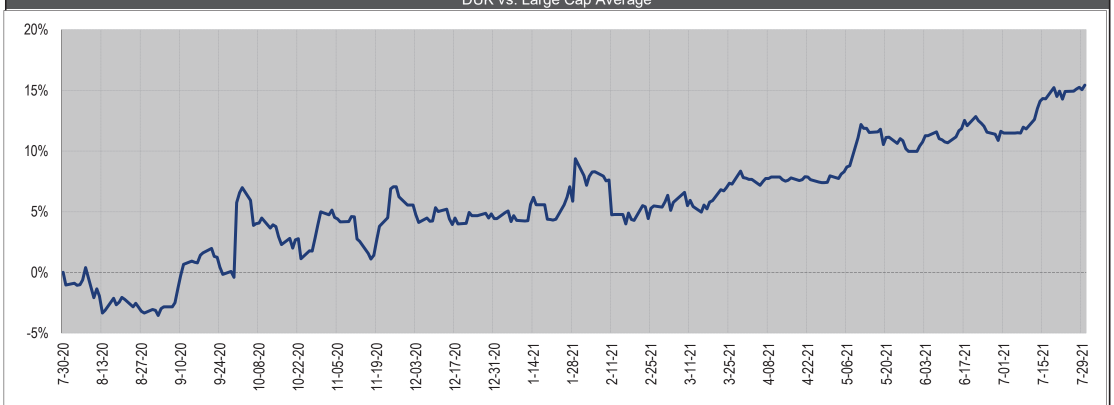
Duke Energy (DUK) $105.11, Peer Perform, $106 PT

DUK again reached 52-week highs relative to peers, as legislation advanced in the NC House on a partisan vote (Gov still opposes) and activism continued with a letter exchange between Elliott and mgmt.

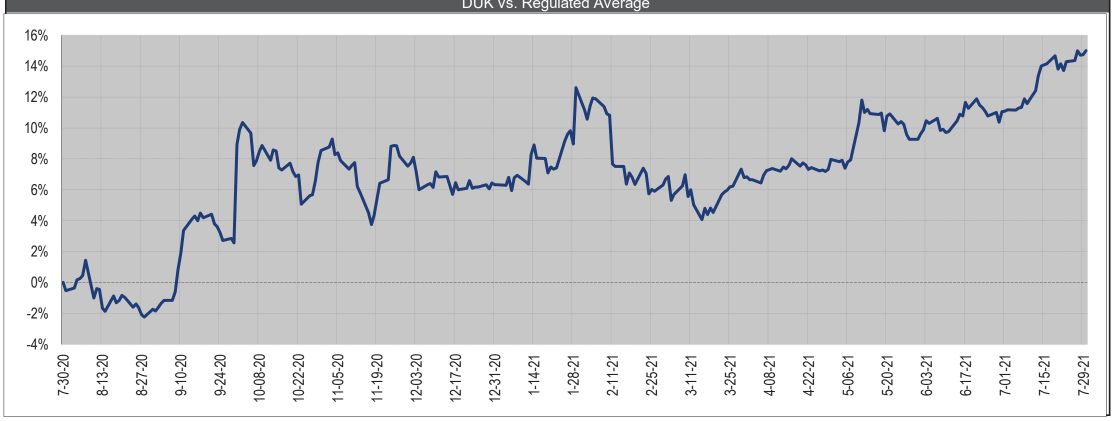
DUK vs. Group Average



DUK vs. Large Cap Average



DUK vs. Regulated Average

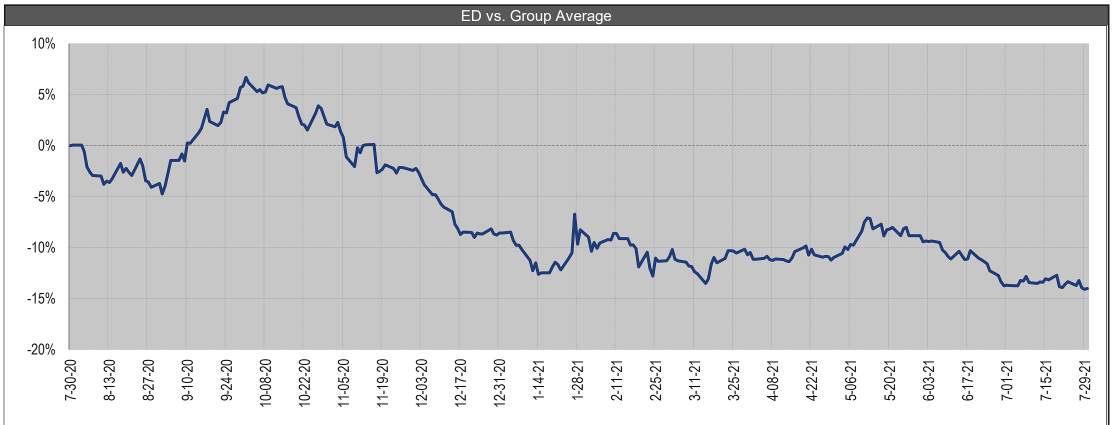


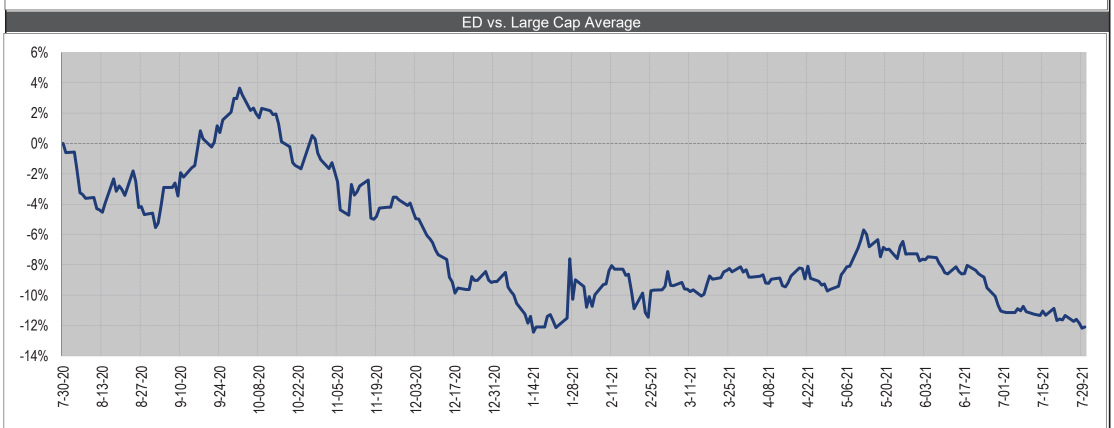
8/1/2021

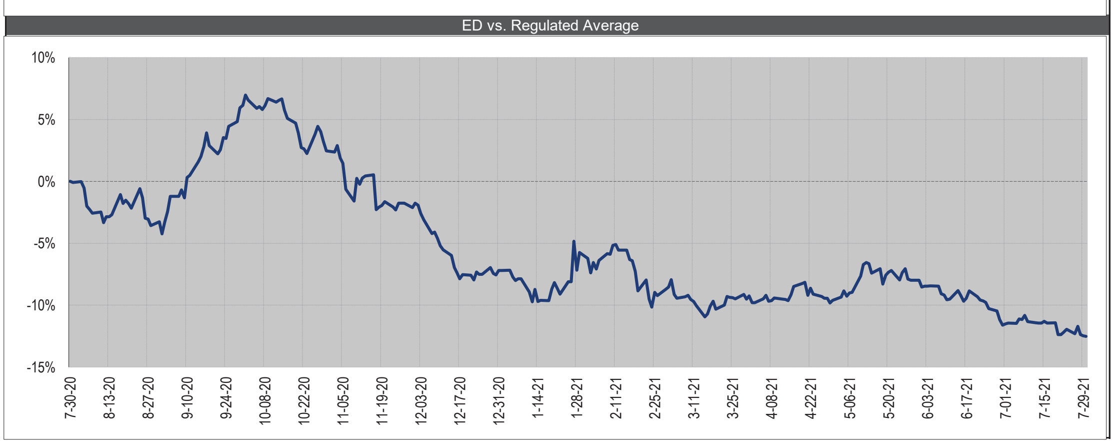
WOLFE RESEARCH

Consolidated Edison (ED) $73.77, Underperform, $73 PT

ED modestly underperformed the utility average in July. During the month, the NY PSC accepted settlement terms for alleged violations primarily associated with Tropical Storm Isaias. ED's CECONY and O&R utilities agreed to pay $82M in fines/penalties. Only $30-35M of that has yet to be spent or run through the P&L though. ED expects to find cost control offsets for the $0.07-0.08 EPS headwind.





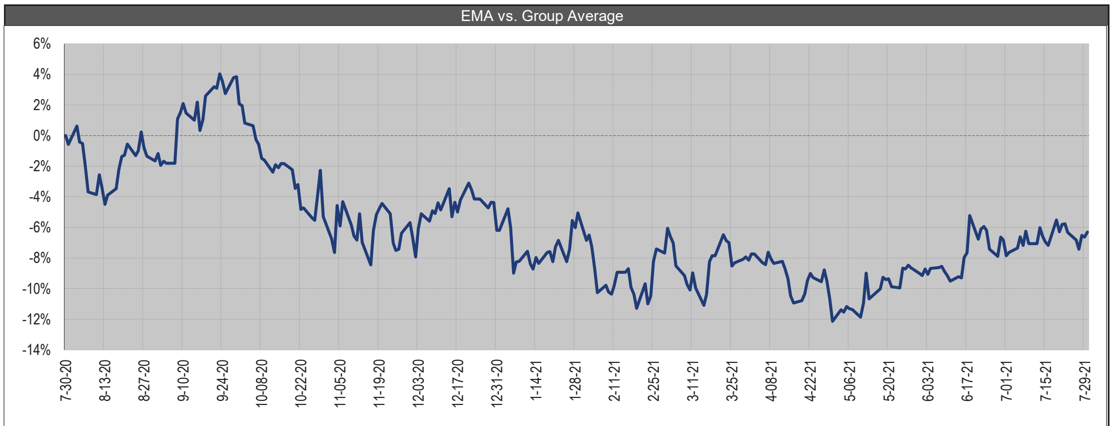


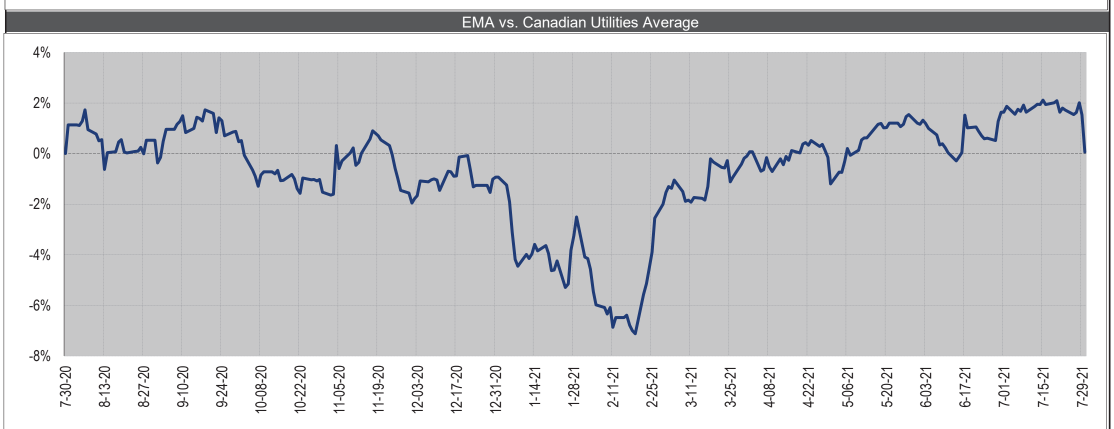
8/1/2021

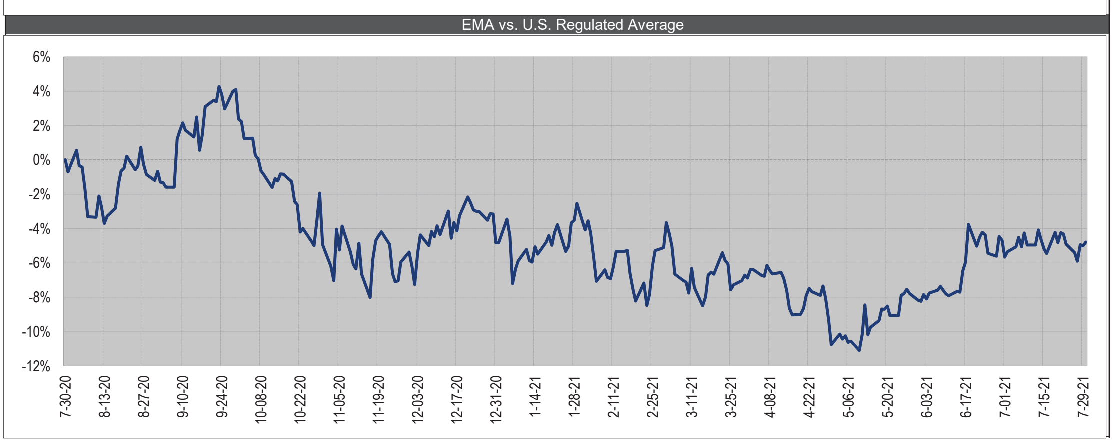
WOLFE RESEARCH

Emera (EMA) $58.19, Peer Perform, $60 PT

EMA finished about in line with the US utility average in July and slightly ahead of its closest Canadian peer FTS. In July, the Premier in Nova Scotia announced a more aggressive renewable standard for the province during the month – 80% of all energy to now come from renewables by 2030.





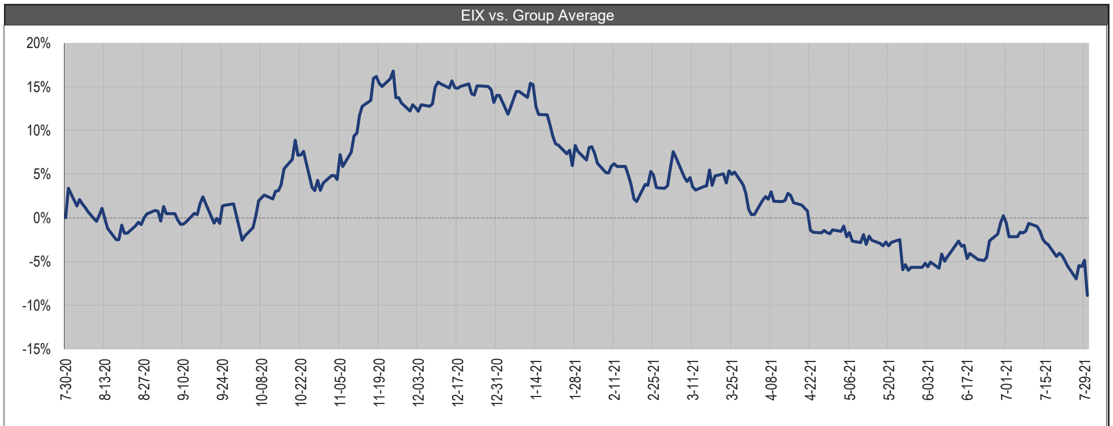


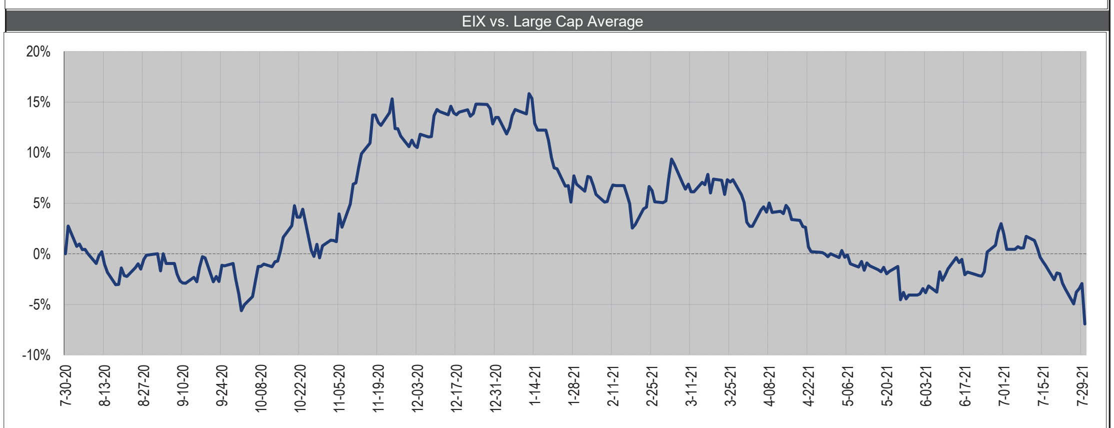
8/1/2021

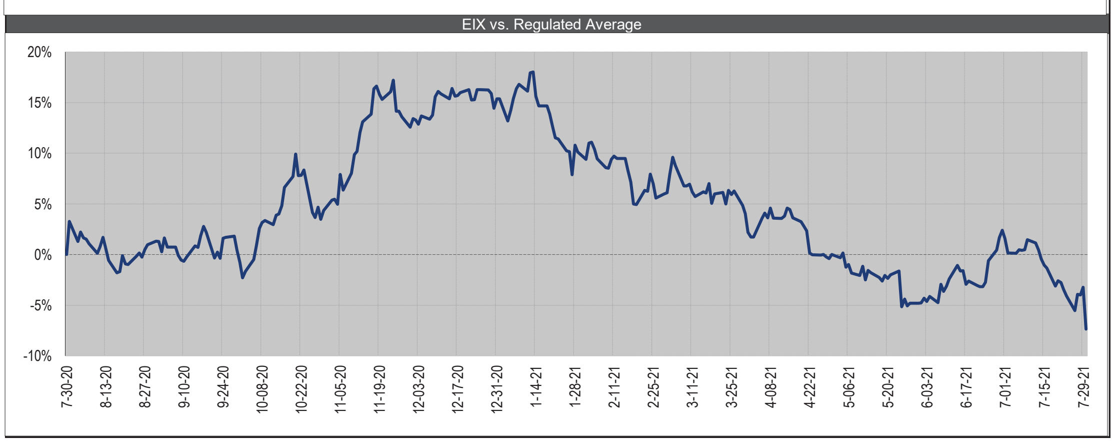
WOLFE RESEARCH

Edison International (EIX) $54.50, Outperform, $66 PT

EIX gave back all of its outperformance from the previous month and then hit new relative lows after Q2 earnings, which included a lower rate base recommendation in its GRC and possibly a ROE cut in 2022.





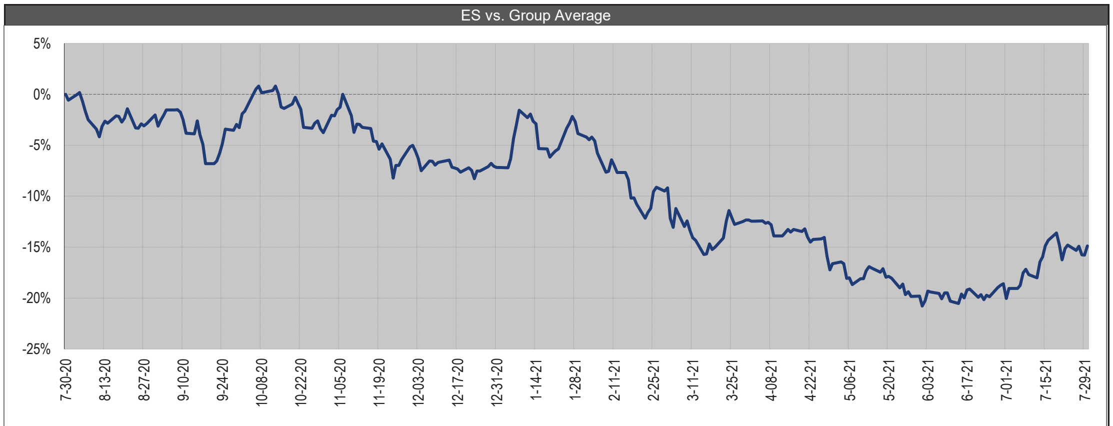


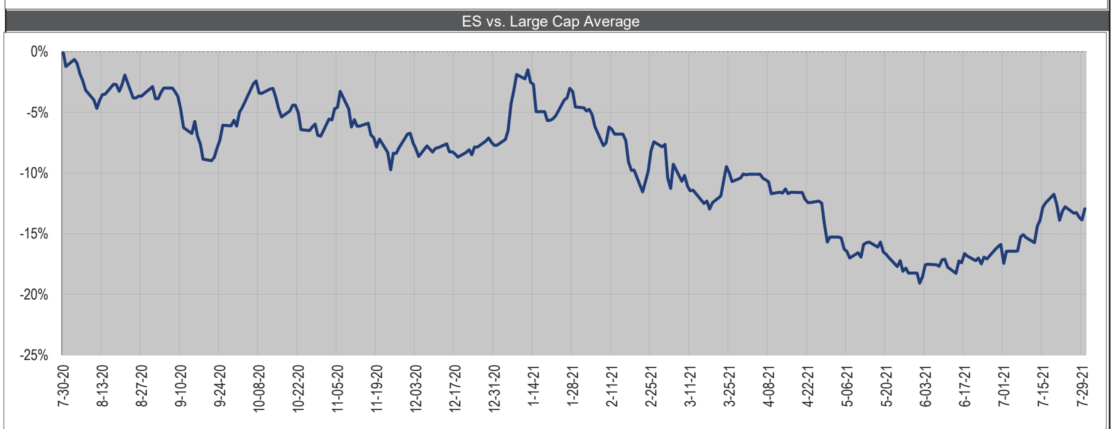
8/1/2021

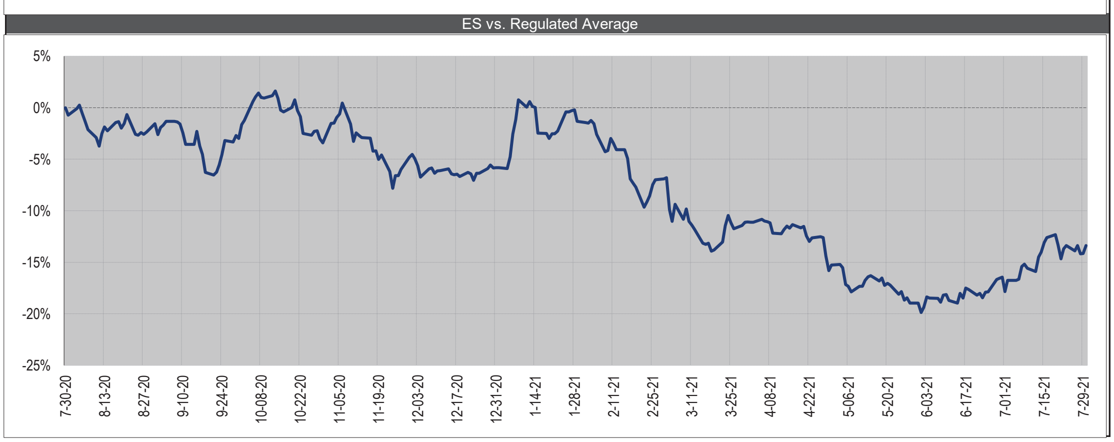
WOLFE RESEARCH

Eversource Energy (ES) $86.27, Outperform, $94 PT

ES outperformed peers for a second straight month after hitting 52-week lows in early Jun, as there was more positive tone on a potential settlement in CT over rates, and likely ROE and capital structure.





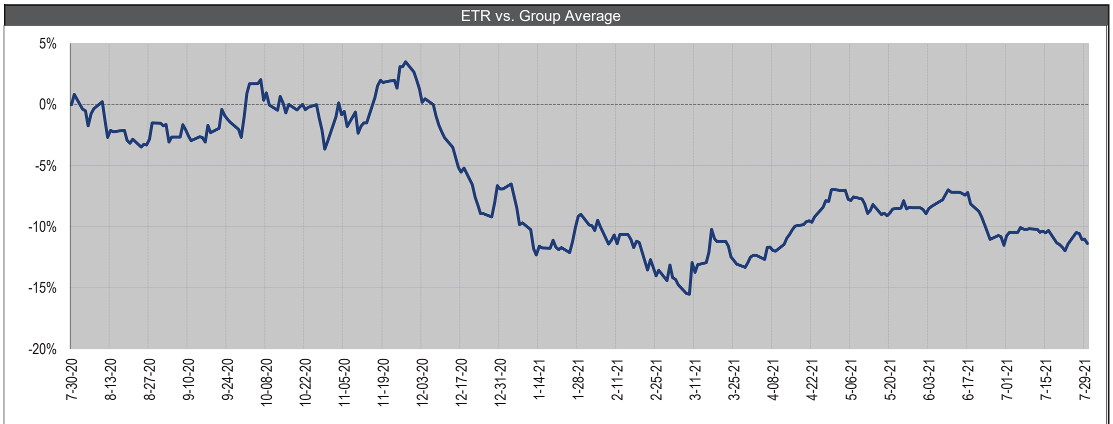


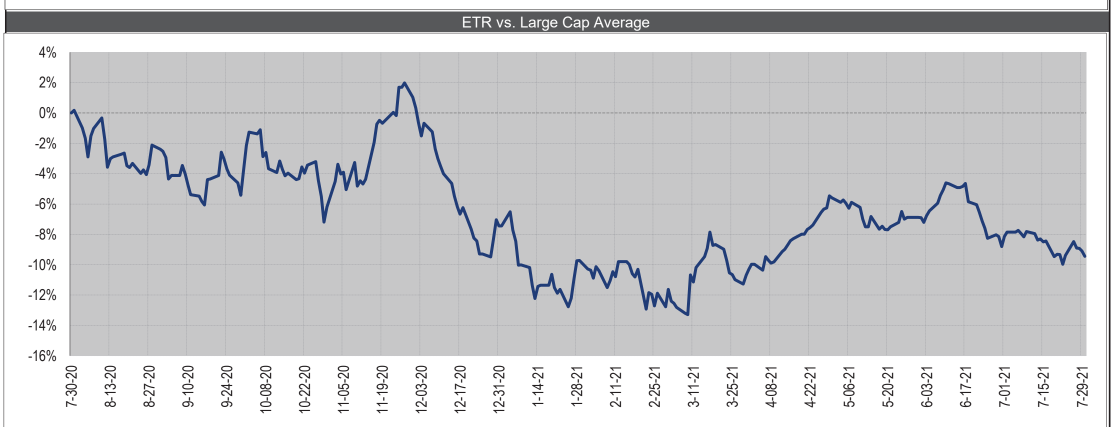
8/1/2021

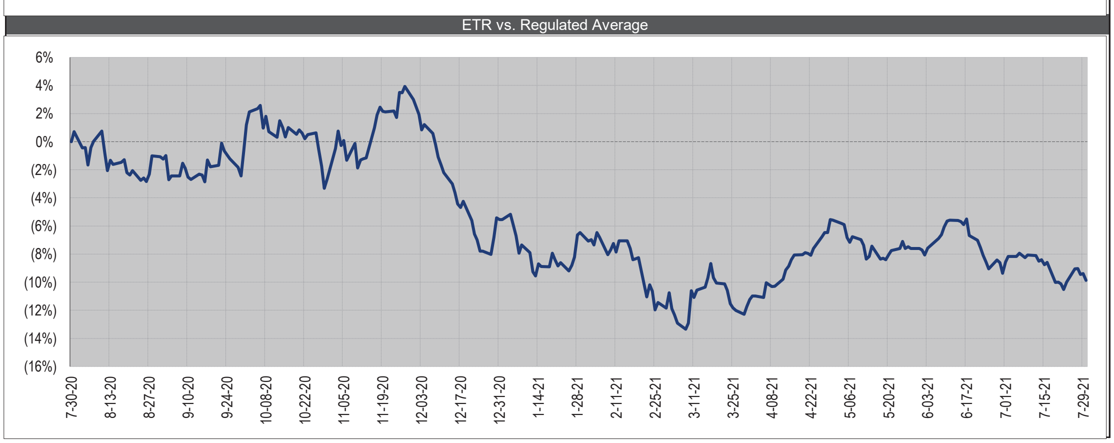
WOLFE RESEARCH

Entergy (ETR) $102.92, Outperform, $120 PT

ETR underperformed peers in Jul on little news, possible on concerns over equity or preferred equity issuances in 2H21.



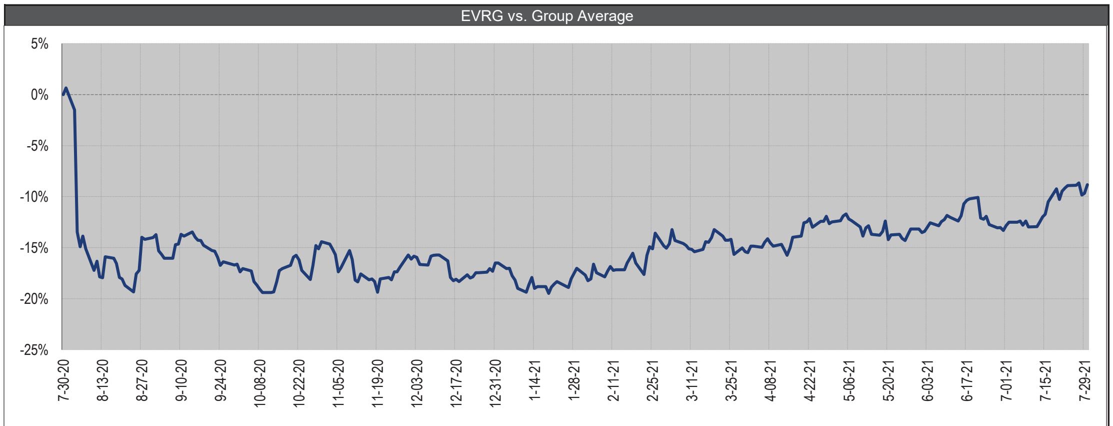


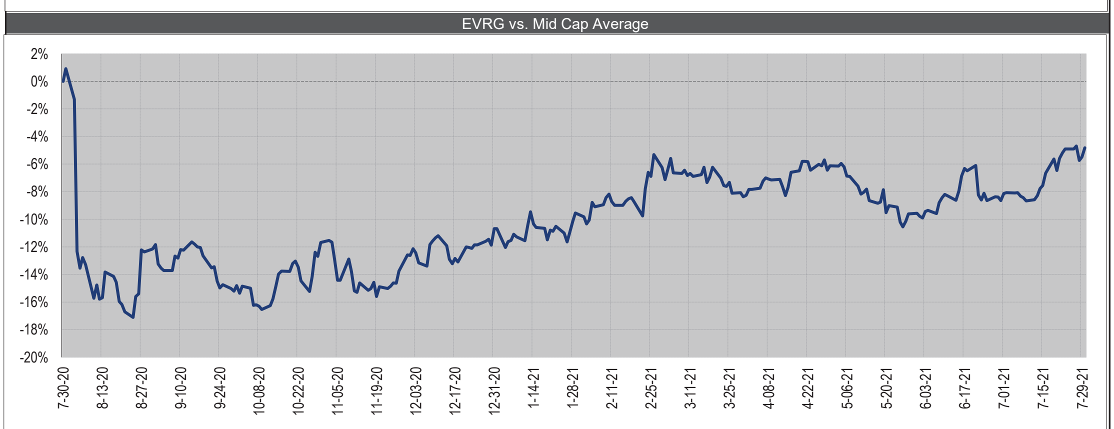


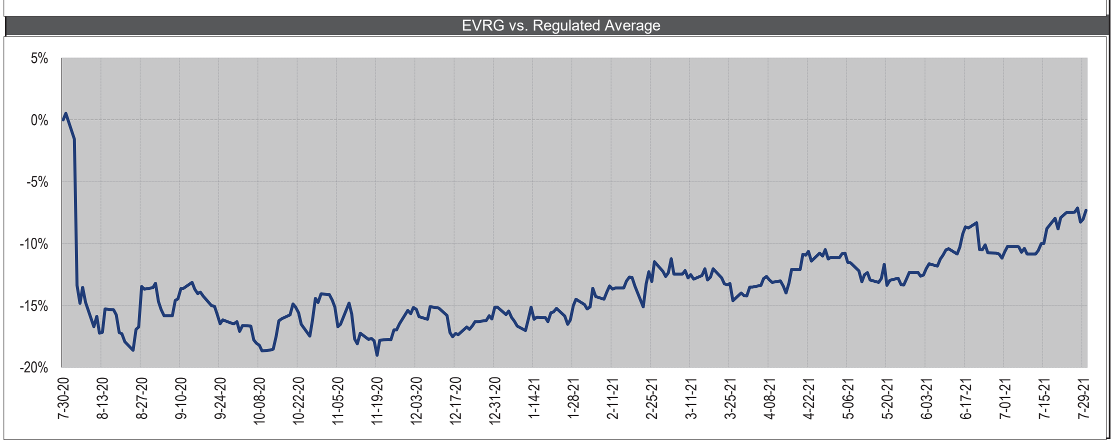
8/1/2021

Evergy (EVRG) $65.22, Outperform, $69 PT

EVRG was one of the top-performers in July on no real news. This stock is also towards the top of the leaderboard for 2021. We see Q2 earnings as being relatively uneventful, but are buyers into the September Analyst Day that should better highlight the long-term plan under new mgmt.





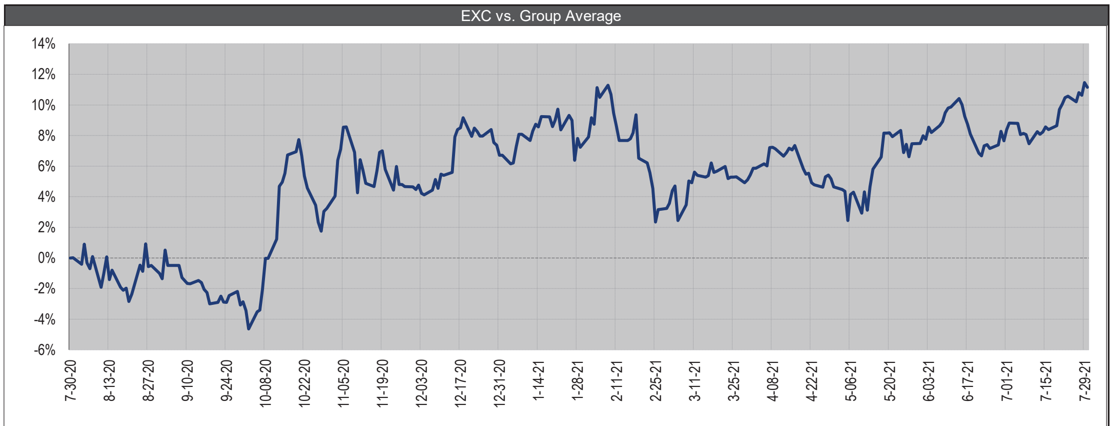


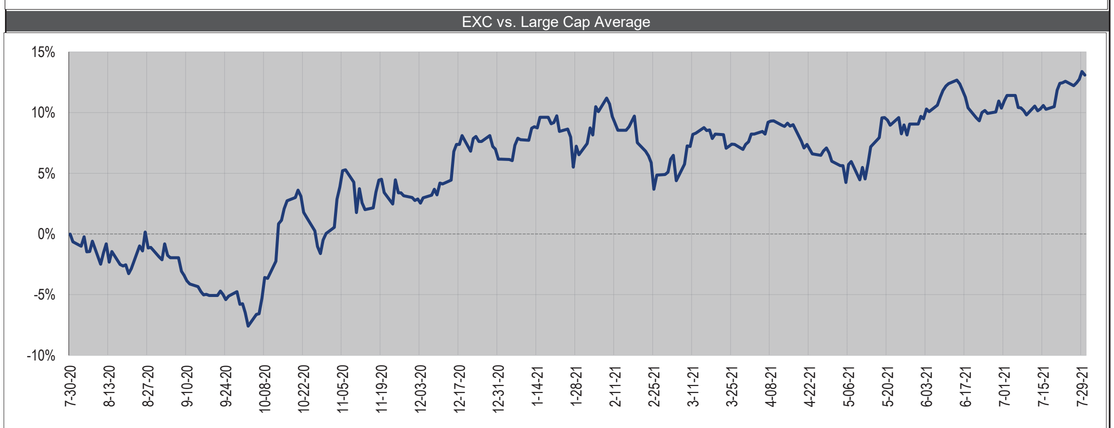
8/1/2021

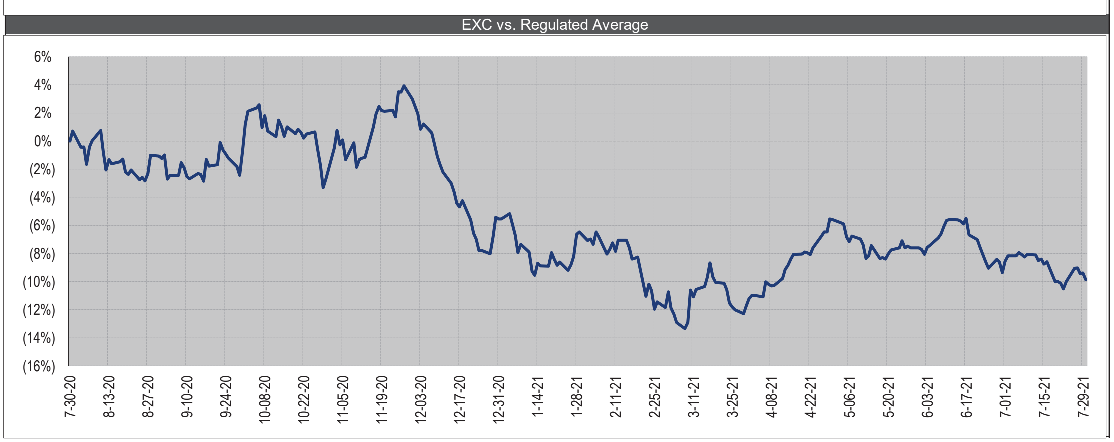
WOLFE RESEARCH

Exelon (EXC) $46.80, Outperform, $52 PT

EXC hit 52-week highs relative to large cap peers, despite no progress on IL legislation (for now) as federal nuke PTCs gained momentum and now looks poised to be included in the infra or reconciliation legislation.





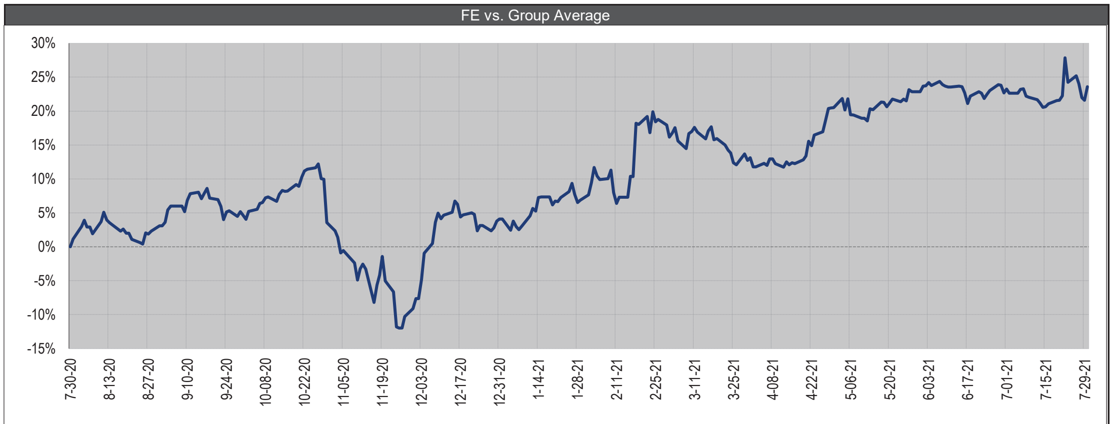


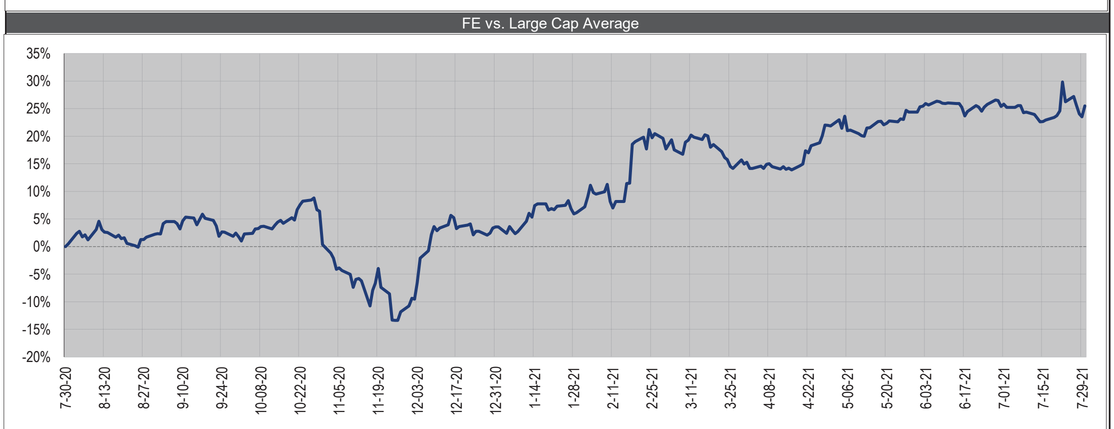
8/1/2021

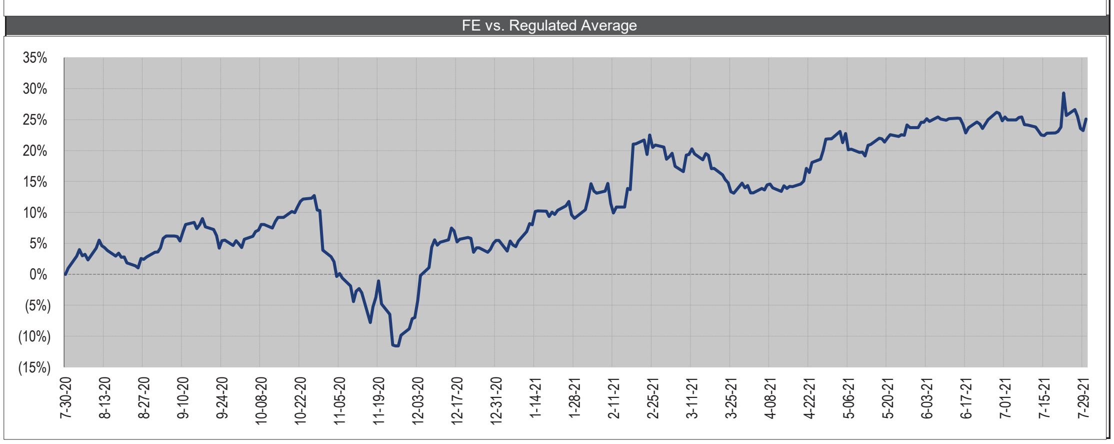
WOLFE RESEARCH

FirstEnergy (FE) $38.32, Outperform, $43 PT

FE traded sideways for most of the month, before popping on the announcement of a deferred prosecution agreement with the DoJ that resulted in a $230M fine. From there the stock quickly gave back the gains, as attention and concern shifted to resolution in Ohio where we see less earnings downside than some of the bears. FE is still the top performer on the year though.





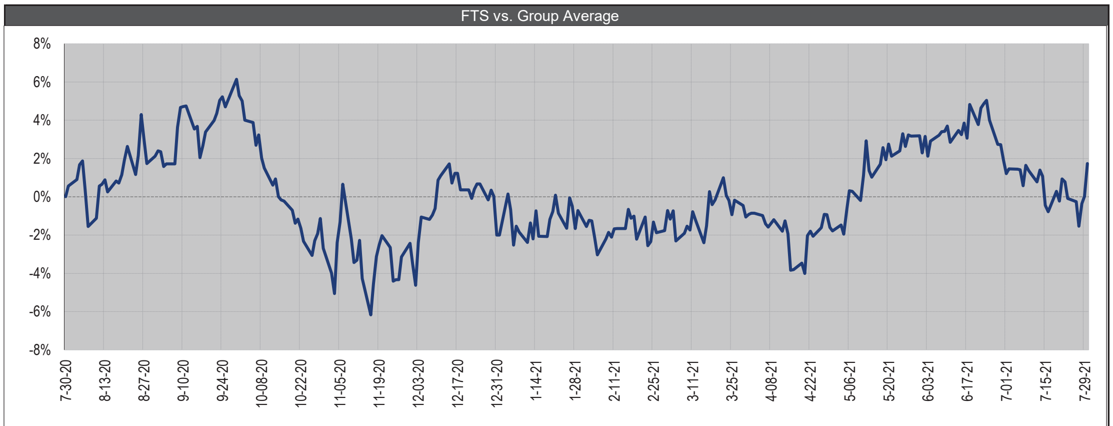


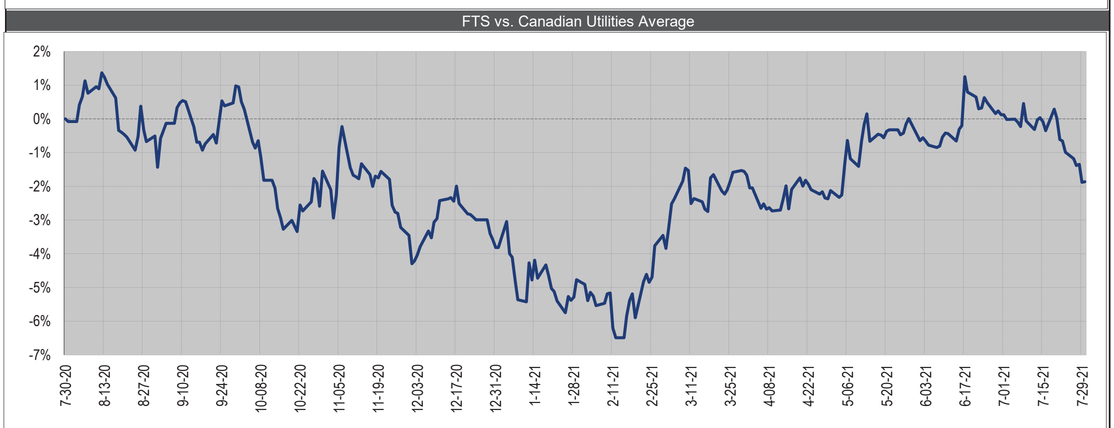
8/1/2021

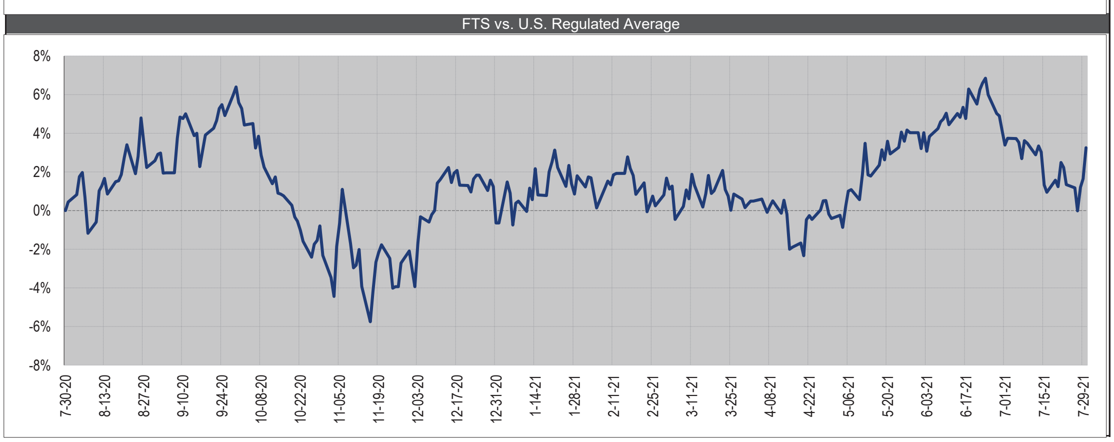
WOLFE RESEARCH

Fortis (FTS) $45.34, Peer Perform, $44 PT

FTS continued to underperform in July, after touching relative highs in mid-June. There was more news flow on FERC transmission – some good in terms of long-term opportunities, and some not so good in terms of ROEs and adders. Then the company reported a Q2 miss on weaker FX.



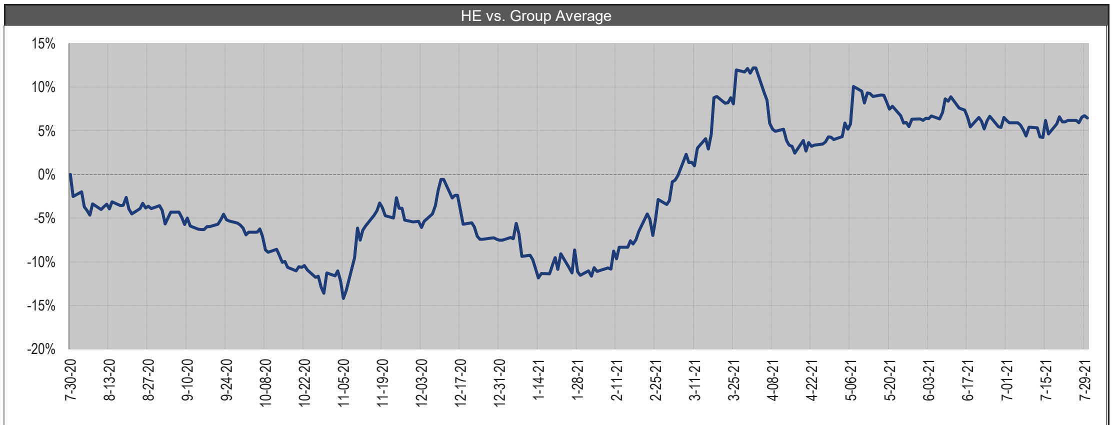


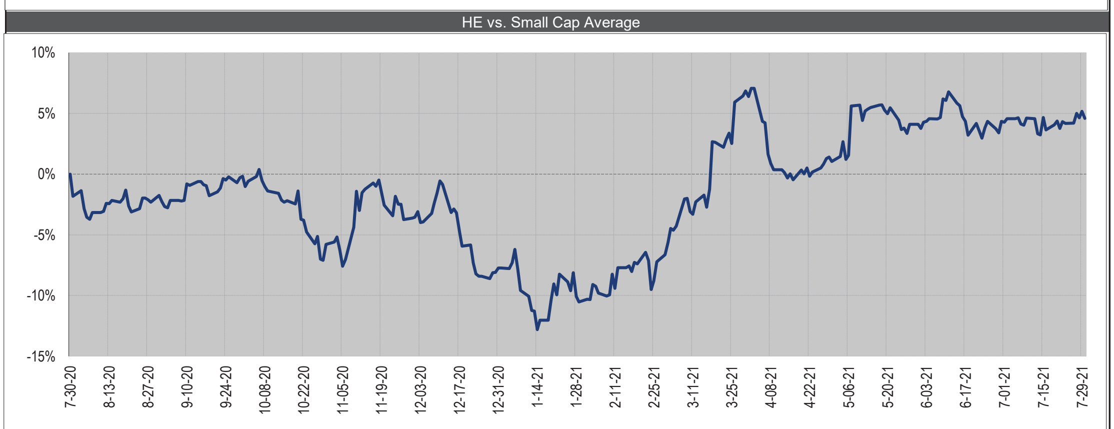


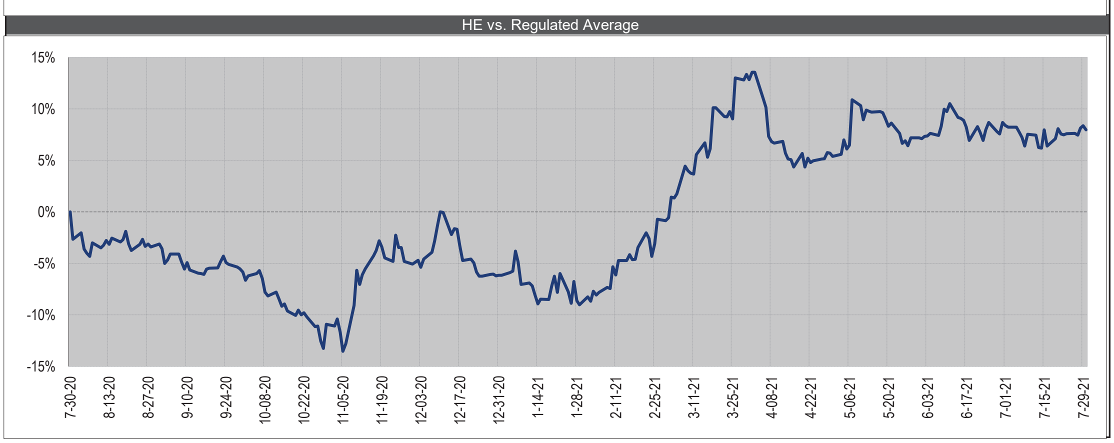
8/1/2021

WOLFE RESEARCH

Hawaiian Electric (HE) $43.34, NR







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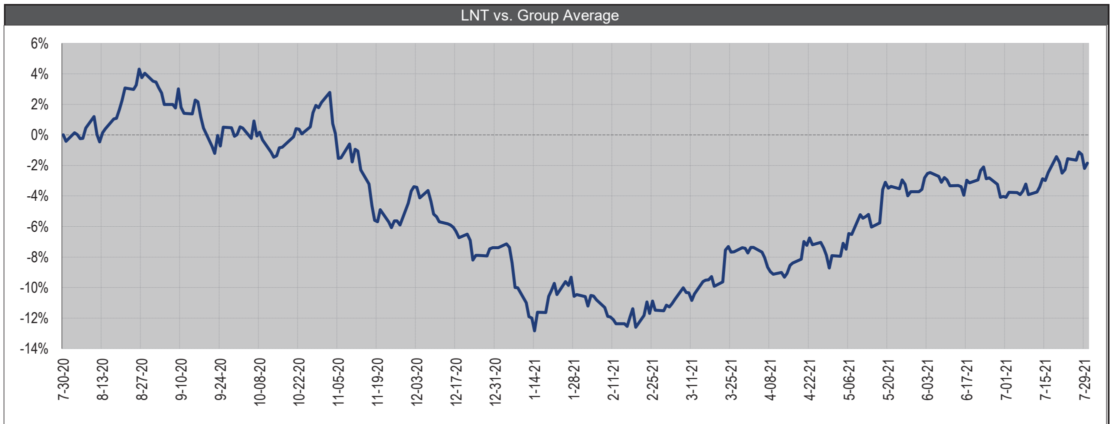
8/1/2021

WOLFE RESEARCH

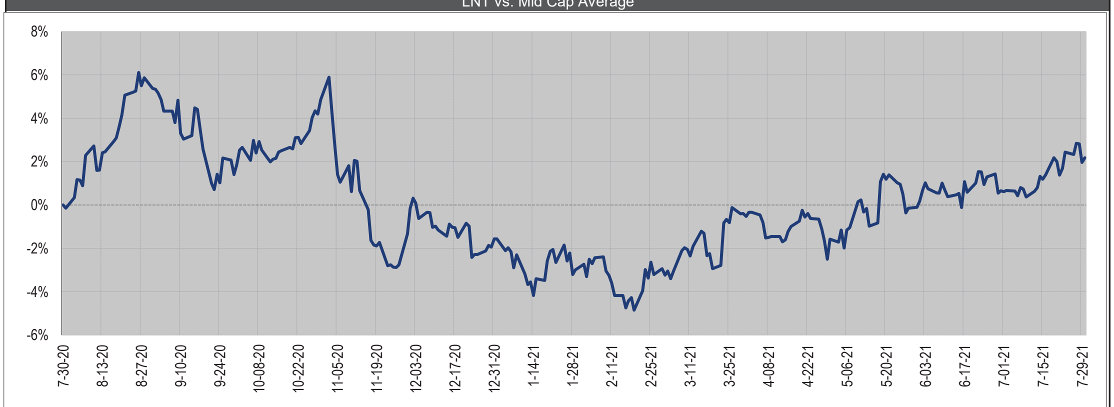
Alliant Energy (LNT) $58.53, Outperform, $61 PT

LNT resumed its outperformance in July and set fresh relative highs. The company hosted an ESG Investor Day that re-highlighted its attractive positioning in terms of minimal coal exposure and sector-leading renewables in rate base with plans to add more.

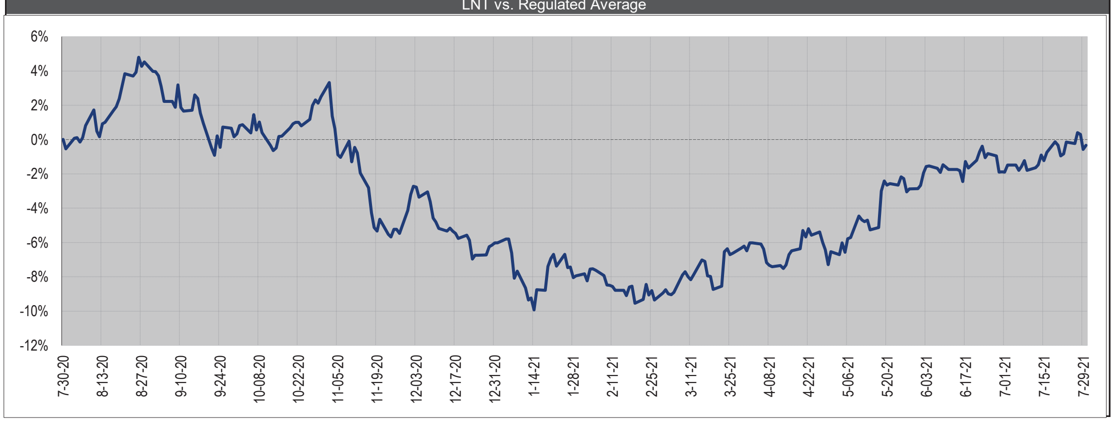
LNT vs. Group Average



LNT vs. Mid Cap Average



LNT vs. Regulated Average



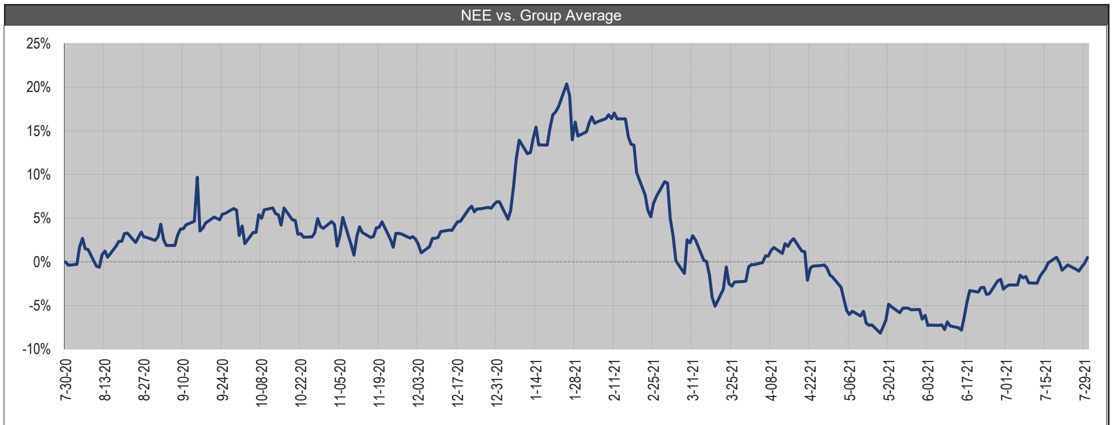
8/1/2021

WOLFE RESEARCH

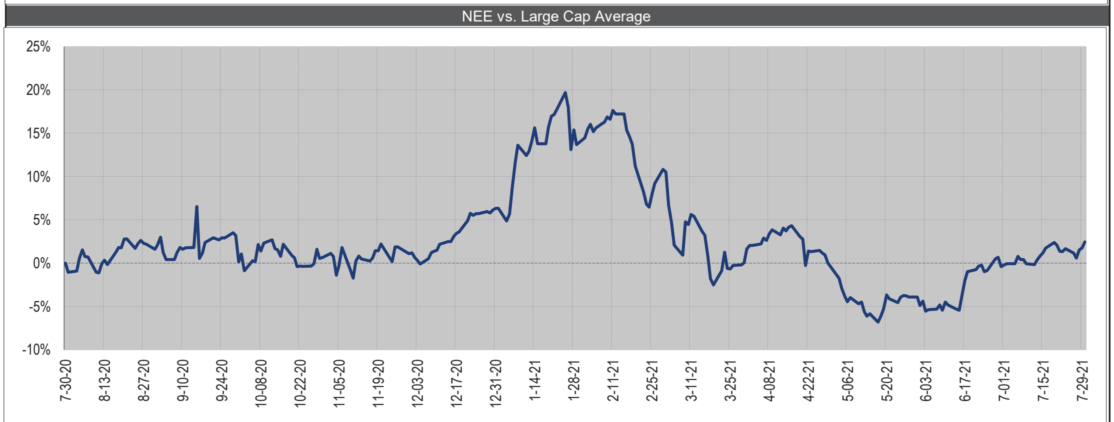
NextEra Energy (NEE) $77.90, Outperform, $91 PT

NEE continued its bounce off of relative lows set in mid-June, after renewables inflation fears weighed on the stock. In a bit of an opposite day, the company reported just in-line earnings for Q2, but outperformed. NEE is still in the rare position of underperforming on the year.

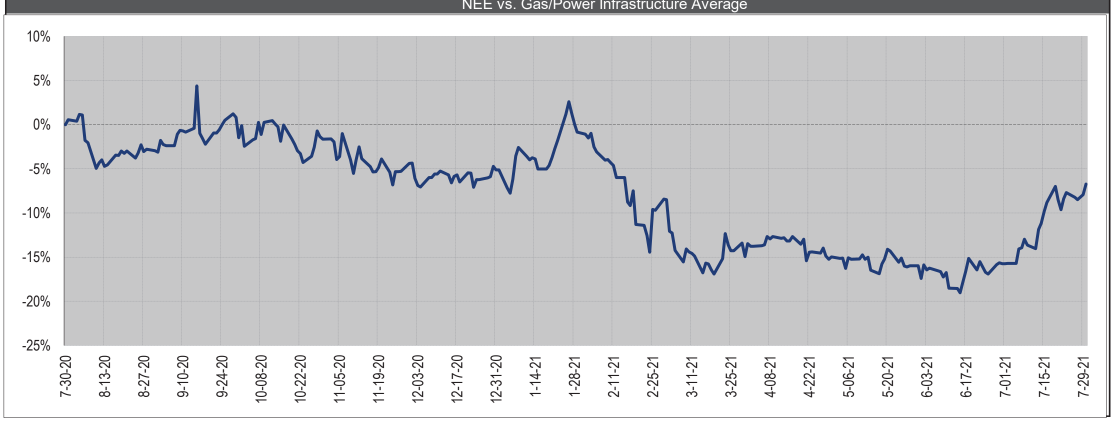
NEE vs. Group Average



NEE vs. Large Cap Average



NEE vs. Gas/Power Infrastructure Average

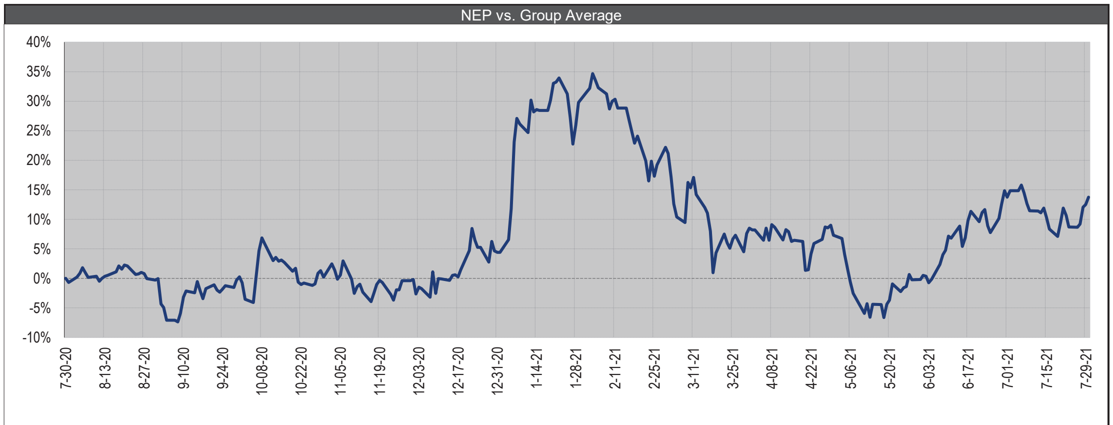


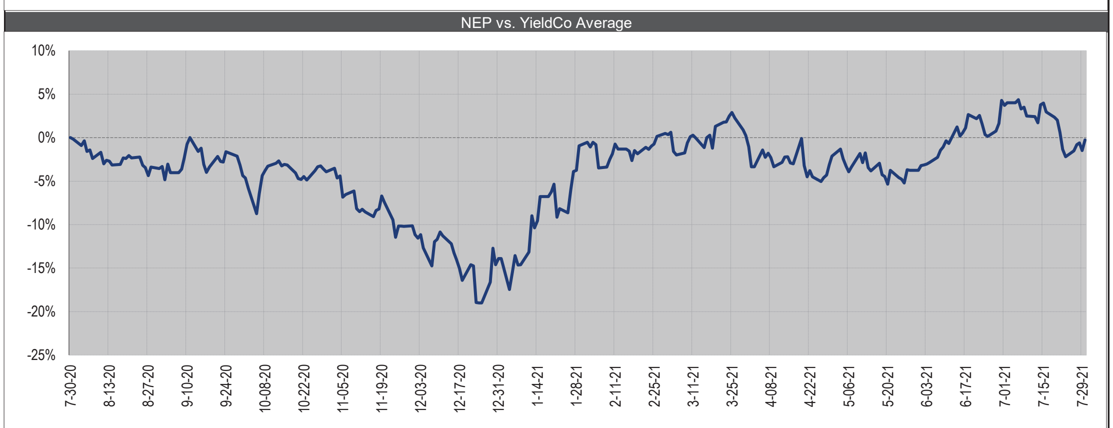
8/1/2021

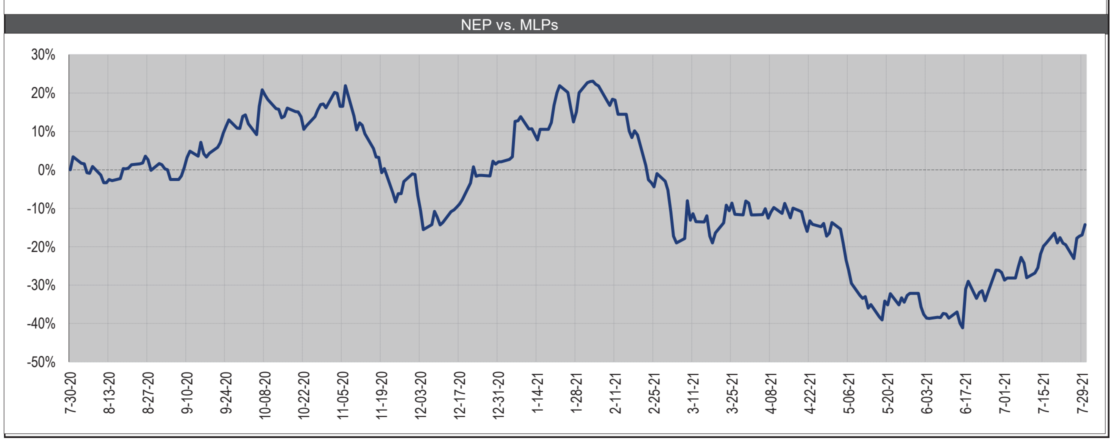
WOLFE RESEARCH

NextEra Energy Partners (NEP) $77.53, Outperform, $95 PT

NEP is in the opposite position from NEE – it underperformed on the month, but is still leading on the year. Q2 was a bit disappointing for them, as EBITDA missed and the latest drop from NEE was done at the weakest CAFD yield yet (8.0%).







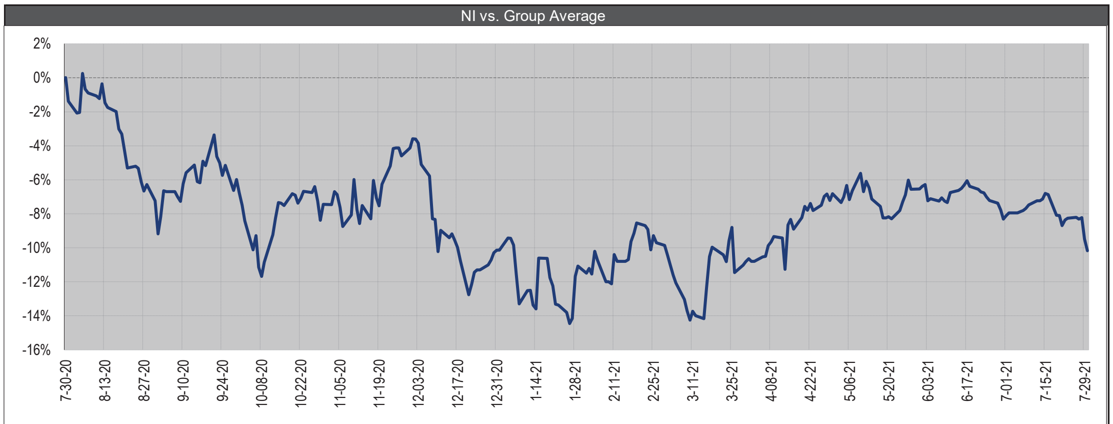
8/1/2021

WOLFE RESEARCH

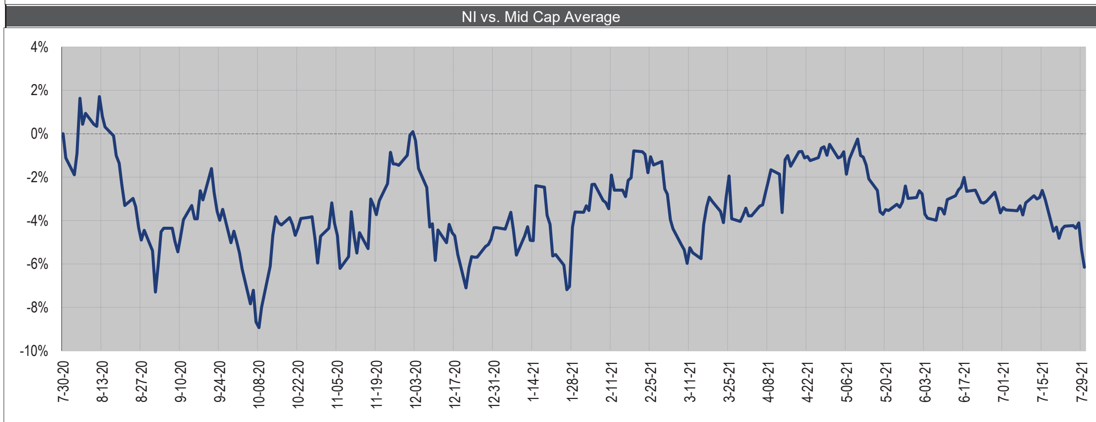
NiSource (NI) $24.77, Outperform, $29 PT

NI underperformed the utility average in July. There was little news on the company during the month. NI did file a rate case at its largest gas LDC (Ohio) on the final day of June, where it's the subsidiary's first base rate case filing in 13 years.

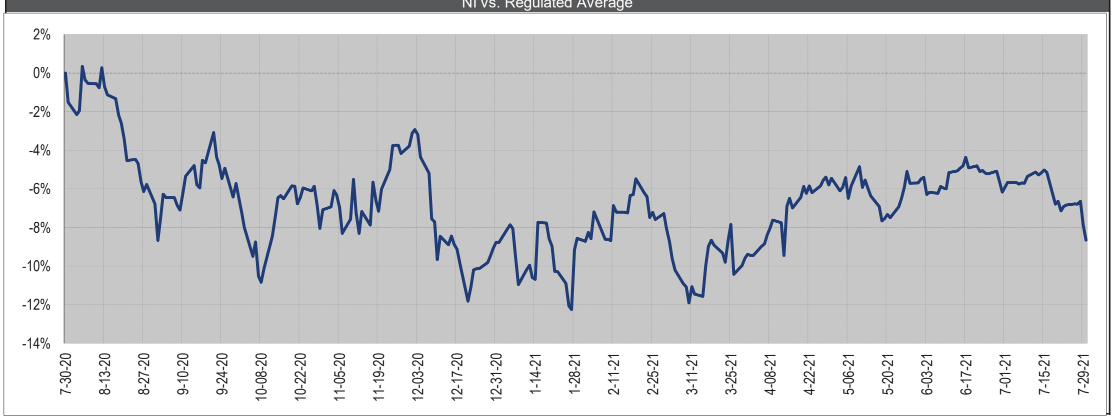
NI vs. Group Average



NI vs. Mid Cap Average



NI vs. Regulated Average

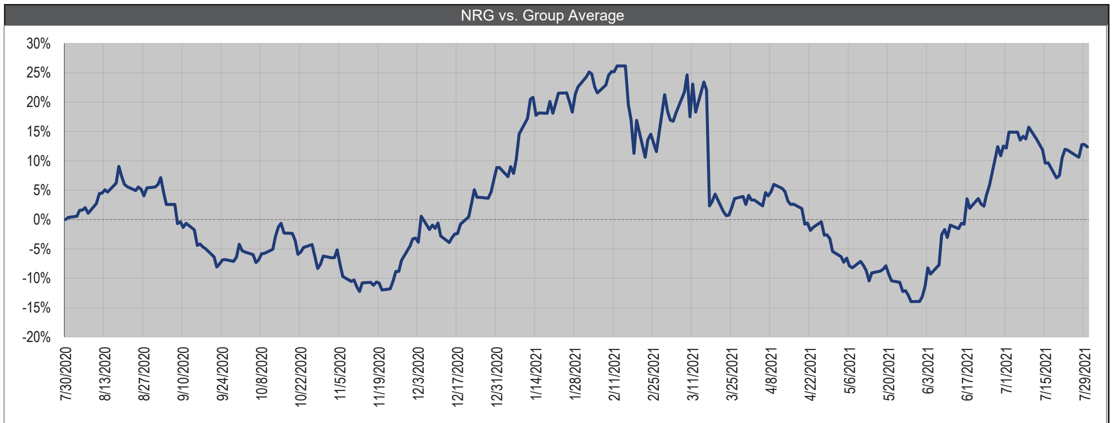


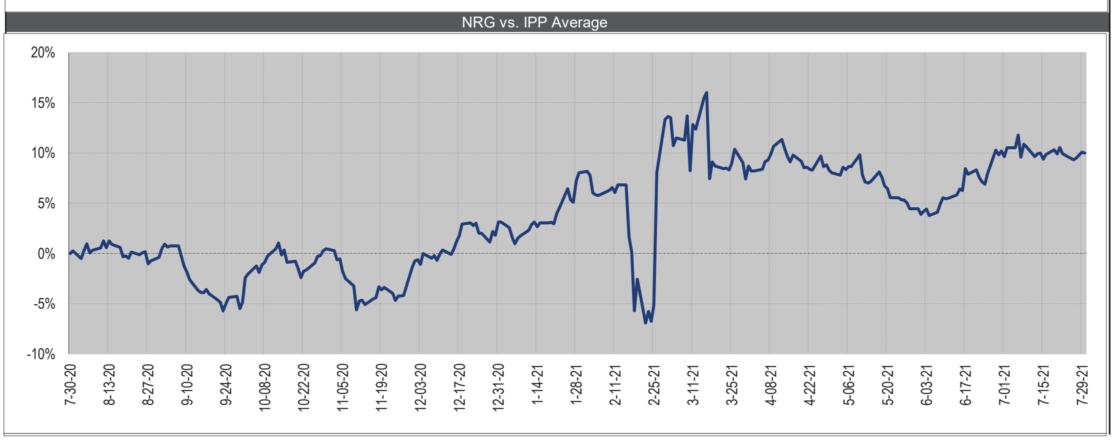
8/1/2021

WOLFE RESEARCH

NRG Energy (NRG) $41.24, Peer Perform, $41 PT

NRG performed in line with the market in July on limited news post the analyst day. The stock has materially outperformed peer VST YTD.

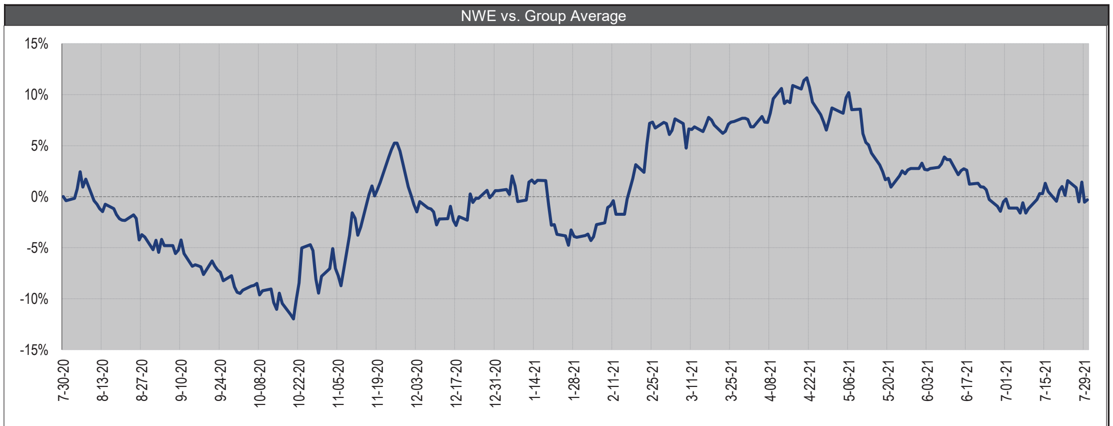


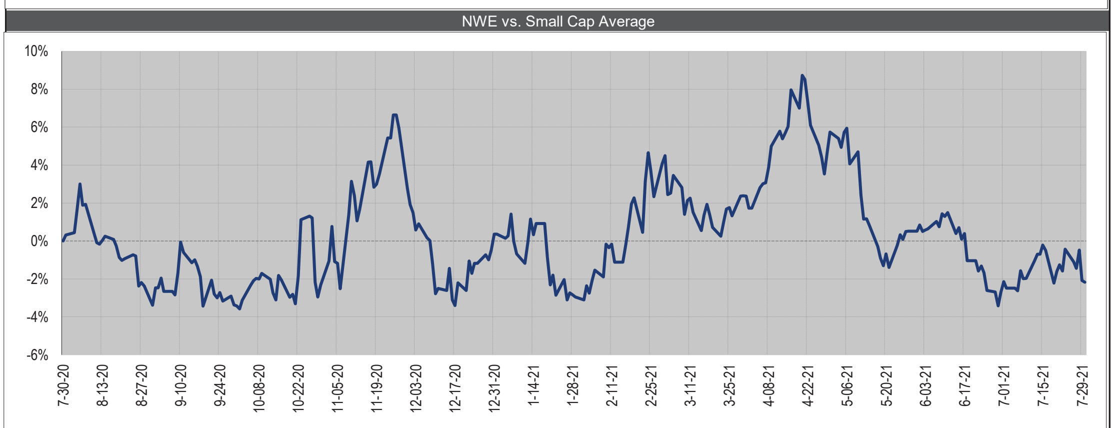


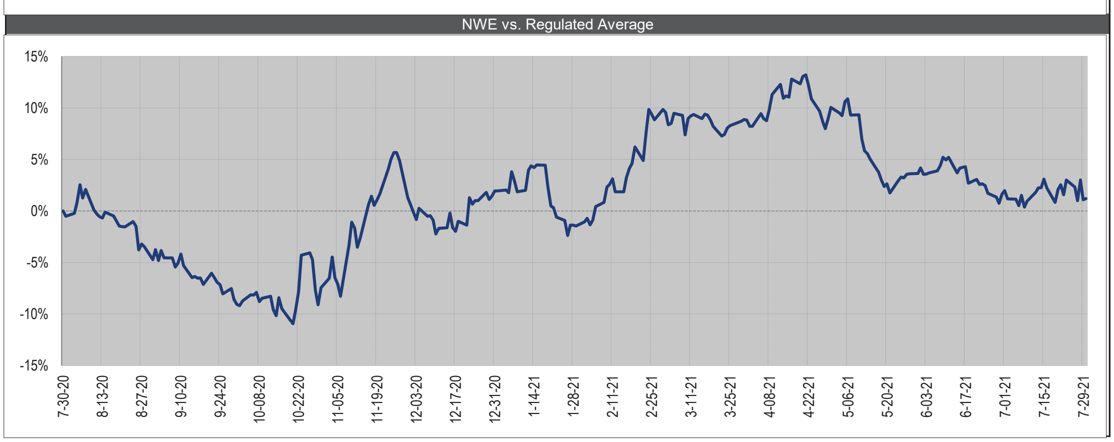
8/1/2021

WOLFE RESEARCH

NorthWestern Corp (NWE) $61.99, NR





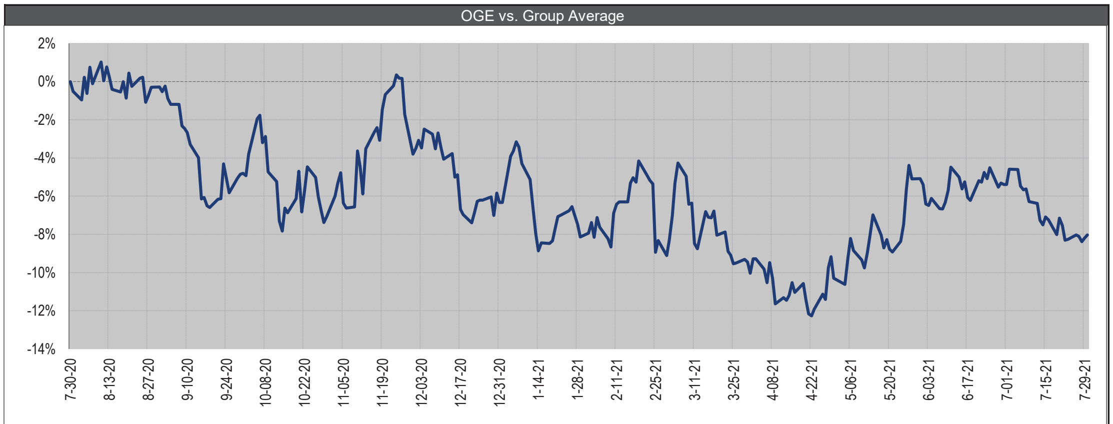


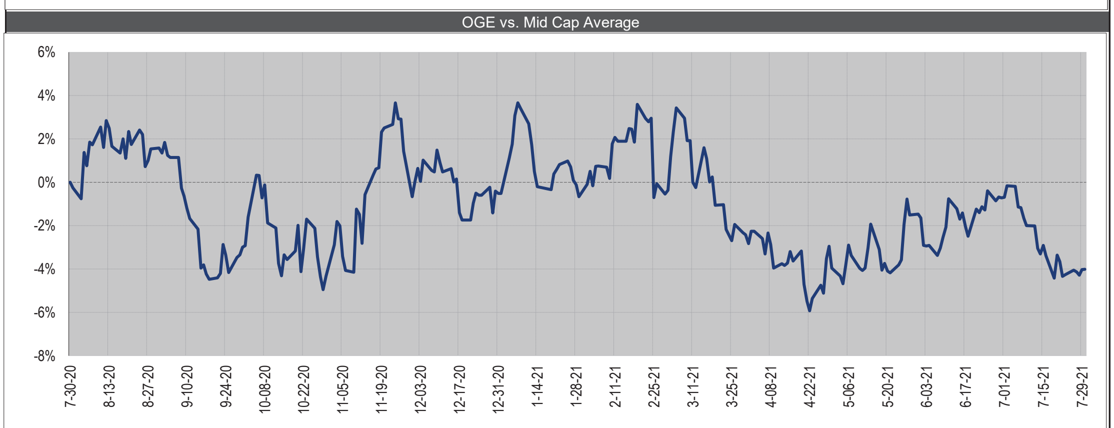
8/1/2021

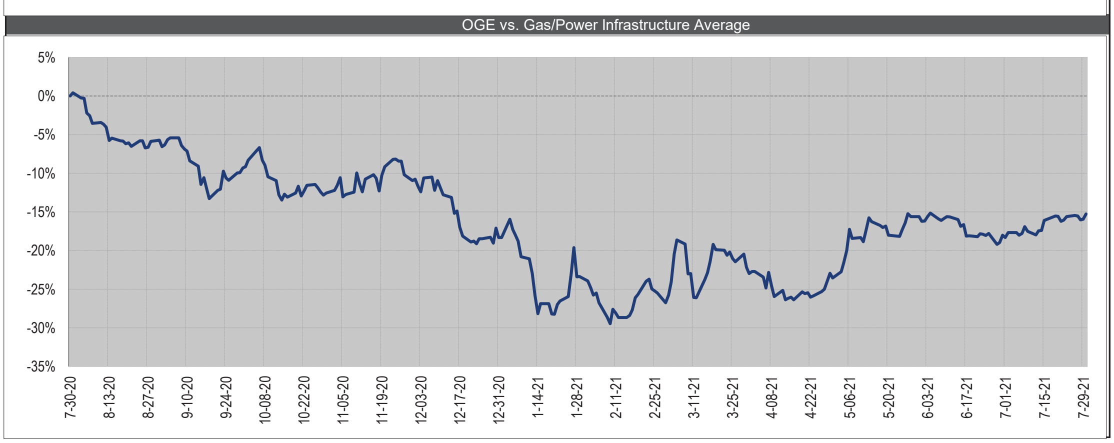
WOLFE RESEARCH

OGE Energy (OGE) $33.75, Peer Perform, $39 PT

OGE underperformed the utilities index in July. It was a quiet month for OGE. Perhaps the underperformance was explained by the weakness in ET/ENBL stocks – down -8.7%/-8.2% (the XLE was down similarly). There could also have been some concerns over the ENBL/ET merger given D's cancelation of its Q-Pipe Deal; we still believe the ENBL/ET merger will close, likely in late Q3 or early Q4.







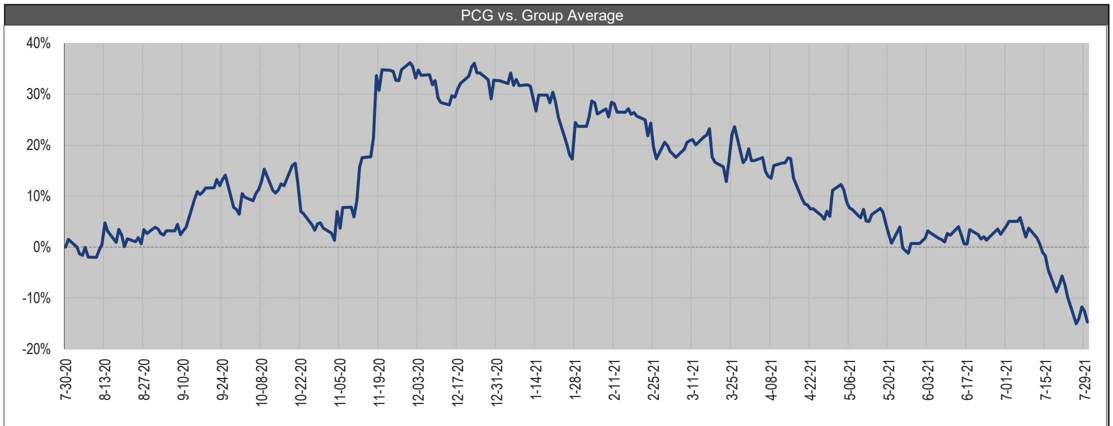
8/1/2021

WOLFE RESEARCH

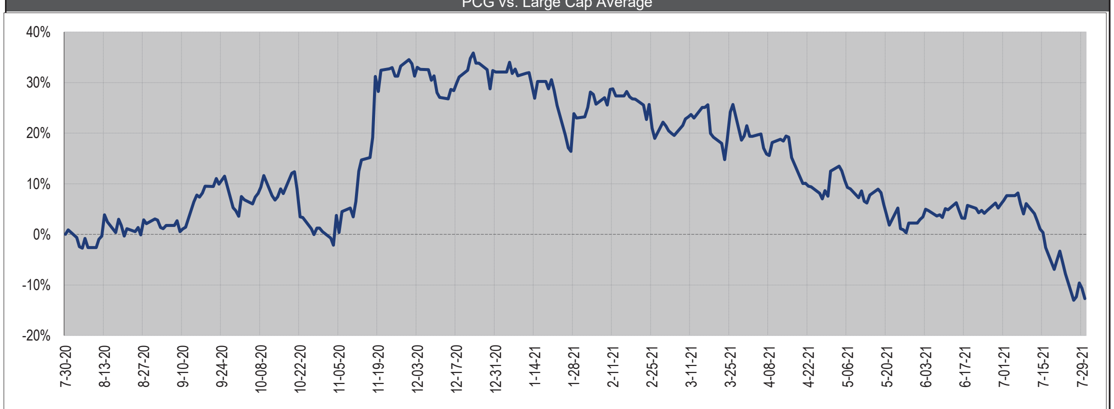
PG&E Corporation (PCG) $8.79, Outperform, $14 PT

PCG lost over 1,500bp relative to peers in Jul, after its reported involvement in the Dixie Fire and a possible ROE cut in 2022 appeared increasingly likely.

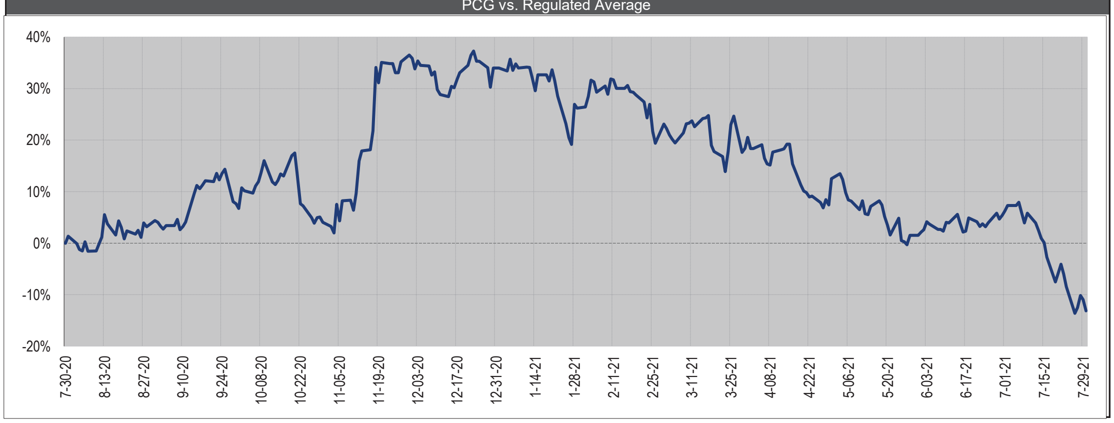
PCG vs. Group Average



PCG vs. Large Cap Average



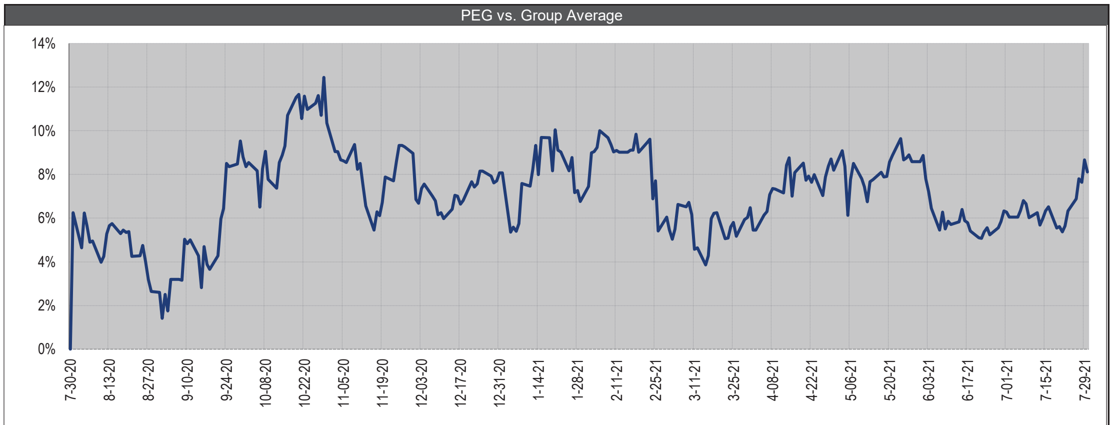
PCG vs. Regulated Average

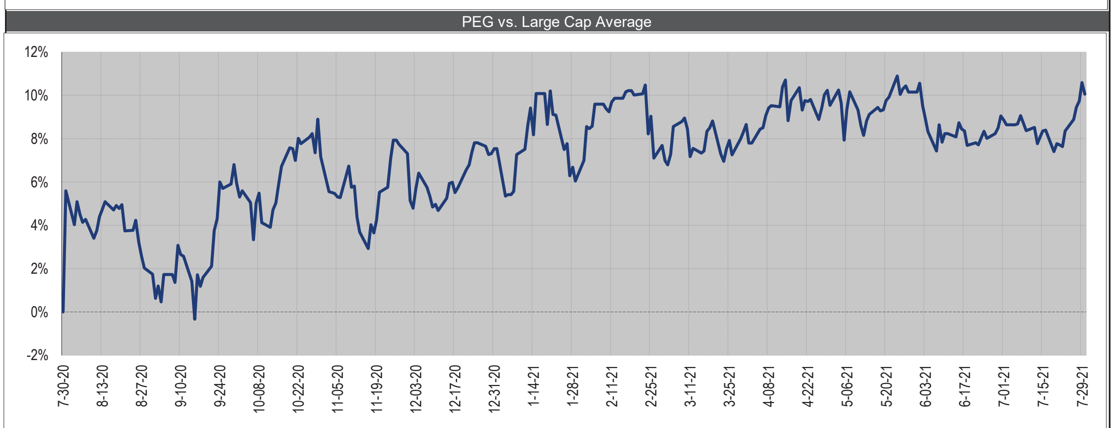


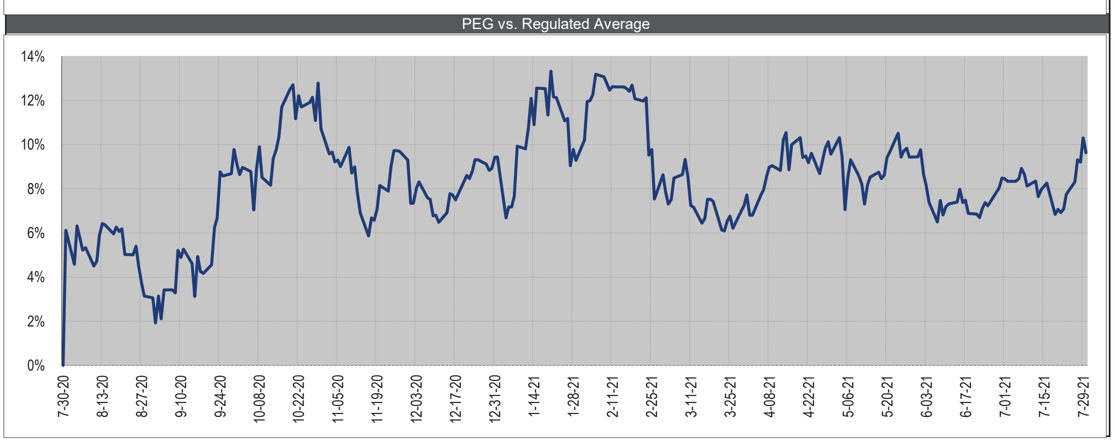
WOLFE RESEARCH

Public Service Enterprise Group (PEG) $62.23, Outperform, $65 PT

PEG started rallying sharply into the end of the month and towards the top-end of its recent trading range. Anticipation continues to build for its fossil sale announcement, long-term earnings outlook, plus potential nuclear support in the Biden infrastructure bill.



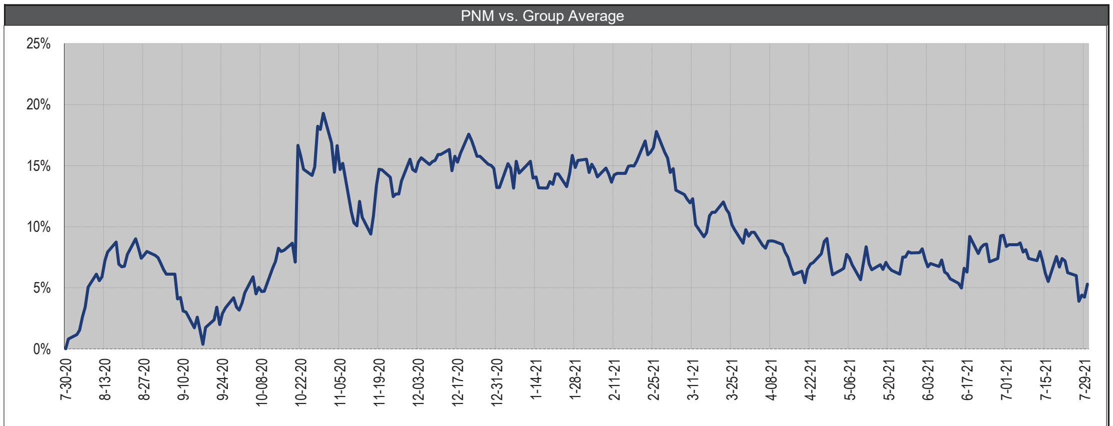


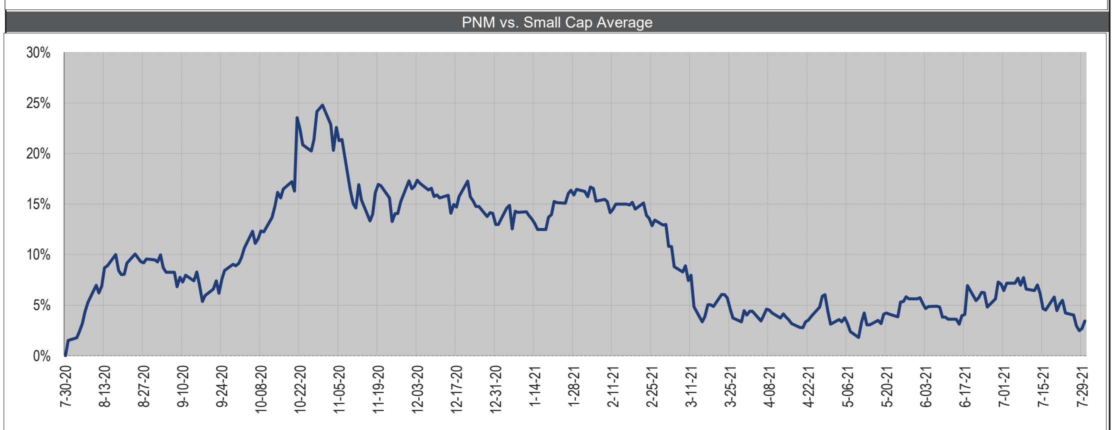


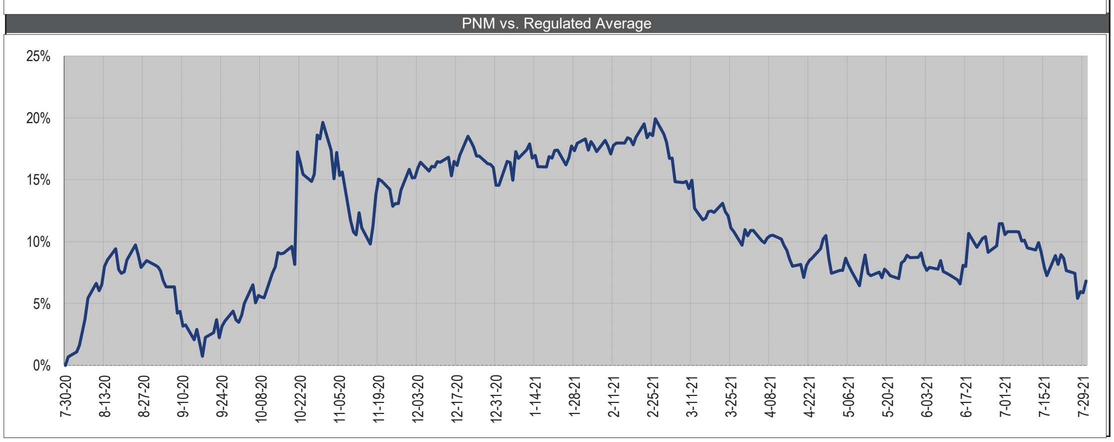
8/1/2021

WOLFE RESEARCH

PNM Resources (PNM) $48.33, NR







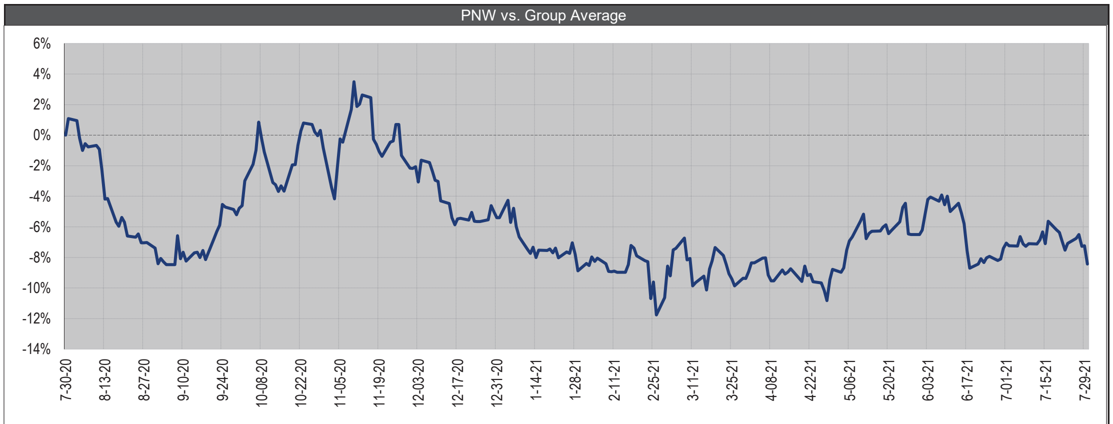
8/1/2021

WOLFE RESEARCH

Pinnacle West Capital (PNW) $83.55, Underperform, $80 PT

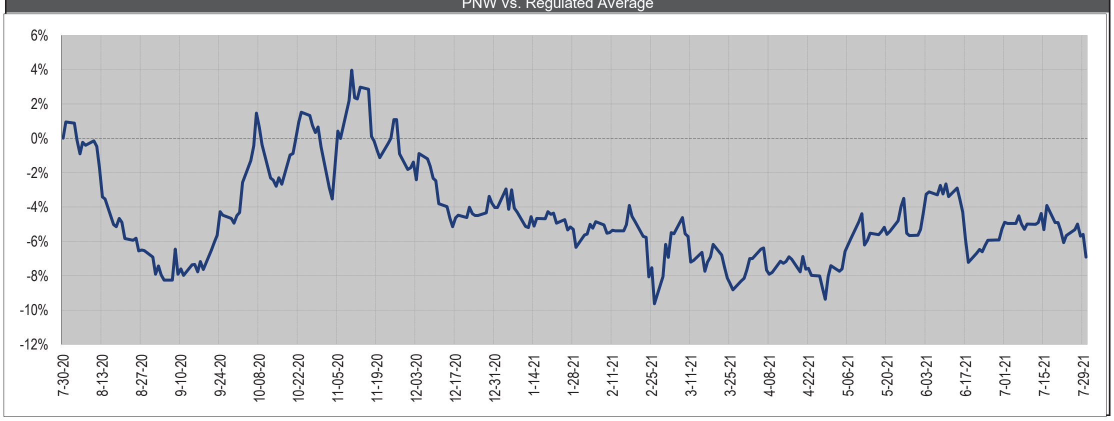
PNW underperformed the utility index in July as APS' rate case continues to linger. We are still waiting on an ALJ recommendation which could come any day (have been saying that since early June). We continue to have a cautious view on the eventual outcome of the case.

PNW vs. Group Average



PNW vs. Mid Cap Average

PNW vs. Regulated Average

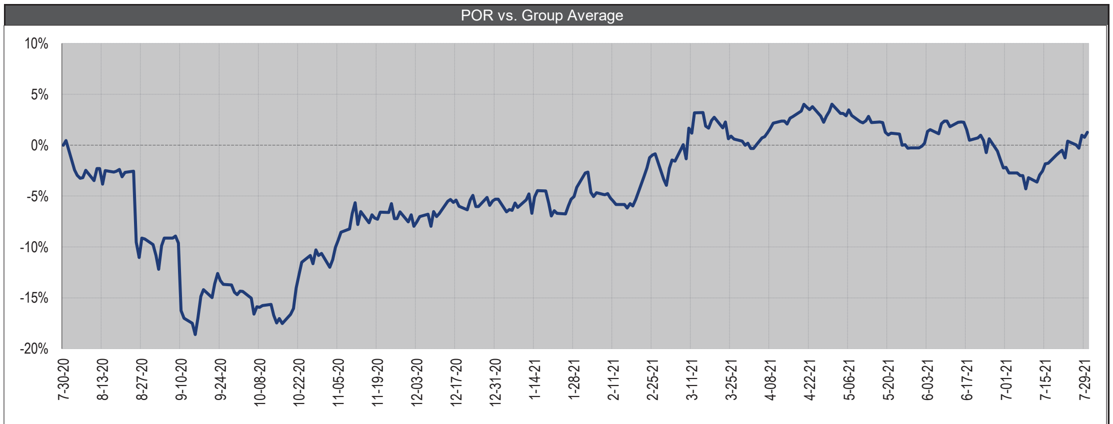


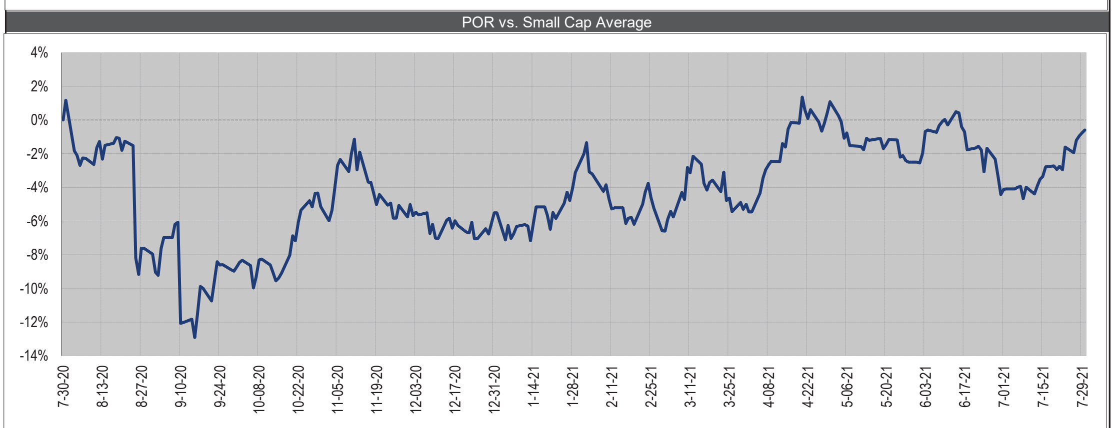
8/1/2021

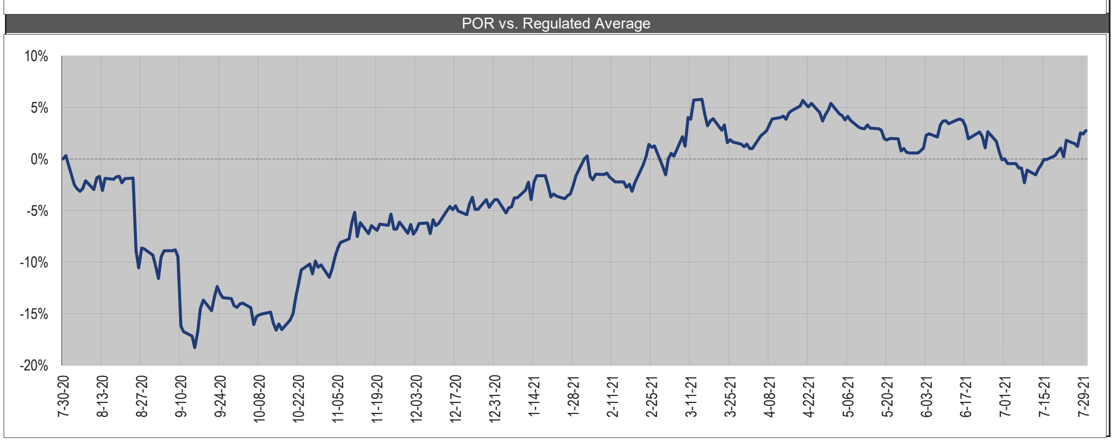
WOLFE RESEARCH

Portland General (POR) $48.90, Peer Perform, $52 PT

POR outperformed the utility average as well as its small-cap peers in July. It was a busy month for POR – formally filing its rate case early in the month, then disclosing that it reached a $6.75M settlement (covered by insurance) to fully resolve its putative securities class action related to last year's energy trading losses. The month was capped off by a positive earnings report where POR raised its FY21 guidance range on stronger than expected sales growth.





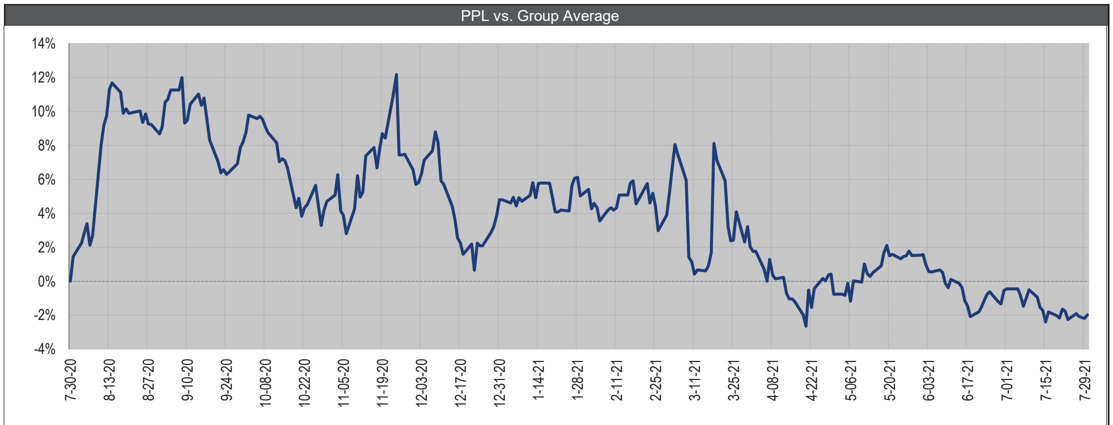


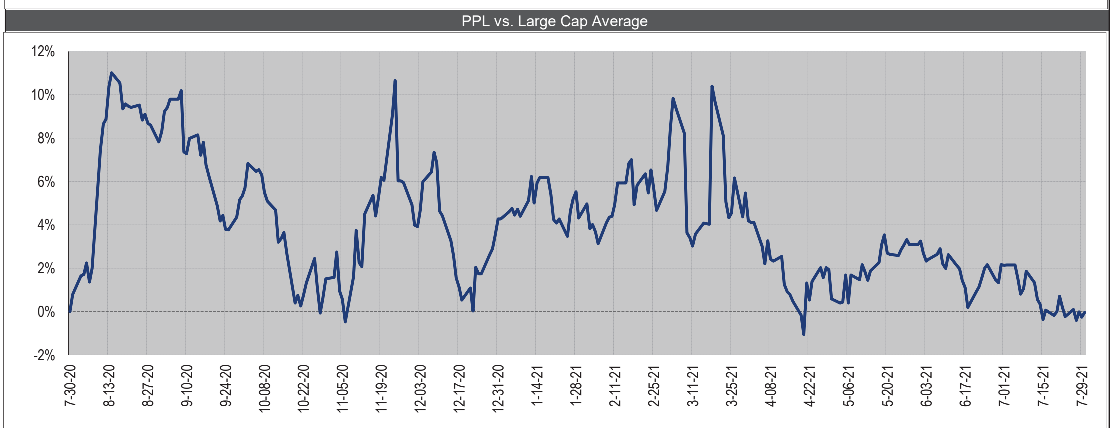
8/1/2021

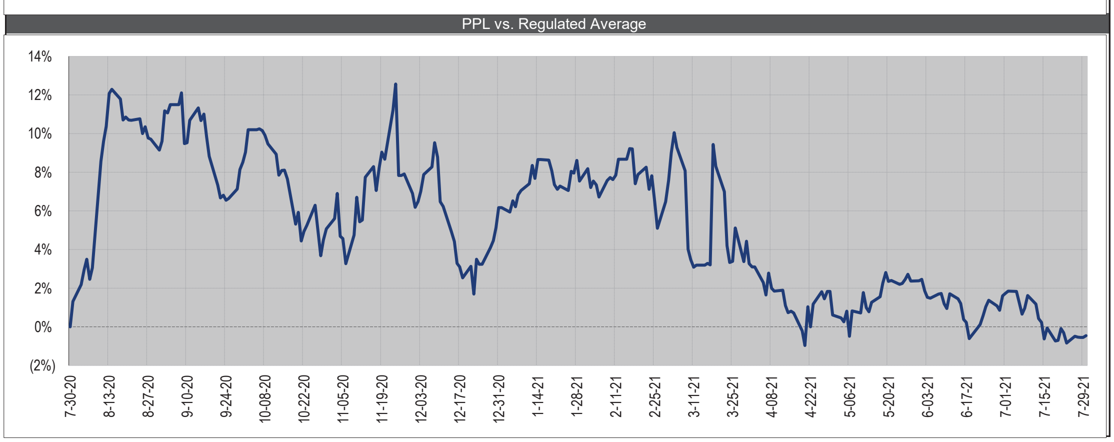
WOLFE RESEARCH

PPL Corporation (PPL) $28.37, Peer Perform, $31 PT

PPL underperformed peers in Jul but remains in a trading range, as investors await a decision on what to do with over $3B of residual proceeds from its UK sale.





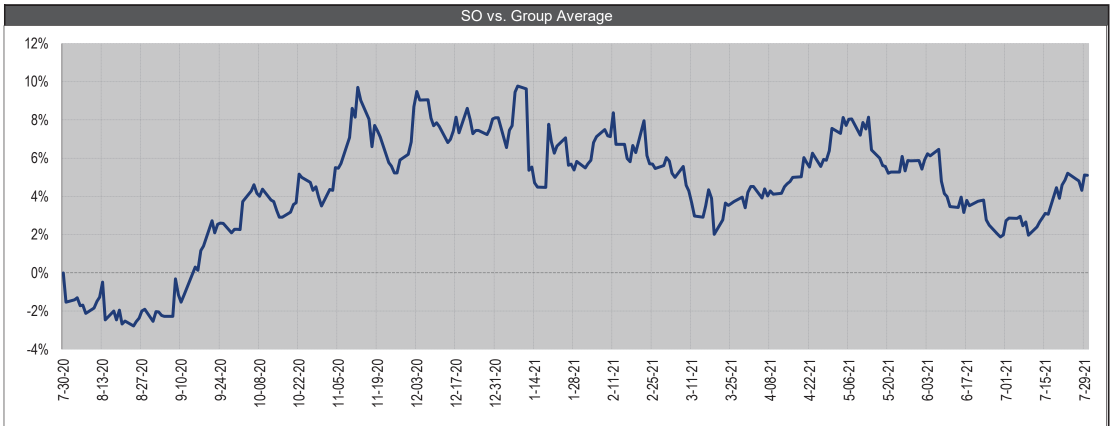


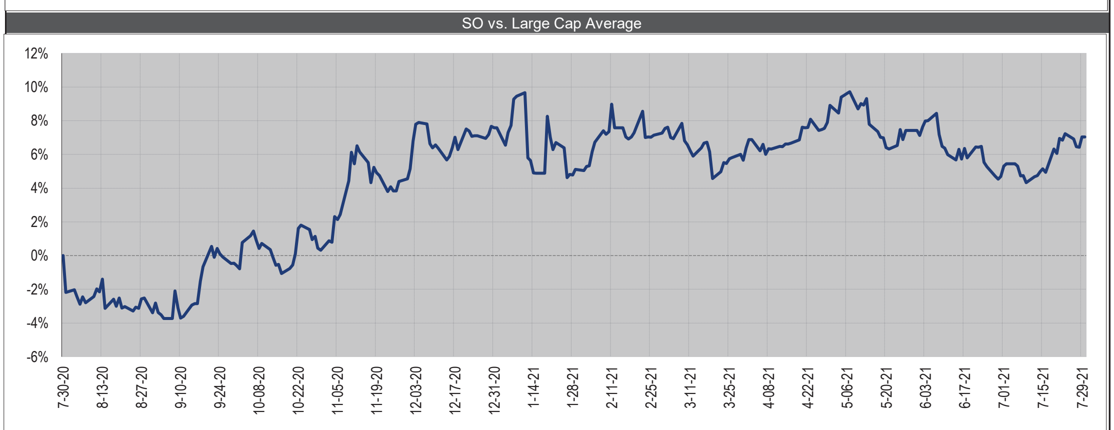
8/1/2021

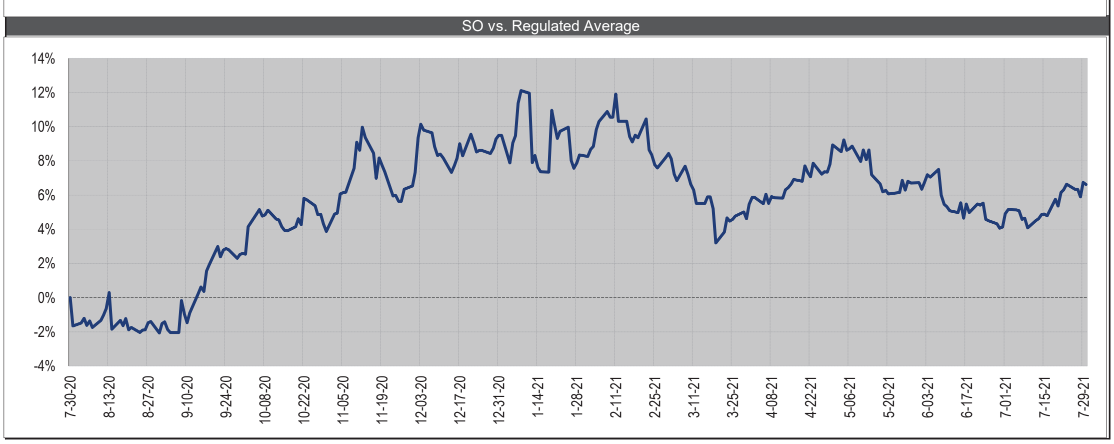
WOLFE RESEARCH

Southern Company (SO) $63.87, Peer Perform, $64 PT

In Jul, SO recovered most of the weakness that followed GaPSC Staff's May/Jun prediction that Vogtle would be delayed; at end of month, SO announced a delay/overrun and the stock outperformed.



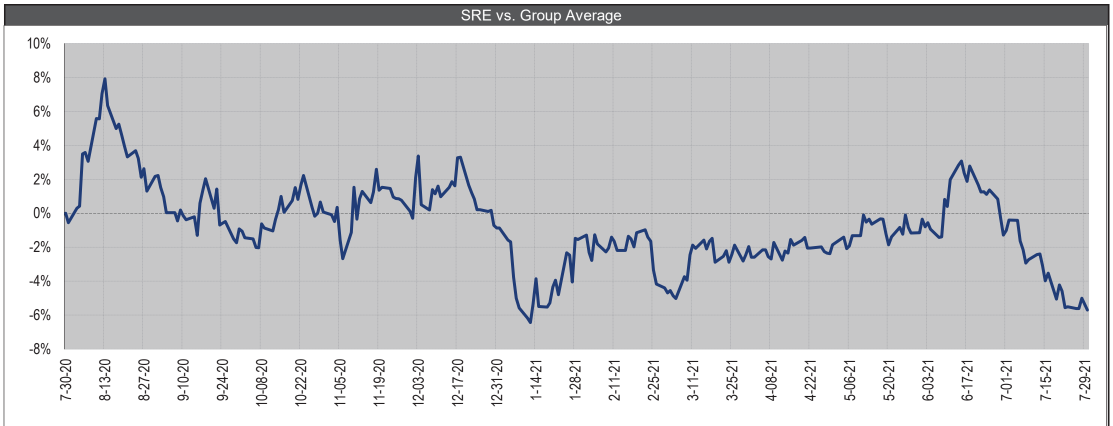


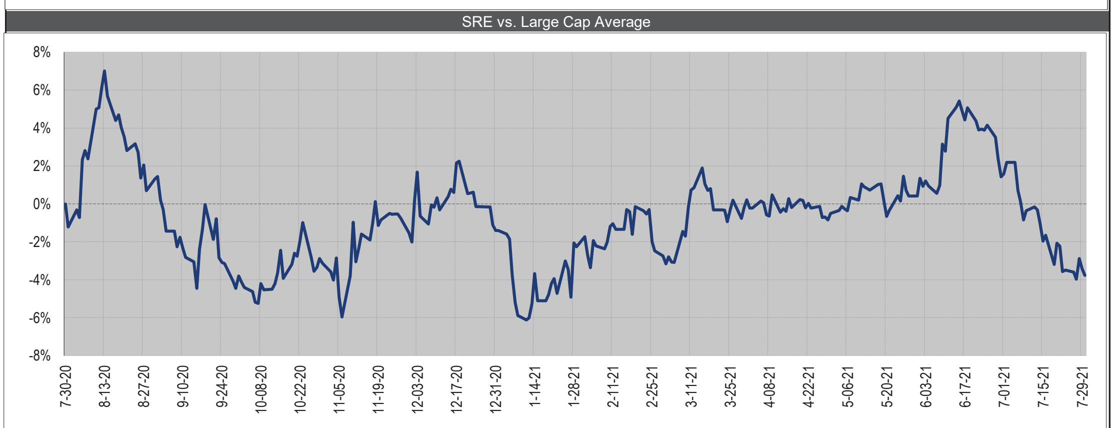


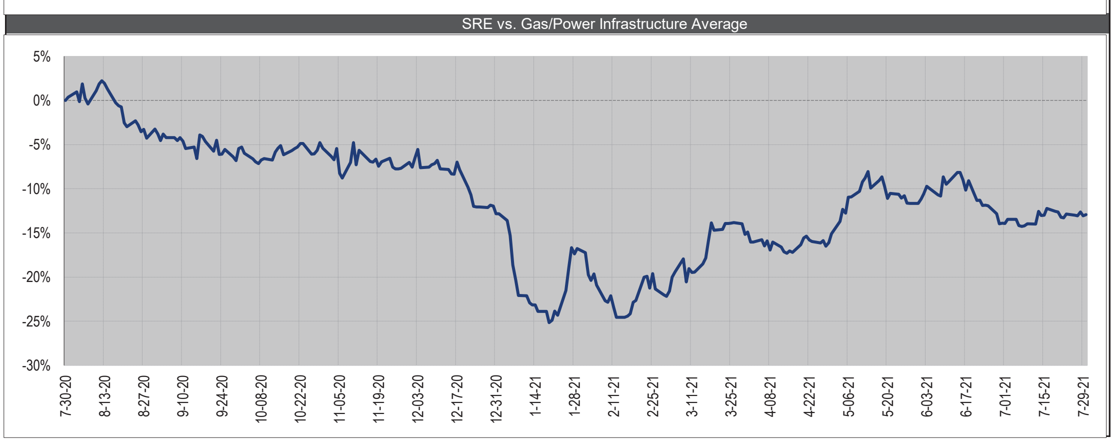
WOLFE RESEARCH

Sempra Energy (SRE) $130.65, Outperform, $153 PT

Shares of SRE were down 1.4% in July, the fourth worst performance in the sector last month and second worst in the gas/power infrastructure group. We attribute it to a few factors - California attributes as PCG and EIX were down as well and carry through from an analyst meeting at the end of June that had mixed feedback from investors that are concerned with the company's utility plus infrastructure strategy.





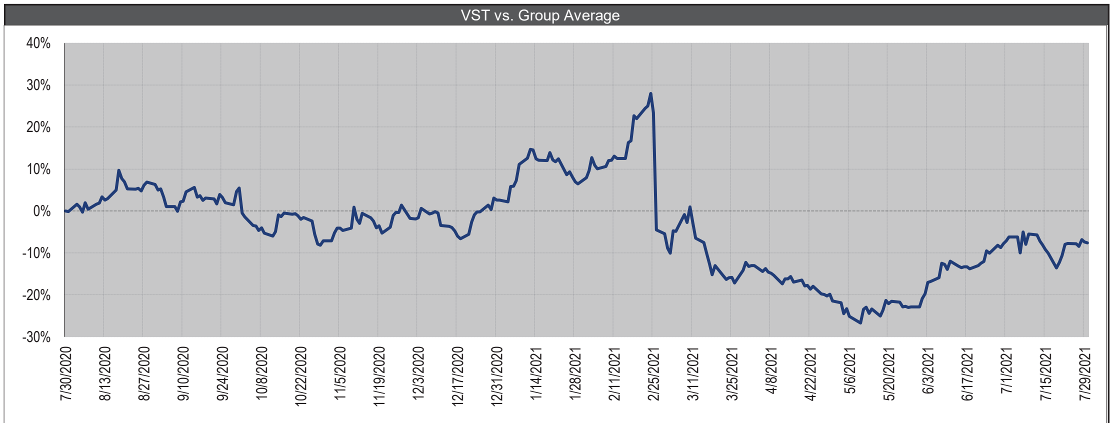


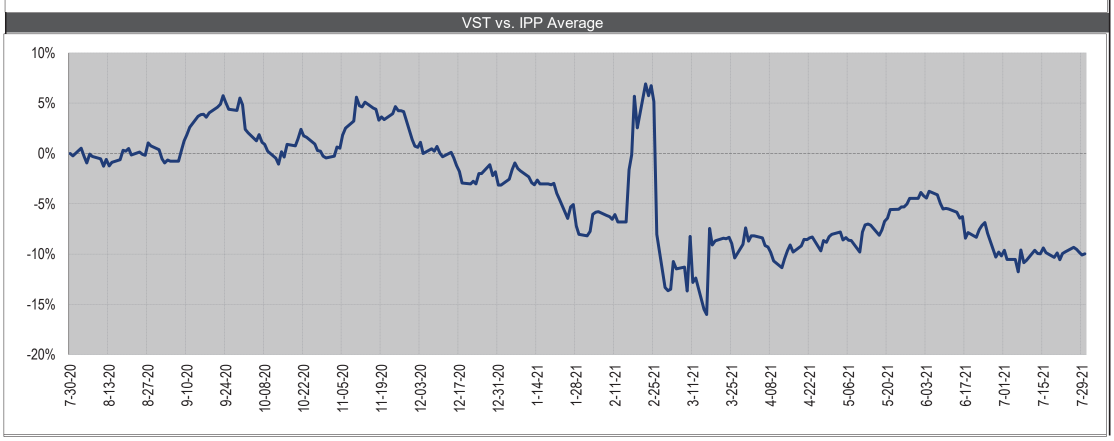
8/1/2021

WOLFE RESEARCH

Vistra Corporation (VST) $19.15, Peer Perform, $25 PT

VST traded in-line with the broader sector and slightly ahead of the S&P 500 in July, despite gas and power continuing to rip higher. The stock remains one of the worst performers on the year.



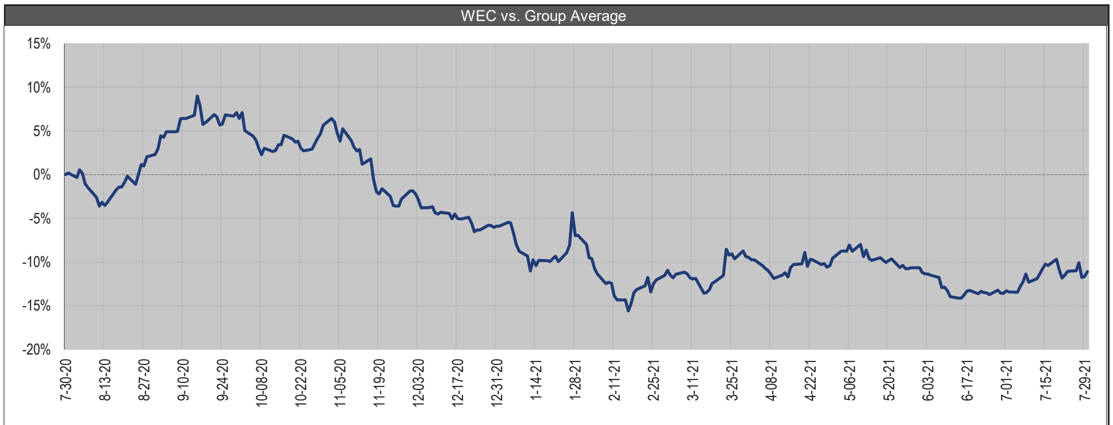


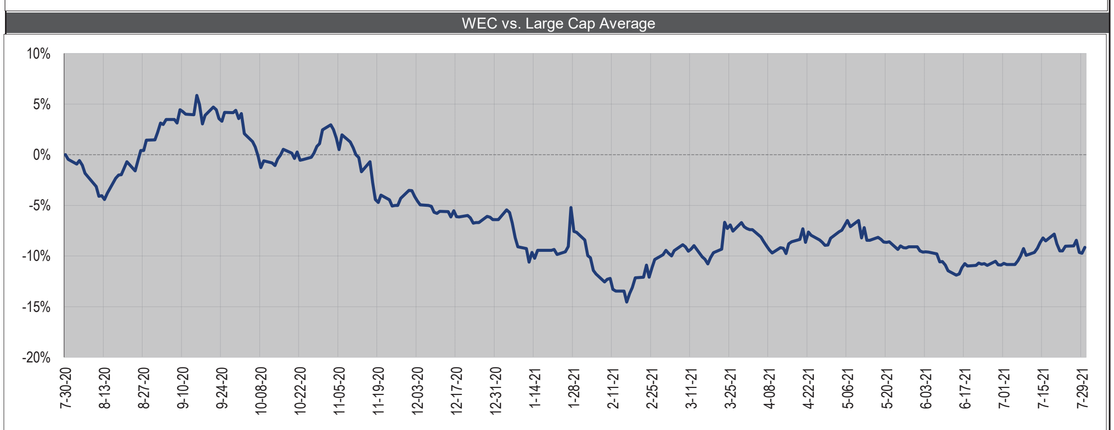
8/1/2021

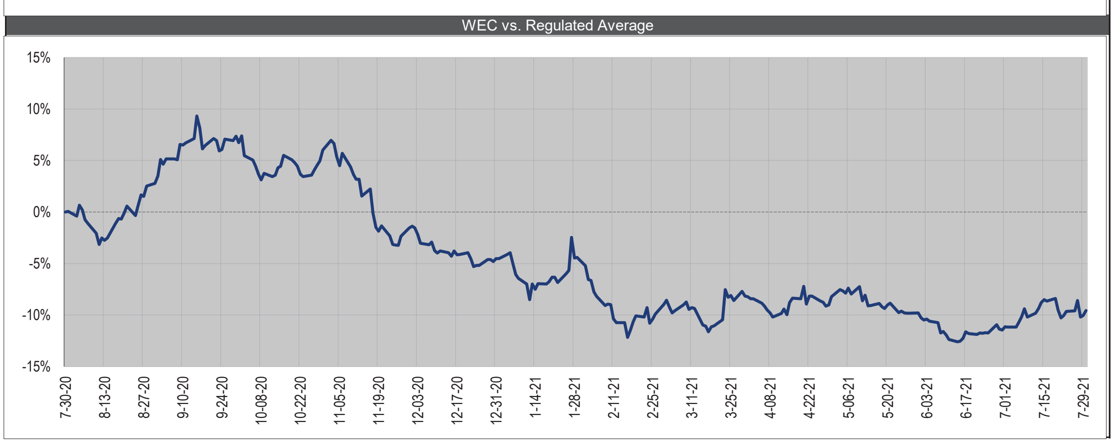
WOLFE RESEARCH

WEC Energy Group (WEC) $94.14, Underperform, $95 PT

WEC outperformed some in July, but is still an underperformer on the year. It was a quiet month for the company, other than another energy infrastructure investment announcement.



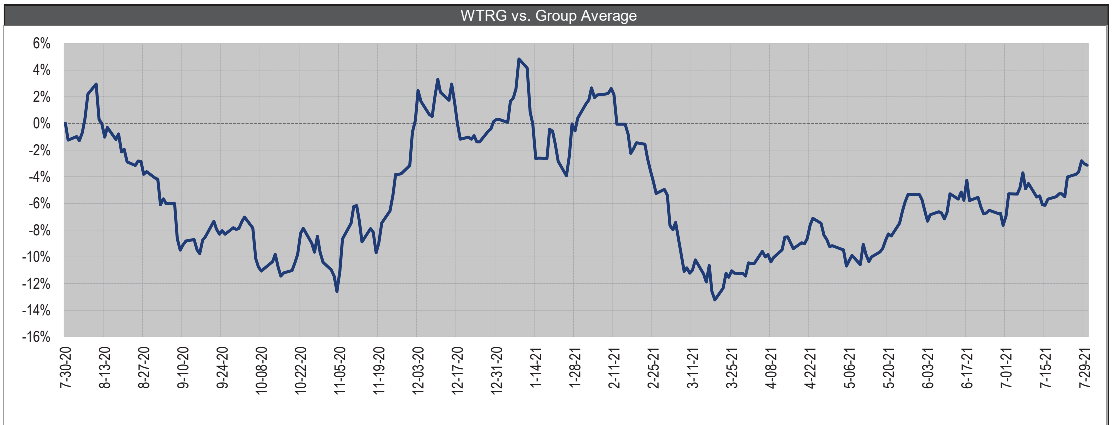


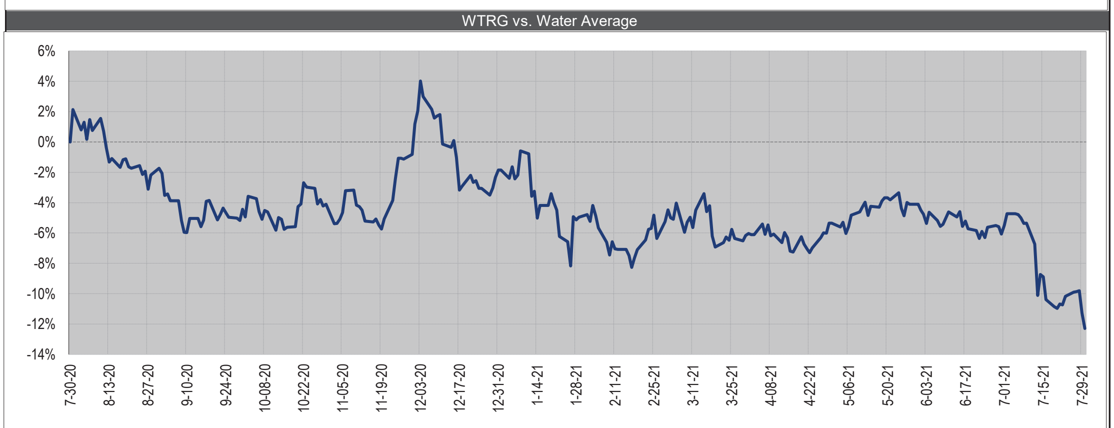


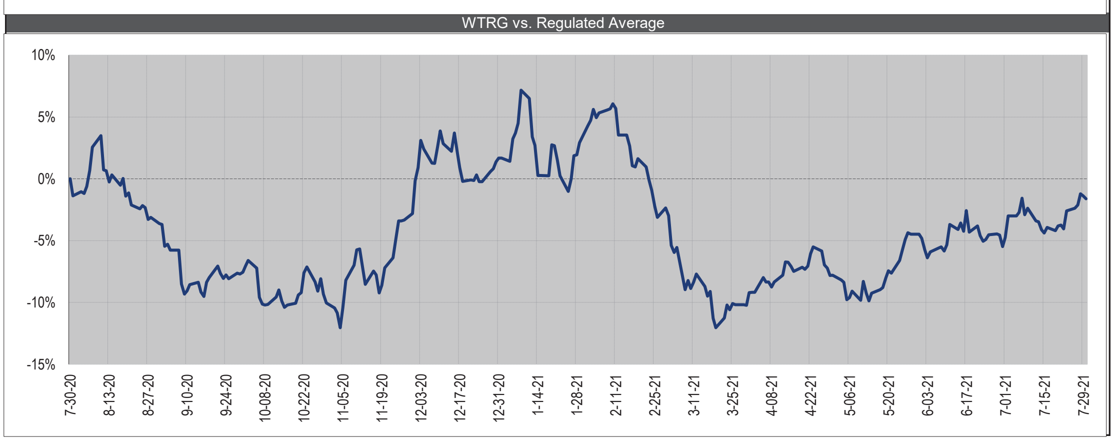
8/1/2021

WOLFE RESEARCH

Essential Utilities (WTRG) $49.12, NR





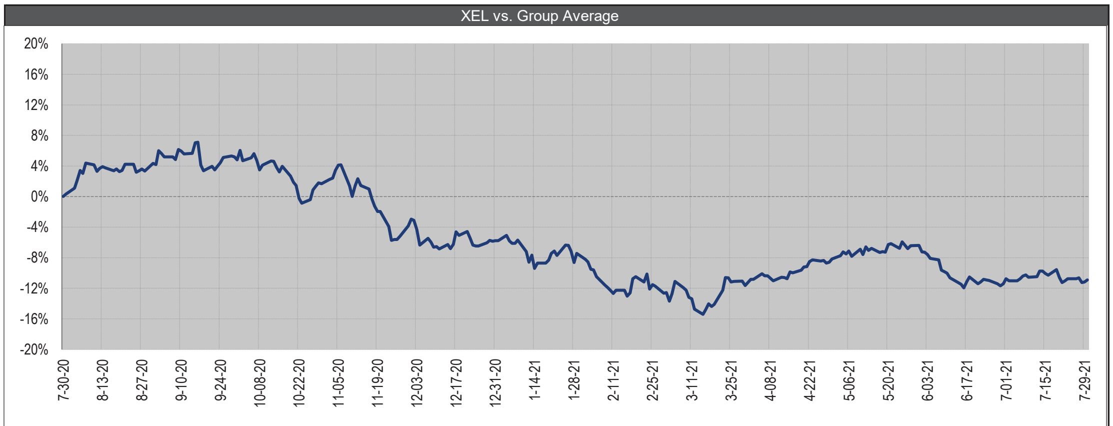


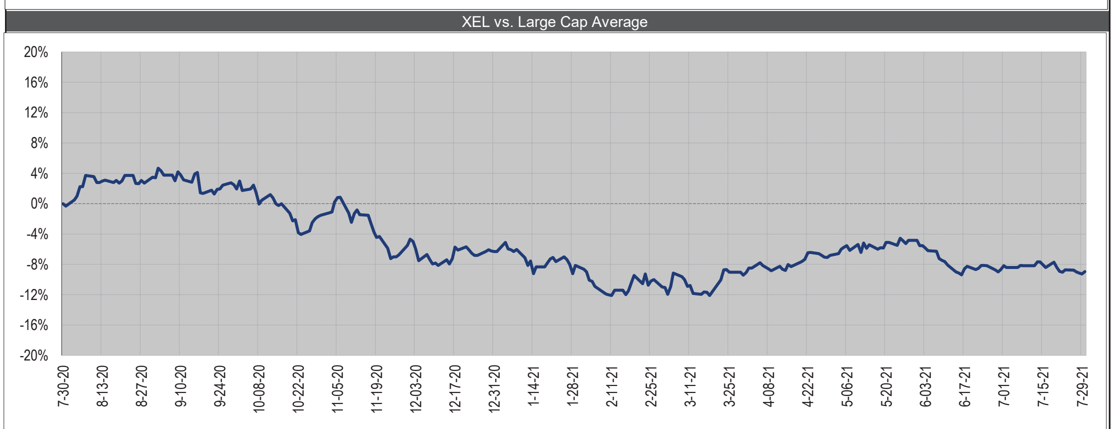
8/1/2021

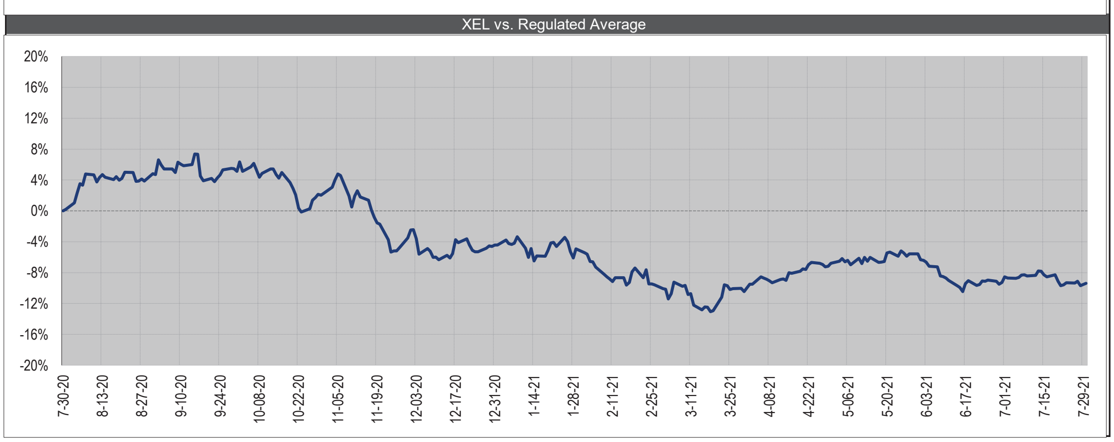
WOLFE RESEARCH

Xcel Energy (XEL) $68.25, Peer Perform, $73 PT

XEL modestly underperformed the utility average in July. Early in the month XEL filed an electric rate case at PSCo. Then toward the end of the month, XEL reported Q2 earnings where it posted a small Q2 beat and reaffirmed FY21 guidance. We got the sense that XEL is ahead of plan through the 1H and that the company is tracking to deliver EPS in the upper half or toward the top end of its guidance range.







Comparable Tables

Exhibit 3: Regulated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Alliant Energy	LNT	$58.53	250	$14,640	22.7x	21.4x	20.4x	19.3x	2.8%	5.9%	62%	2.5x	46%
Ameren	AEE	83.92	256	21,446	22.3x	20.6x	19.3x	18.2x	2.6%	7.0%	58%	2.3x	42%
American Electric	AEP	88.12	500	44,082	19.0x	17.6x	16.6x	15.7x	3.4%	5.7%	64%	2.1x	37%
Avangrid	AGR	52.14	387	20,188	23.2x	21.8x	20.4x	N/A	3.4%	0.0%	78%	1.0x	58%
CenterPoint Energy	CNP	25.46	580	14,779	20.4x	19.0x	17.8x	16.4x	2.5%	7.0%	50%	2.2x	36%
CMS Energy	CMS	61.79	290	17,898	21.5x	21.5x	19.6x	17.8x	2.8%	6.7%	61%	3.1x	27%
Con Edison	ED	73.77	353	26,046	17.3x	15.8x	15.4x	14.7x	4.2%	1.3%	73%	1.3x	43%
Dominion	D	74.87	807	60,384	19.3x	18.1x	17.1x	15.9x	3.4%	6.0%	65%	2.5x	41%
DTE Energy	DTE	117.32	194	22,731	16.0x	20.2x	18.8x	17.7x	3.8%	7.2%	60%	1.8x	35%
Duke Energy	DUK	105.11	769	80,853	20.5x	19.5x	18.3x	17.2x	3.7%	2.0%	77%	1.7x	42%
Edison International	EIX	54.50	379	20,679	12.0x	11.6x	10.7x	N/A	4.9%	4.0%	58%	1.5x	38%
Emera*	EMA	58.19	254	14,763	21.0x	18.2x	17.4x	16.5x	4.4%	4.0%	93%	1.8x	38%
Entergy	ETR	102.92	201	20,652	17.2x	16.3x	15.3x	14.5x	3.9%	6.0%	67%	1.9x	30%
Evergy	EVRG	65.22	229	14,953	19.7x	18.6x	17.2x	16.3x	3.3%	6.0%	66%	1.7x	44%
Eversource Energy	ES	86.27	343	29,631	22.7x	21.1x	19.8x	18.7x	2.8%	6.2%	63%	2.1x	44%
Exelon	EXC	46.80	977	45,732	16.7x	20.7x	19.7x	18.6x	3.3%	0.0%	54%	1.4x	43%
FirstEnergy	FE	38.32	544	20,854	15.2x	14.5x	13.8x	N/A	4.1%	0.0%	62%	2.8x	23%
Fortis*	FTS	56.58	469	26,559	20.7x	19.4x	18.3x	17.5x	3.6%	6.0%	75%	1.5x	43%
NiSource	NI	24.77	392	9,715	18.6x	17.6x	16.4x	14.6x	3.6%	6.0%	67%	1.9x	40%
PG&E	PCG	8.79	1,985	17,449	8.7x	7.8x	7.1x	6.5x	0.0%	N/A	0%	0.8x	33%
Pinnacle West	PNW	83.55	113	9,420	16.9x	16.7x	16.0x	15.3x	3.9%	2.0%	66%	1.7x	44%
Portland General	POR	48.90	90	4,382	17.6x	17.6x	17.0x	16.6x	3.5%	7.1%	61%	1.6x	45%
PPL Corp.	PPL	28.37	769	21,829	14.4x	16.0x	15.6x	N/A	5.9%	0.0%	84%	1.9x	42%
PSEG	PEG	62.23	505	31,456	18.2x	18.3x	17.4x	N/A	3.3%	4.1%	60%	1.9x	48%
Southern Company	SO	63.87	1,059	67,615	19.4x	18.3x	17.0x	15.6x	4.1%	3.9%	80%	2.4x	35%
WEC Energy Group	WEC	94.14	315	29,695	23.4x	21.9x	20.6x	19.4x	2.9%	7.1%	67%	2.8x	42%
Xcel Energy	XEL	68.25	538	36,733	22.9x	21.5x	20.3x	19.1x	2.7%	6.4%	62%	2.5x	38%
Average					**18.8x**	**18.2x**	**17.2x**	**16.5x**	**3.4%**	**4.5%**	**64%**	**2.0x**	**40%**
Average (ex EIX & PCG)					**19.5x**	**18.9x**	**17.8x**	**16.9x**	**3.5%**	**4.5%**	**67%**	**2.0x**	**40%**

Source: Wolfe Utilities & Power Research

Exhibit 4: Gas Power Infrastructure Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth	Payout Ratio
The AES Corporation	AES	$23.70	666	$15,790	15.4x	14.2x	13.2x	12.6x	2.5%	5.0%	39%
NextEra Energy	NEE	77.90	1,962	152,821	30.7x	28.8x	26.7x	N/A	2.0%	9.7%	61%
OGE Energy	OGE	33.75	200	6,756	15.3x	15.9x	15.2x	14.6x	4.7%	5.6%	72%
Sempra	SRE	130.65	319	41,720	16.3x	15.6x	14.8x	N/A	3.5%	8.0%	56%
Average					**19.4x**	**18.6x**	**17.5x**	**13.6x**	**3.2%**	**7.1%**	**57%**
Average Regulated (ex EIX and PCG)					*19.5x*	*18.9x*	*17.8x*	*16.9x*	*3.5%*	*4.5%*	*67%*

Source: Wolfe Utilities & Power Research

Exhibit 5: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div Yield
Clearway Energy	CWEN	28.68	193	5,529	11.6x	10.7x	11.1x	11.8x	4.6%
NextEra Energy Partners	NEP	77.53	156	12,095	10.2x	8.6x	8.5x	8.9x	3.4%
Atlantica Yield*	AY	39.76	111	4,405	10.9x	10.1x	9.7x	9.7x	4.3%
Average					**10.9x**	**8.6x**	**8.5x**	**8.9x**	**3.9%**

Source: Wolfe Utilities & Power Research
*Not covered by Wolfe Research, estimates based on consensus

Exhibit 6: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Free Cash Flow Yield 2021E	Free Cash Flow Yield 2022E	Free Cash Flow Yield 2023E	Free Cash Flow Yield 2024E
NRG Energy	NRG	41.24	245	10,094	9.0x	6.8x	6.1x	N/A	9.1%	16.7%	19.7%	N/A
Vistra Corp	VST	19.15	482	9,231	11.4x	5.1x	5.6x	N/A	4.2%	25.4%	22.4%	N/A
Average					**10.2x**	**5.9x**	**5.9x**	**N/A**	**6.7%**	**21.0%**	**21.1%**	**N/A**

Source: Wolfe Utilities & Power Research

Group Classifications

Group:

AEE	AEP	AES	ALE	AVA	CMS	CNP	CWEN	D	DTE	DUK	ED	EIX	EMA
ES	ETR	EVRG	EXC	FE	FTS	HE	IDA	LNT	NEE	NI	NRG	NWE	OGE
PCG	PEG	PNM	PNW	POR	PPL	SO	SRE	WEC	XEL				

Large Cap:

AEP	D	DTE	DUK	ED	EIX	ES	ETR	EXC	FE	NEE	PCG	PEG	PPL	SO	SRE
WEC	XEL														

Mid Cap:

AEE CMS CNP EMA EVRG LNT NI PNW OGE

Small Cap:

ALE AVA EE HE IDA NWE PNM POR

Regulated:

AEE	AEP	ALE	AVA	CMS	D	DUK	ED	EIX	EMA	ES	ETR	EVRG	EXC	FE
FTS	HE	IDA	LNT	NI	NWE	PCG	PEG	PNM	PNW	POR	PPL	SO	WEC	XEL

Gas/Power Infrastructure:

AES DTE NEE OGE SRE

IPPs:

NRG VST

YieldCos:

AY NEP CWEN

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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Overweight
IPPs – Market Weight
Gas/Power Infrastructure – Market Overweight

September 6, 2021

THE UTILITY TRADER

A September to remember, we hope

- **Utilities keeping pace as the bull market keeps chugging; NEE is back!**
Utilities started strong and then survived another Fed-fueled market rally to eke out a small beat in August. Utilities rose 3.5% slightly ahead of the market's 2.9% rise. The giant has re-awoken; NEE is 20% of the sector and their constructive FL rate deal was a key event for the whole index. Utilities still trail the market by just under 1200bps YTD. Technicals looks great for the sector as it finally eclipsed the early 2020 high. But utilities likely need some market pullback for sustained outperformance. Playing defense is most valuable when no one else is doing it; we continue to be bullish utilities here.

- **We initiate on Clean Energy sector; reiterate NEE, AES, NEP/CWEN**
Alongside our new coverage of the Clean Energy sector (link to note here), we highlighted NEE, AES, and NEP/CWEN as some of the best ways to play the space. NEE is the blue-chip play on renewables and storage and we think has a great pulse on what the next scale opportunities will be. AES is the "value" play in Clean Energy (not easy to find) as the company aggressively transitions its business mix to renewables/utilities with a free option on its incubator of new clean businesses. Both can be viewed as better risk/reward plays for green hydrogen which would require a massive expansion of the current renewables market. Finally, we better appreciate the Yieldcos NEP and CWEN as low-risk way to play Clean Energy with highly visible double-digit total returns alongside their leading sponsor companies.

- **Analyst Day hell week – EVRG, CNP, PEG - followed by our Wolfe Conference**
We are hoping for a heavenly Analyst Day hell week – EVRG on 9/21, CNP on 9/23, PEG on 9/27. These are 3 of our top picks. EVRG, CNP are new management teams laying out their refreshed stories whereas PEG is highlighting their new regulated focus post their fossil plant sale. Ironically, EVRG has performed best going into this even though they have talked the least about it. We expect to hear new mgmt's version of the STP plan and their LT strategy to transition EVRG's fleet. CNP stock has pulled back and sets up well into the A.D. where we expect better color on deploying their $1B+ of extra cash proceeds into new ratebase plus their ESG vision and LT capital plan. We see upward bias to numbers for both EVRG, CNP. Finally, PEG owes us a baseline for earnings post asset sales (2022) and hopefully a LT growth rate for the first time (we project 5-7%) as well as their ESG cred as a no-coal utility with offshore wind. Finally, we wrap up the month with our Wolfe Utilities, Midstream and Clean Energy Conference (link to register here), hope you can join!

- **EXC one last chance; ES and D regulatory updates; NI good value here**
The definition of insanity: 1) trying to pass a law in IL and 2) letting half of the state's current zero-carbon energy shut due to the future of a coal plant by 2045. One last chance this week for IL to pass a bill before Byron shuts on 9/13; we remain cautiously optimistic. ES gets a draft decision in its CT interim rate case on 9/15 unless they can achieve a settlement before then. D will finally get staff and intervenor recommendations in the VA triennial review on 9/17 – we expect them to be cautious but maybe the stock can move past this overhang once that event is over. No catalysts but NI stock is back near relative lows and is an attractive value here.

Source for all exhibits in this report: FactSet, Wolfe Research; prices as of 8/31/21

Ex 1: 2021 Income Sectors Perf

Sector	2021 Performance
XLE Index	27.7%
REIT Index (FNER)	27.1%
MLP Index (AMZ)	27.0%
S&P 500	20.4%
S&P Pharma	15.3%
WR IPP Index	9.4%
S&P Utility	**8.7%**
S&P Consumer Staples	7.4%
WR YieldCo Index	5.5%
Wolfe GREEN Basket	**4.2%**
S&P Telecom	(3.8%)

Source: FactSet, Wolfe Research

Ex 2: 2021 Utilities Perf

Company	Ticker	YTD Perf
Top 10	**Top 10**	
FirstEnergy	FE	27.0%
Evergy	EVRG	23.3%
Hawaiian Electric	HE	23.2%
NRG Energy	NRG	21.6%
Avangrid	AGR	20.2%
Portland General	POR	20.1%
NextEra Energy Partners	NEP	19.2%
American Water	AWK	18.8%
Alliant Energy	LNT	18.0%
DTE Energy	DTE	16.5%
Bottom 10	**Bottom 10**	
Xcel Energy	XEL	3.1%
WEC Energy Group	WEC	2.7%
PNM Resources	PNM	2.0%
AES Corp.	AES	1.6%
Atlantica Yield	AY	(1.0%)
Clearway Energy	CWEN	(1.7%)
Vistra Energy	VST	(2.9%)
Pinnacle West Cap	PNW	(3.8%)
Edison Intl	EIX	(7.9%)
PG&E Corp.	PCG	(26.4%)

Source: FactSet, Wolfe Research

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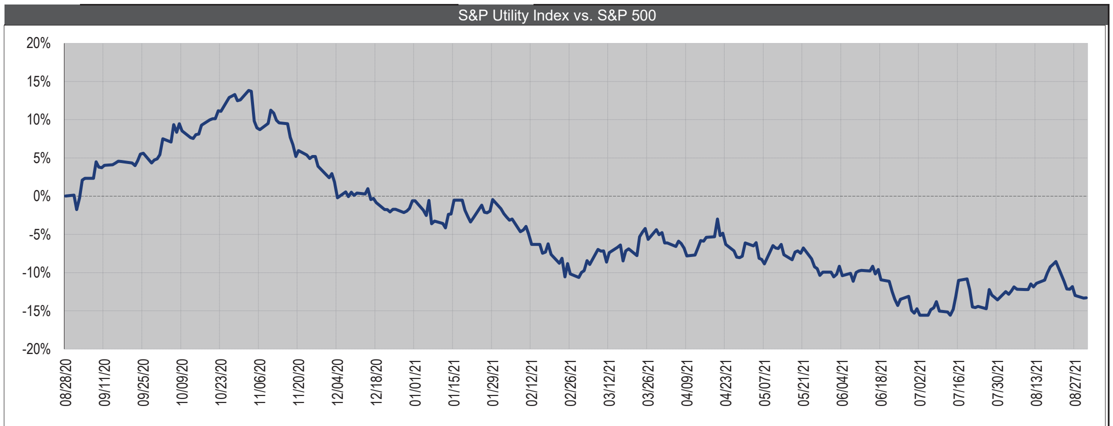
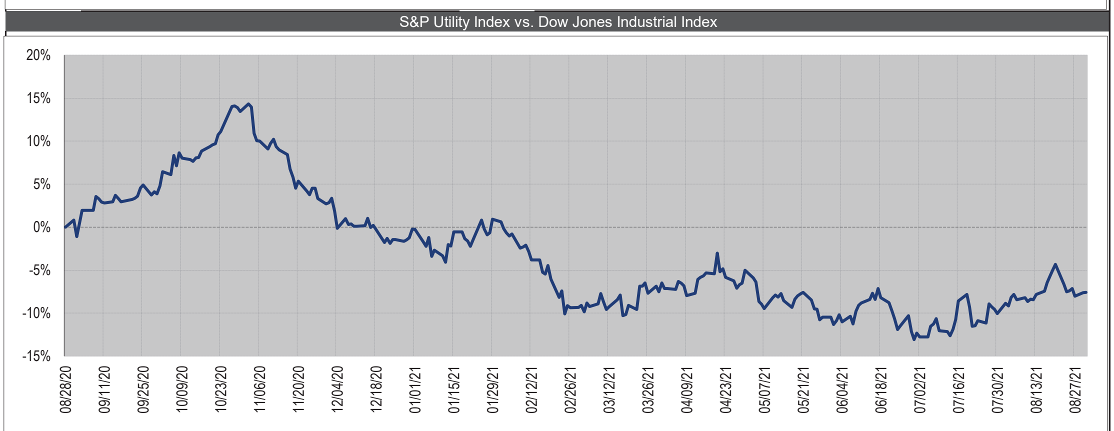
S&P Utility Index vs Market

Utilities outperformed the S&P 500 by 60bps in August and now trail by 1170bps YTD. Utilities started strong and then survived another market rally fueled by the Fed to scrape out a small beat in August. NEE comprises 20% of the sector and their constructive rate deal in FL was a key driver for the whole index. From a technical point of view, utilities look strong as the sector finally surpassed the early 2020 high in the month.





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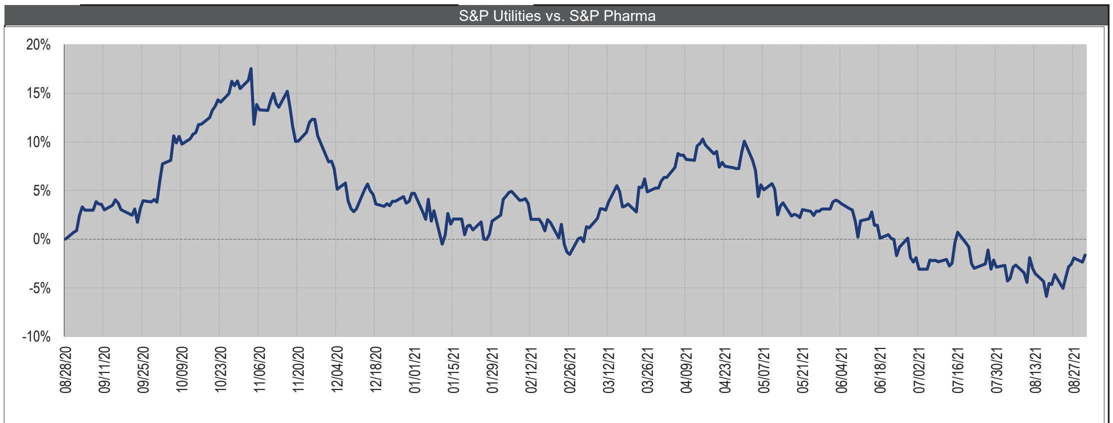
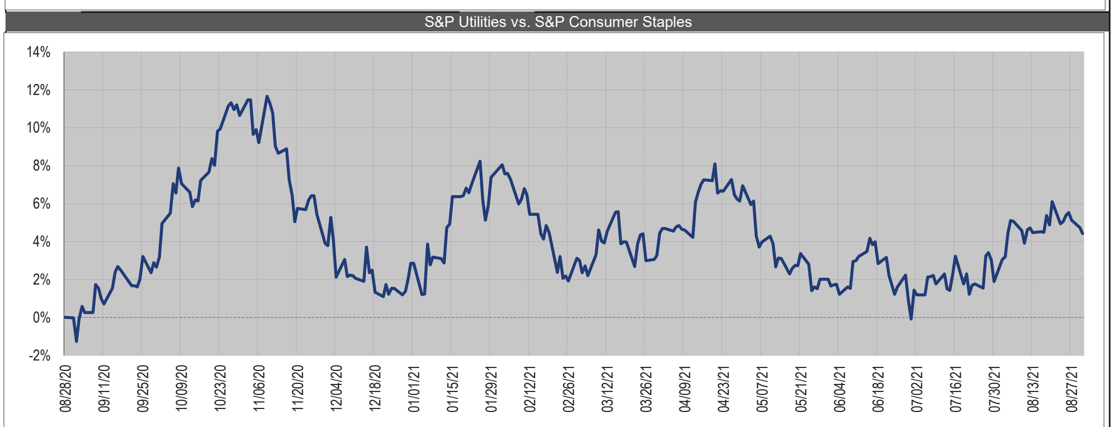
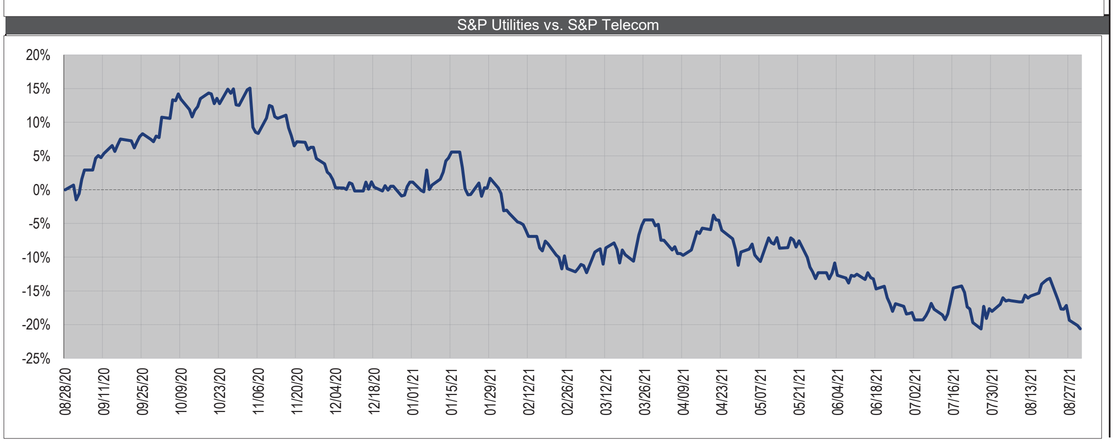
Utilities vs Other Sectors

In August, Utilities (+3.5%) outperformed S&P Pharma (+2.3%), Consumer Staples (+1.3%), and Telecom (-2.6%).







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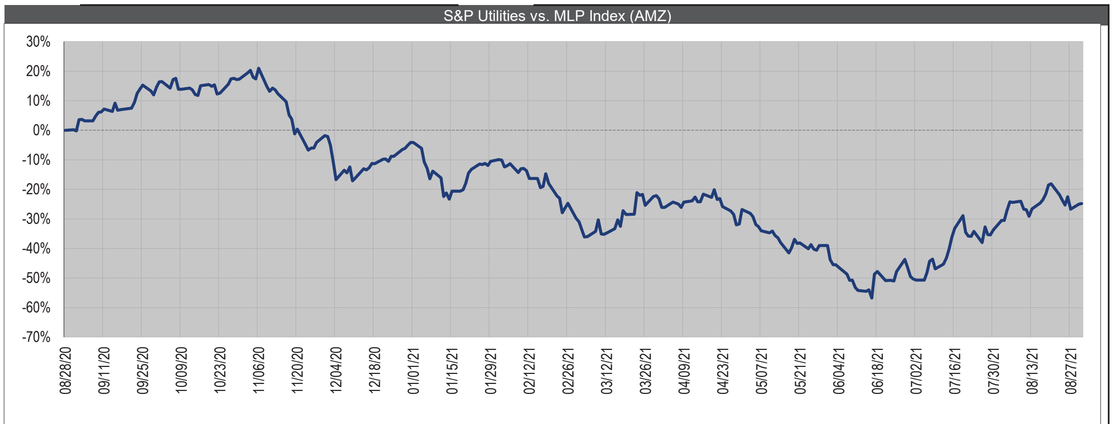
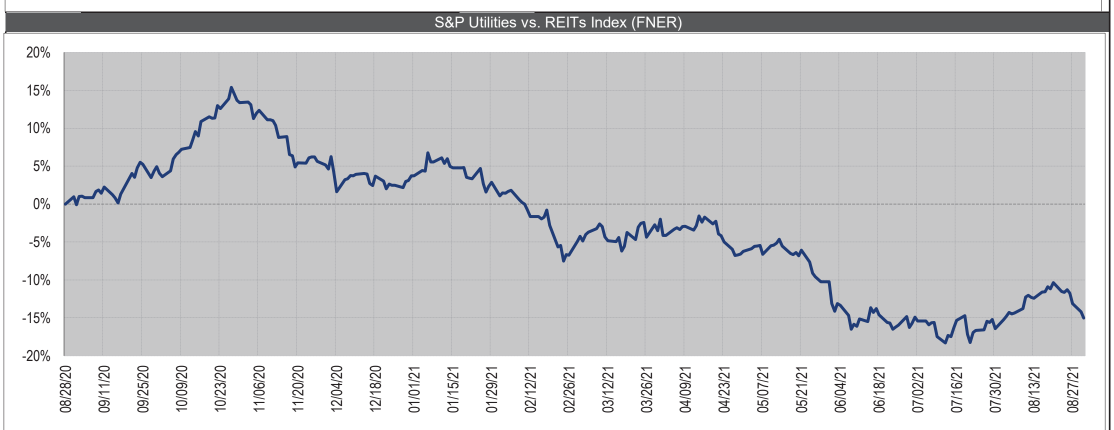
WOLFE RESEARCH

Utilities vs Other Sectors continued

The AMZ Index (-3.4%) and Wolfe C-corp Basket (-0.8%) both underperformed the S&P 500 (+2.9%) in August, marking the second consecutive month of 2021 where the midstream group underperformed the market. We attribute this underperformance to a weakness in commodity prices in the month, as the midstream group, along with the broader energy group, lagged the market. WTI Crude Oil ended the month at $68.51/bbl, down 7.2%, from $73.81 at the start of August. Similarly, Brent Crude Oil ended August down 5.0%, at $71.63, from $75.41 at the start of the month. REITs (+2.0%) underperformed the S&P 500 (+2.9%) in August, but continue to be one of the best-performing income sectors in 2021 (+27.1% YTD).





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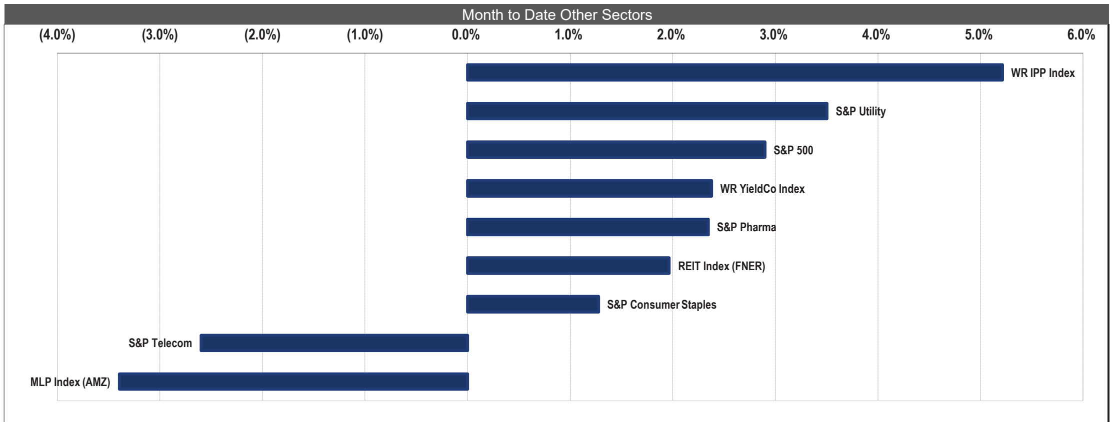
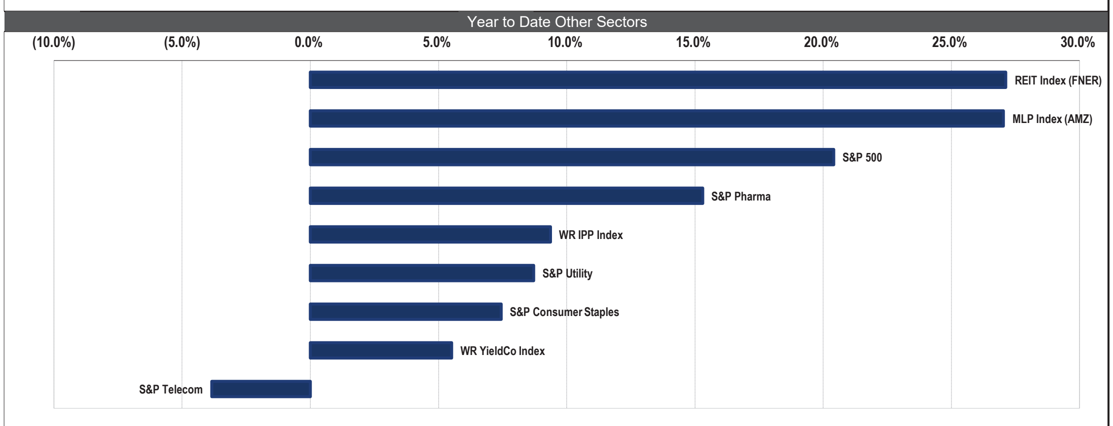
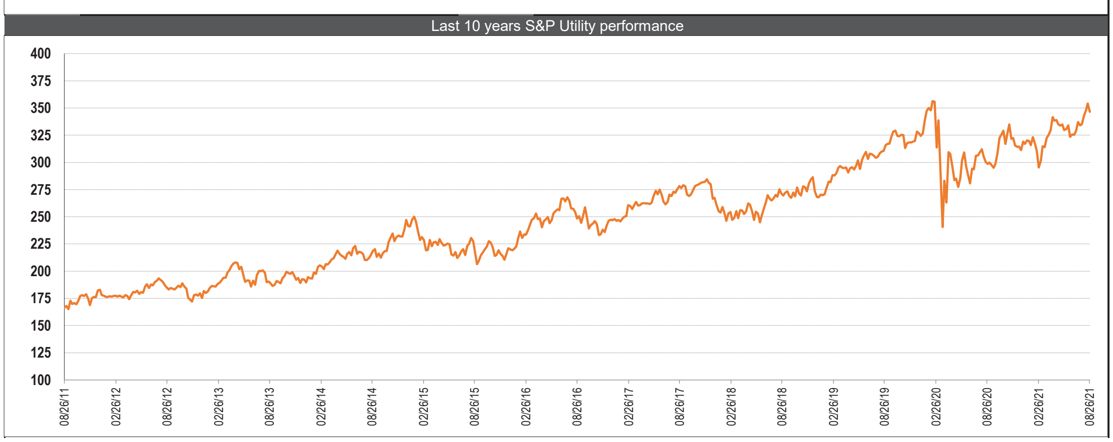
WOLFE RESEARCH

Month to Date and Year to Date performance of income sectors

The IPPs led the way in August, rising 5.2%, driven by NRG's strong rally on pointing to a resumption in buybacks later this year. Within the income sectors, Utilities performed well as NEE's (20% of the sector) constructive FL rate deal was a key driver was the whole index. While Midstream, Telecom, and Consumer Staples are at the bottom of the board for August, Telecom, the YieldCos, and Consumer Staples occupy the bottom positions YTD. The defensive sectors (Telecom, Consumer Staples, and Utilities) remain laggards for 2021.







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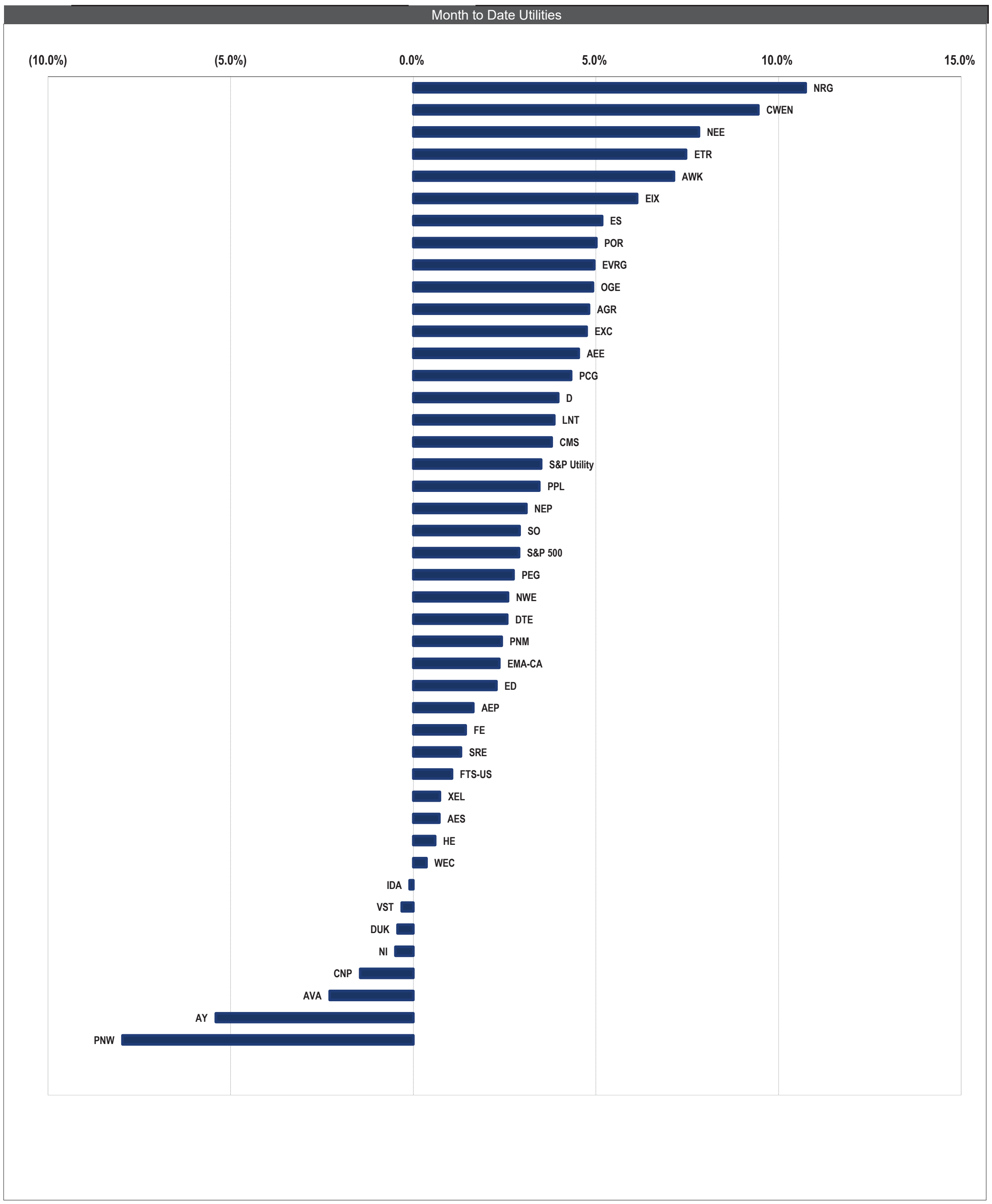
WOLFE RESEARCH

Month to Date performance of Utilities Group

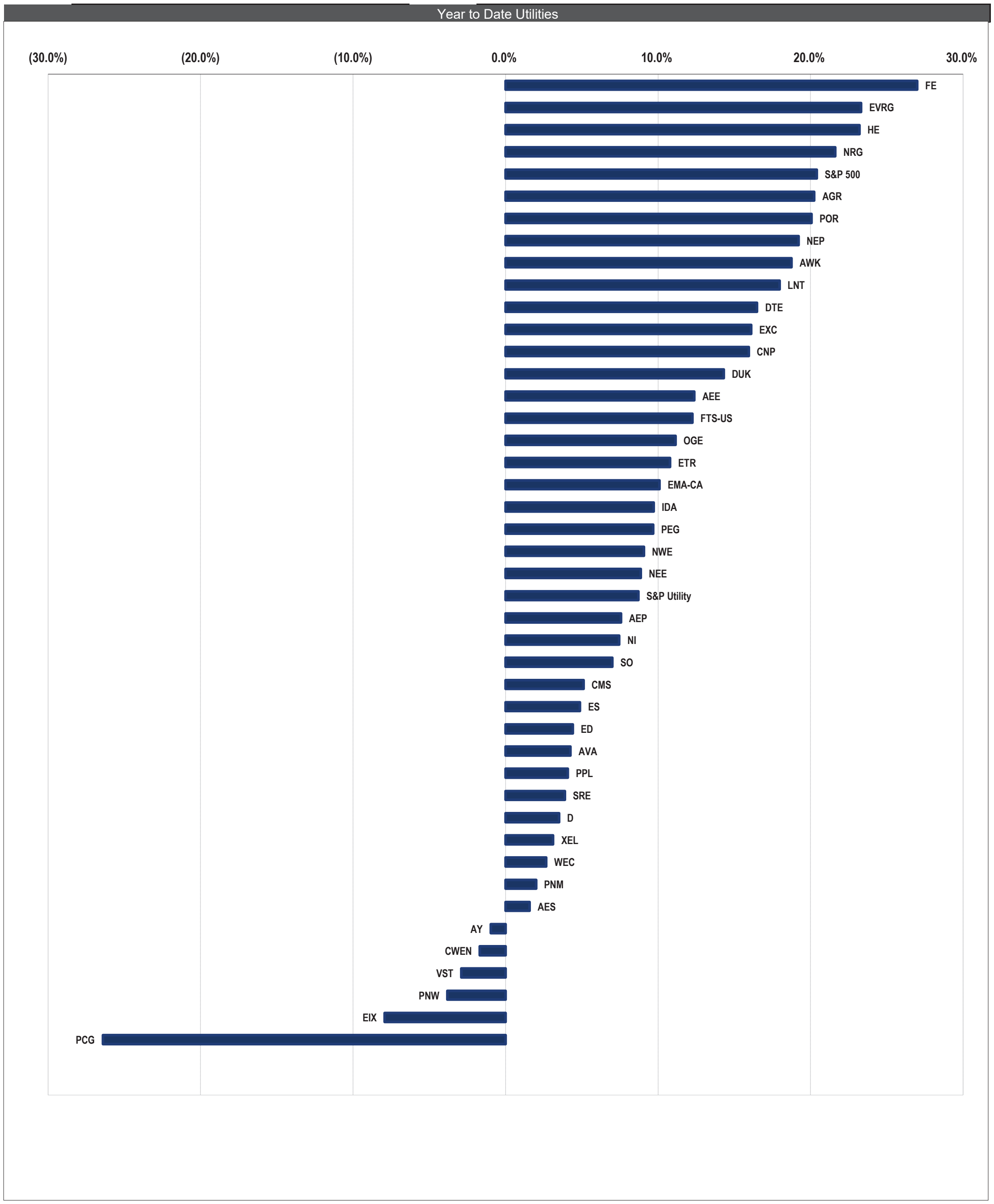
NRG was the top-performer in the sector in August as the company reported an in-line Q2 and reaffirmed guidance, while pointing to a resumption in buybacks later this year. CWEN also outperformed in August as the company reported a solid Q2 and confirmed that it is exploring a sale of its attractively valued thermal business that would recycle capital and provide funding for new growth. NEE was an outperformer in August as it continued its strong bounce off relative lows set in mid-June, with the company reaching a constructive settlement with key parties in its Florida rate case. PNW was the worst-performer in August after an unfavorable ALJ recommendation in APS' longstanding rate case, leading to a $0.75-$0.80 potential decline in EPS, which represents a ~15% earnings risk vs then consensus. CNP also lagged in August maybe due to some profit taking given strong performance YTD and ENBL/ET being weak in the month, alongside energy generally. NI's underperformance was tied to weakness seen across the LDC space.



WOLFE RESEARCH

Year to Date performance of Utilities Group

FE maintained the top spot YTD. FE began its march higher earlier this year after it was revealed that activist Carl Icahn had taken a stake in the company. EVRG is now the second best for 2021 as anticipation continues to build for the September Analyst Day after the company reported a Q2 EPS beat and noted that 2021 guidance is tracking to the top-half. HE remains a top performer as small caps, generally, have fared well in 2021. PCG remains the worst performer YTD. Sentiment on both CA utilities (EIX too) remains negative mostly due to wildfire risk overhang. PNW is now a worst-performer YTD came after an unfavorable ALJ recommendation in APS' longstanding rate case.



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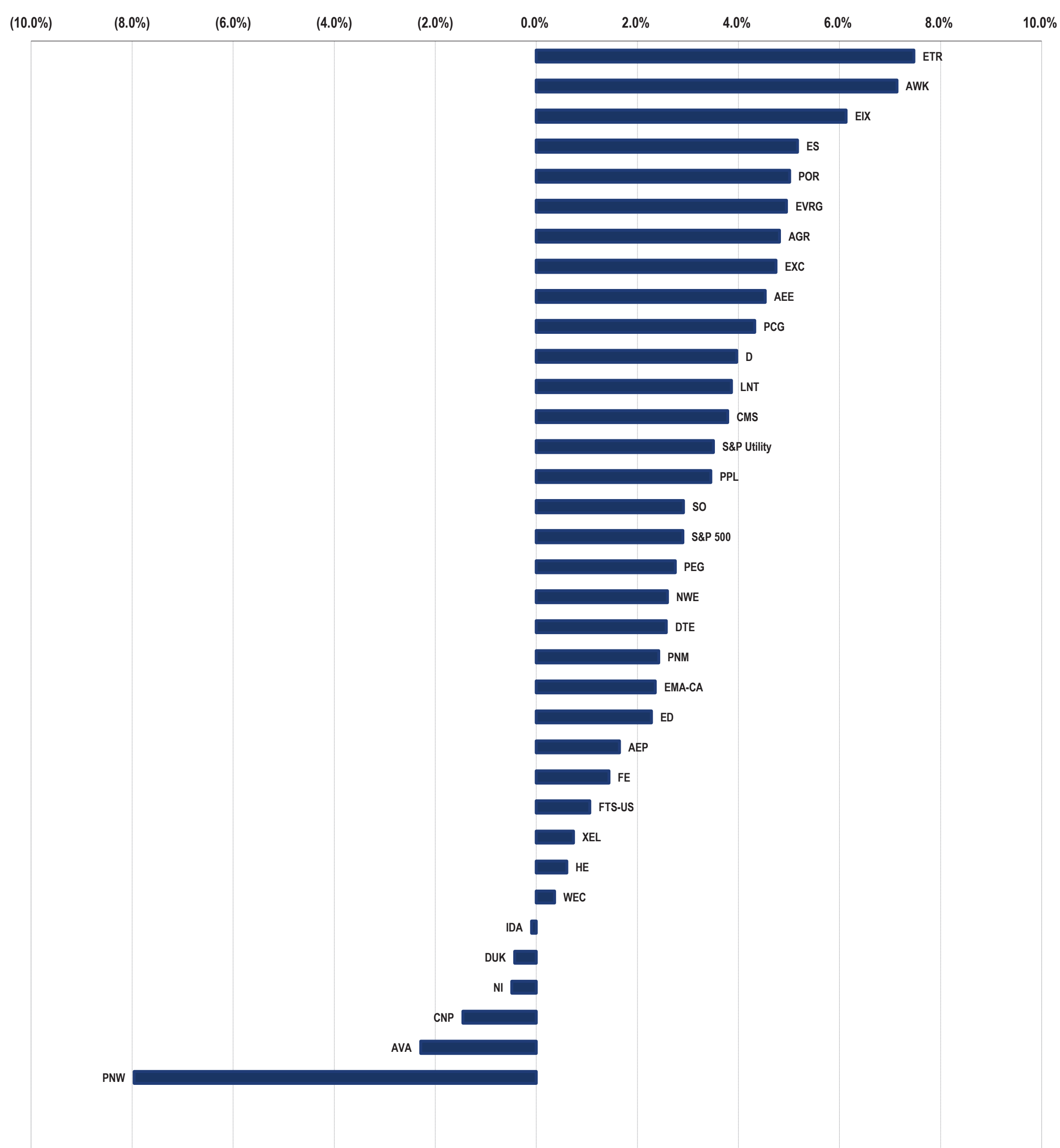
WOLFE RESEARCH

Month to Date performance of Regulated Utilities

Despite the impact of Hurricane Ida, ETR was the top-performer in August after mgmt. raised guidance through 2023 on lower equity needs and potentially more investments. AWK was an outperformer in August on no notable news, with the Q2 print being pretty uneventful, in our view. EIX hit 52-week relative lows in early August, but outperformed in the month after the CPUC approved higher rate base than the initial recommendation and the state found no evidence to pursue charges against the company for the 2018 Woolsey fire. PNW was the worst-performer in August after an unfavorable ALJ recommendation in APS' longstanding rate case, leading to a $0.75-$0.80 potential decline in EPS, which represents a ~15% earnings risk vs then consensus. CNP also lagged in August maybe due to some profit taking given strong performance YTD and ENBL/ET being weak in the month, alongside energy generally. NI's underperformance was tied to weakness seen across the LDC space.

Month to Date Regulated Utilities



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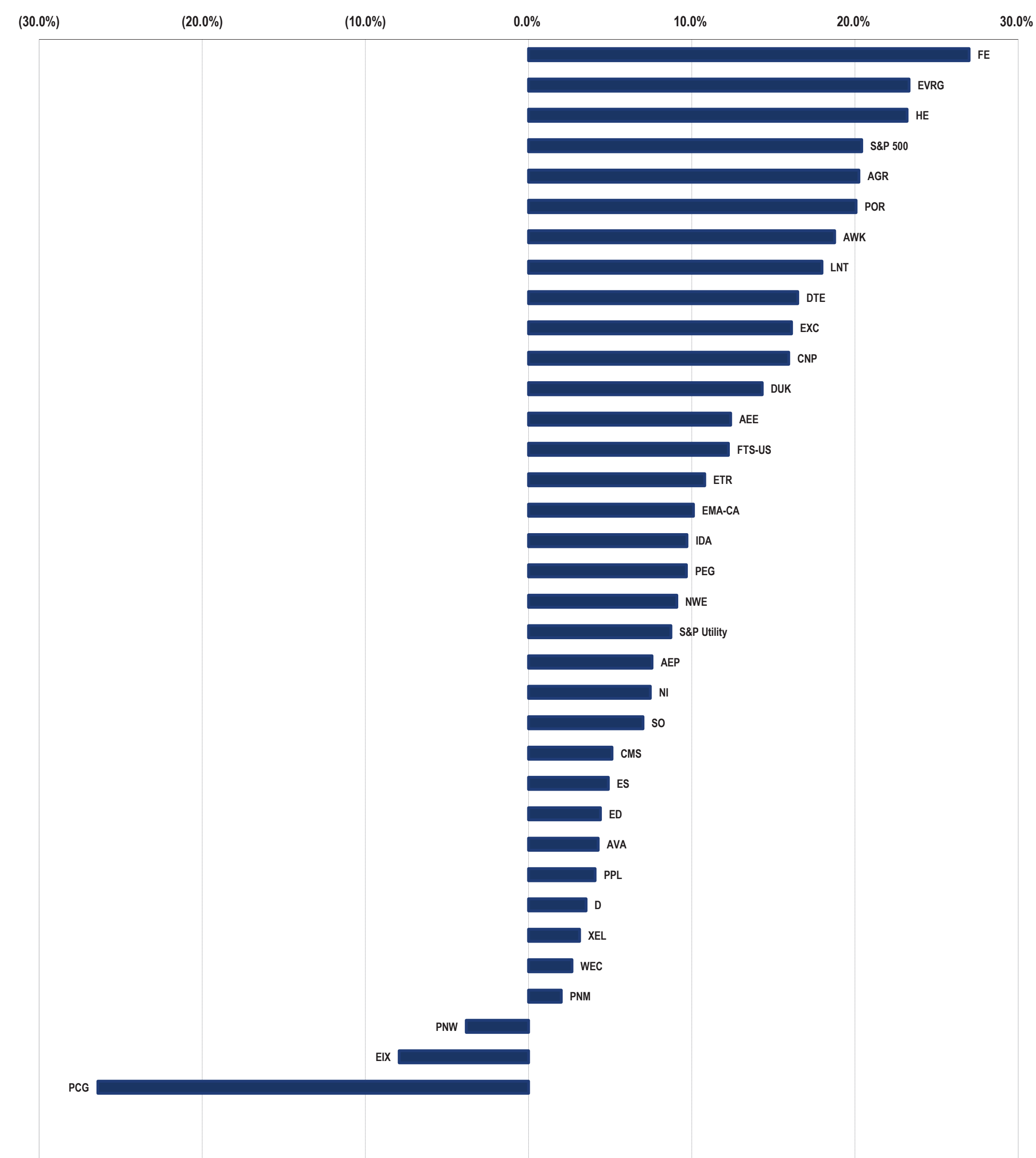
WOLFE RESEARCH

Year to Date performance of Regulated Utilities

FE maintained the top spot YTD. FE began its march higher earlier this year after it was revealed that activist Carl Icahn had taken a stake in the company. EVRG is now in second position for 2021 as anticipation continues to build for the September Analyst Day after the company reported a Q2 EPS beat and noted that 2021 guidance is tracking to the top-half. HE remains a top performer – some of this was on HE being named a new candidate for the ICLN index in March as well as a potential unwind of some short positions earlier in the year. The California utilities, PCG and EIX, continue to trail mostly because of wildfire risk overhang. PNW is now a bottom-performer after an unfavorable ALJ recommendation in APS' longstanding rate case, leading to a $0.75-$0.80 potential decline in EPS, which represents a ~15% earnings risk vs then consensus.

Year to Date Regulated Utilities



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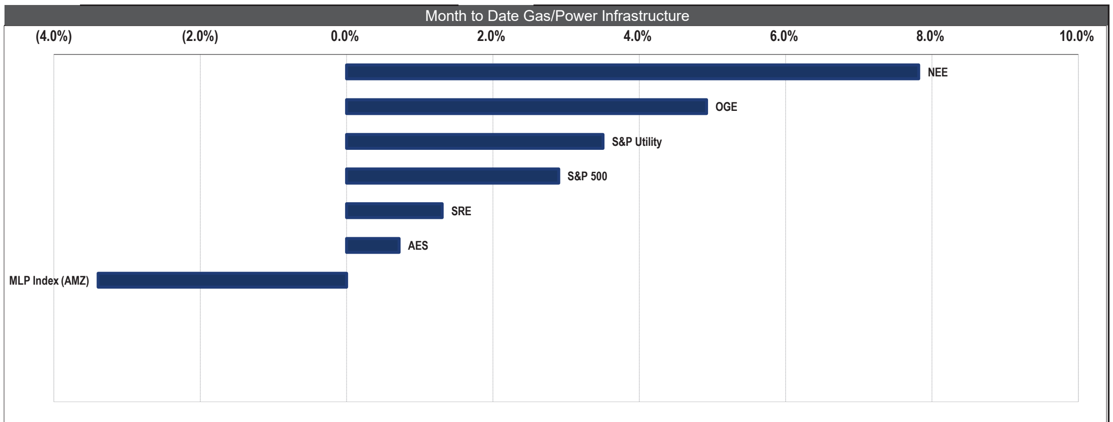
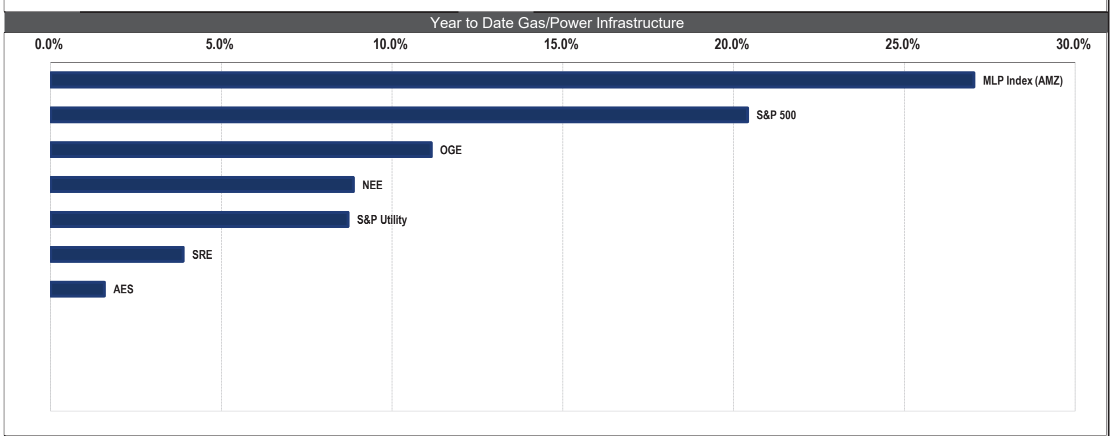
WOLFE RESEARCH

Month to Date and Year to Date performance of Gas/Power Infrastructure

NEE was the top-performer in August as it continued its strong rally off relative lows set in mid-June, with the company reaching a constructive settlement with key parties in its Florida rate case. AES was the worst-performer in August, on no fundamental news that would explain the recent stock weakness. OGE remains the top-performer YTD as the company filed its draft IRP in OK/AR in August, with any incremental capex out of the IRPs providing upside to OGE's current capex plan. Notably, NEE is now no longer trailing the utilities index on the year. AES remains the bottom-performer YTD despite Q2 results being ahead of consensus and the company being well on track for the FY on renewable originations/PPAs.

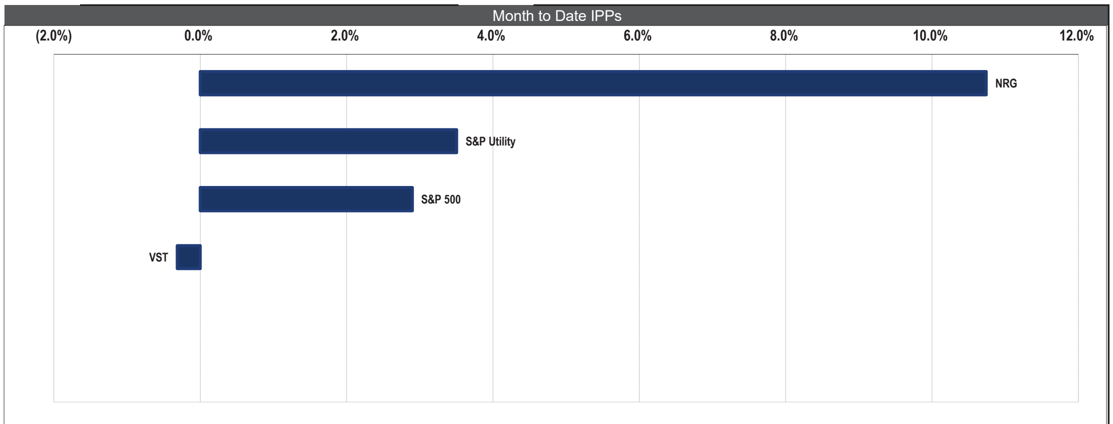


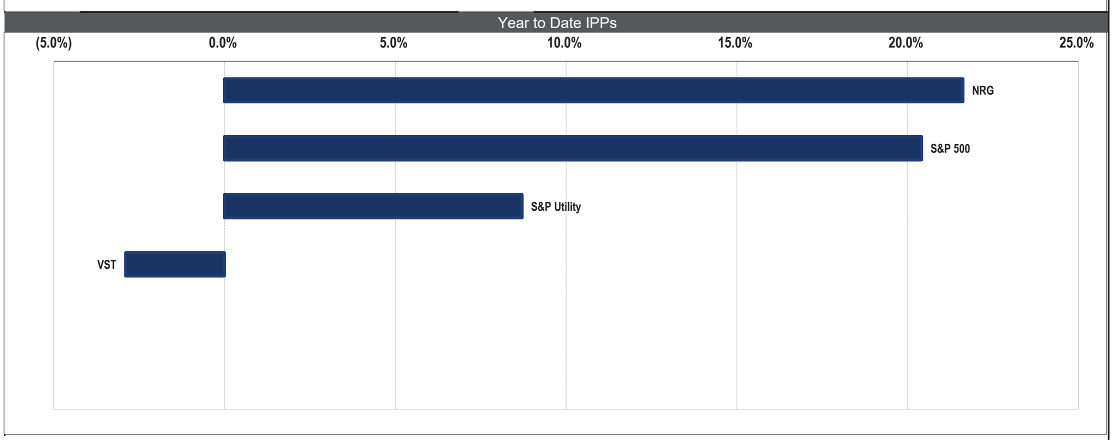


WOLFE RESEARCH

Month to Date and Year to Date performance of IPPs

NRG significantly outperformed both the market and the broader utilities sector in August as the company reported an in-line Q2 and reaffirmed guidance, while pointing to a resumption in buybacks later this year. VST underperformed both the S&P 500 and the broader utilities group in August and remains considerably lagging behind them as the company gave a first look at 2022 EBITDA that matched consensus and was lower than our estimates, but used lower power curves. Notably, NRG is now leading the S&P 500 on the year.

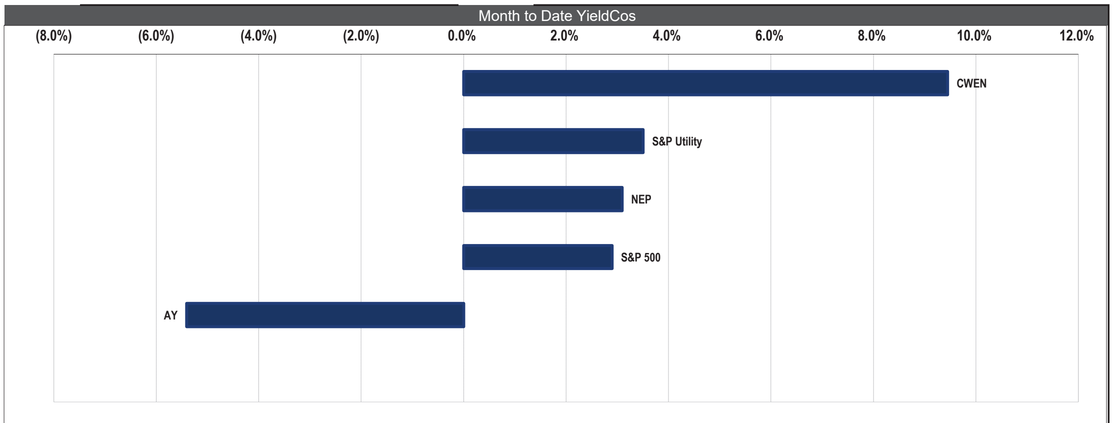


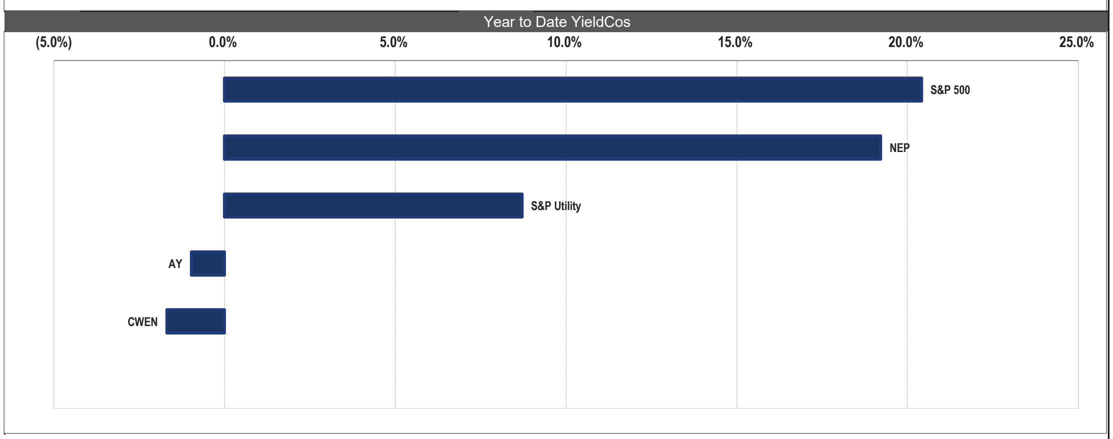


WOLFE RESEARCH

Month to Date and Year to Date performance of YieldCos

The YieldCos traded slightly behind the market in August with AY substantially underperforming both the broader utilities sector and the S&P 500, and the YieldCos are still lagging the market YTD. CWEN sizably outperformed both the broader utilities group and the market in August, and narrowed its YTD trailing margin, with the company strongly bouncing after it reported a solid Q2 and confirmed that it is exploring a sale of its attractively valued thermal business that would recycle capital and provide funding for new growth. NEP traded in-line with the broader utilities sector in August, but is still outperforming on the year, with the company closing the previously announced Brookfield acquisition during the month.



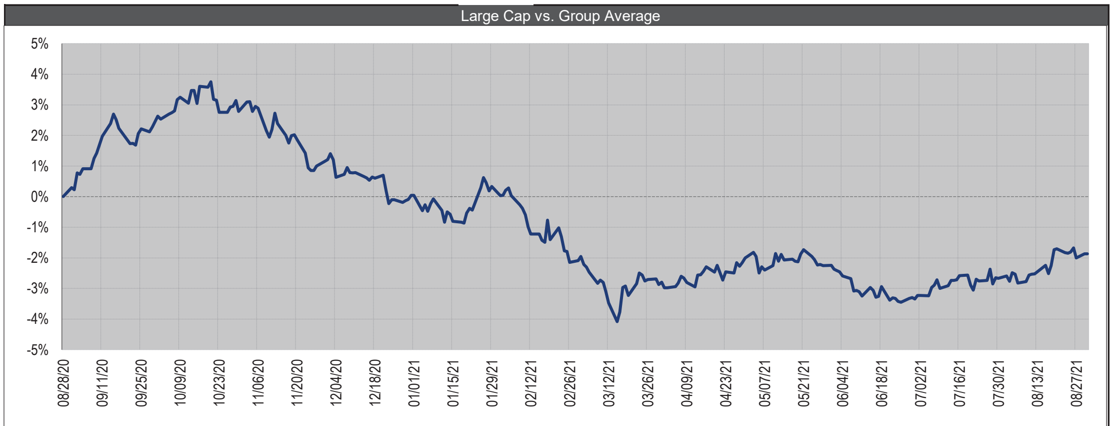


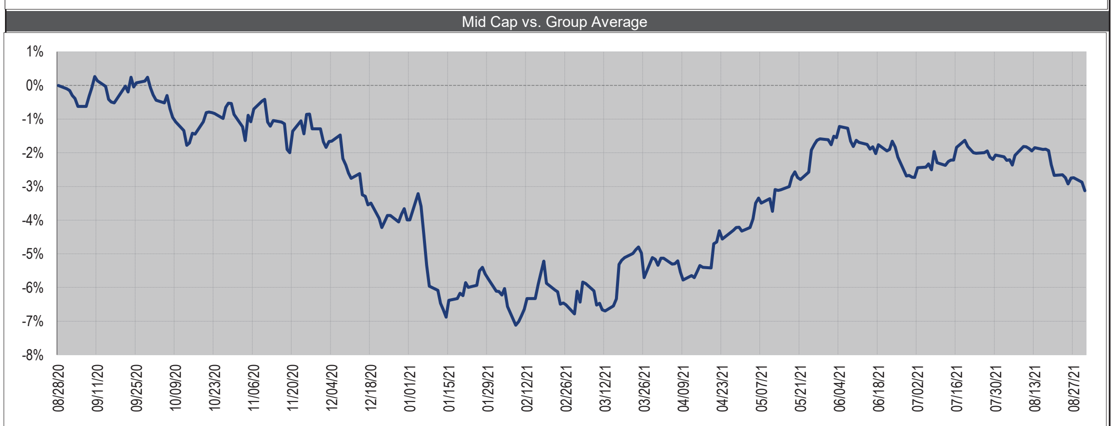
9/6/2021

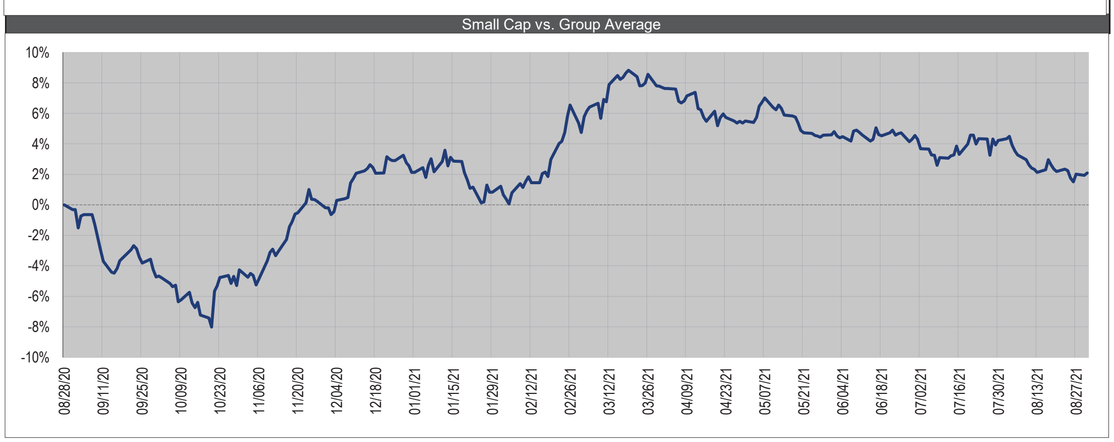
WOLFE RESEARCH

Utilities Performance by Market Cap

- Large-caps overperformed the utility average in August, led up by NEE (+7.8%) and ETR (+7.5%).
- Mid-caps underperformed the group average in August, led down by PNW (-8.0%) and CNP (-1.5%).
- Small-caps underperformed the group average in August, led down by AVA (-2.3%) and IDA (-0.1%).







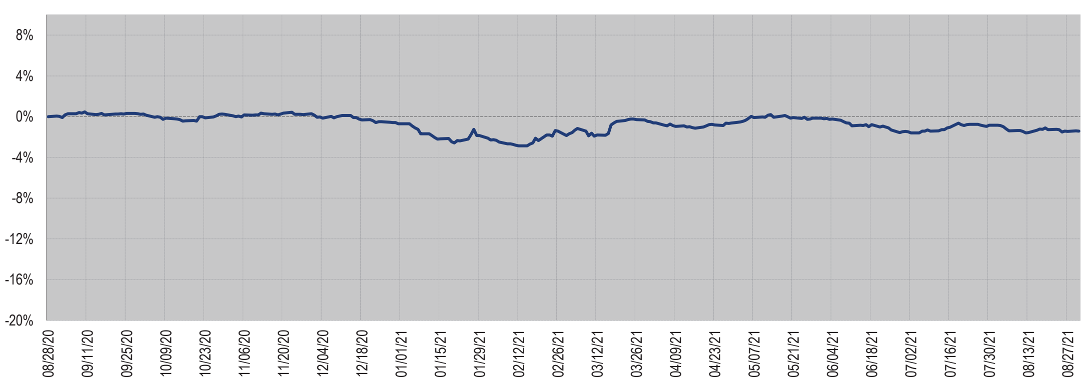
9/6/2021

WOLFE RESEARCH

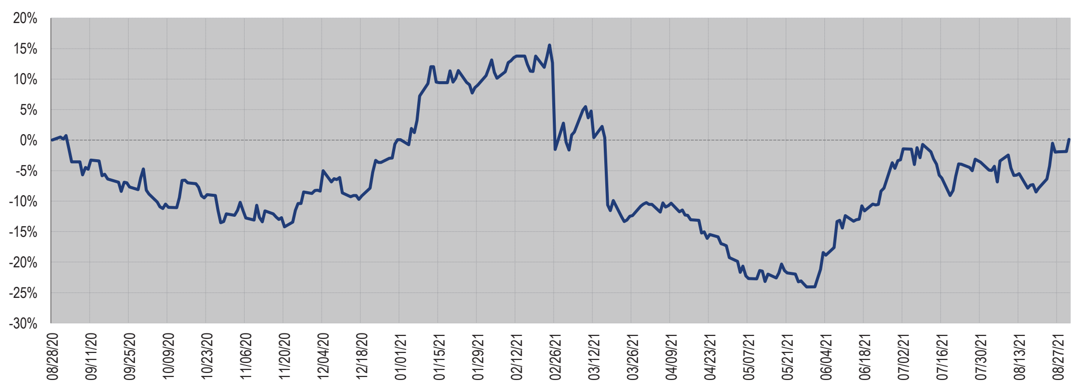
Utilities Performance by Segment

• Regulateds slightly underperformed the utility average in August, led down by PNW (-8.0%) and AVA (-2.3%).
• IPPs outperformed the group average in August, led up by NRG (+10.7%).

Regulated vs. Group Average



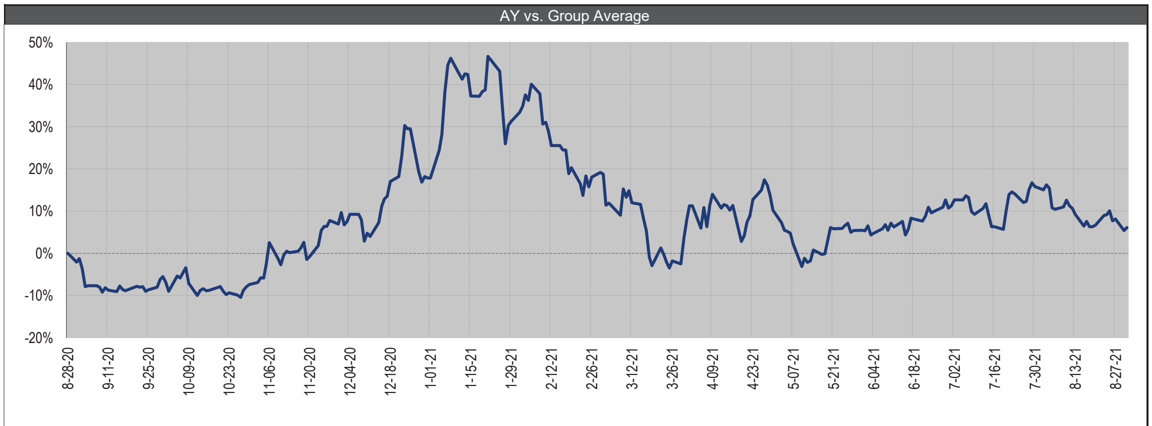
IPP vs. Group Average

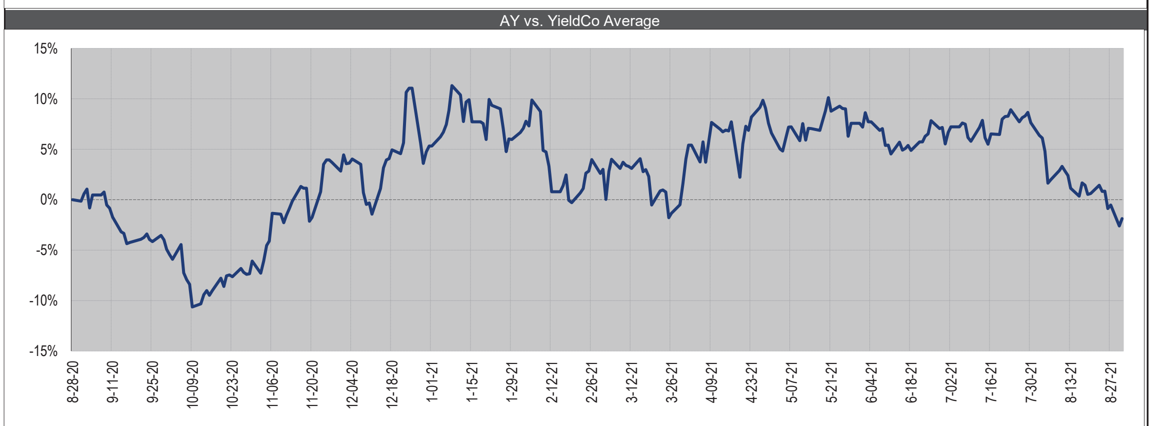


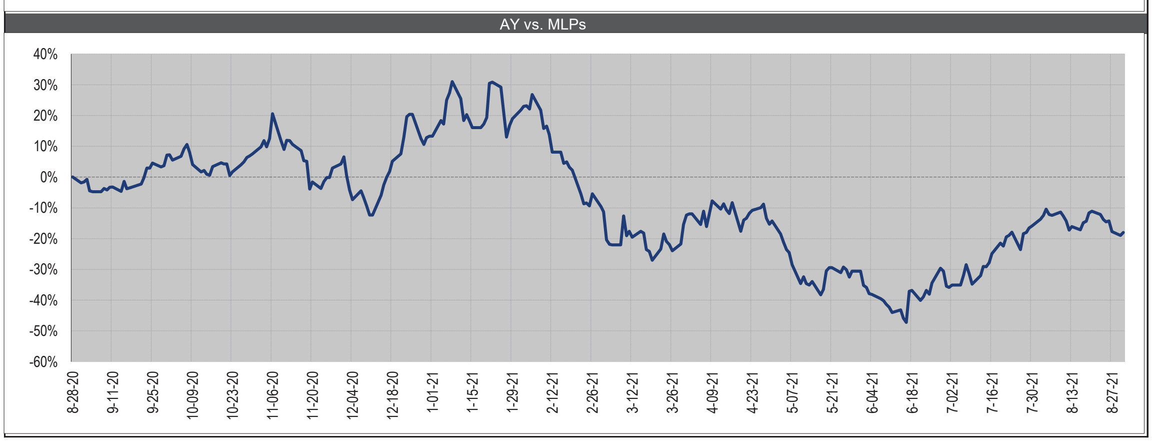
9/6/2021

WOLFE RESEARCH

Atlantica Yield (AY) $37.61, NR





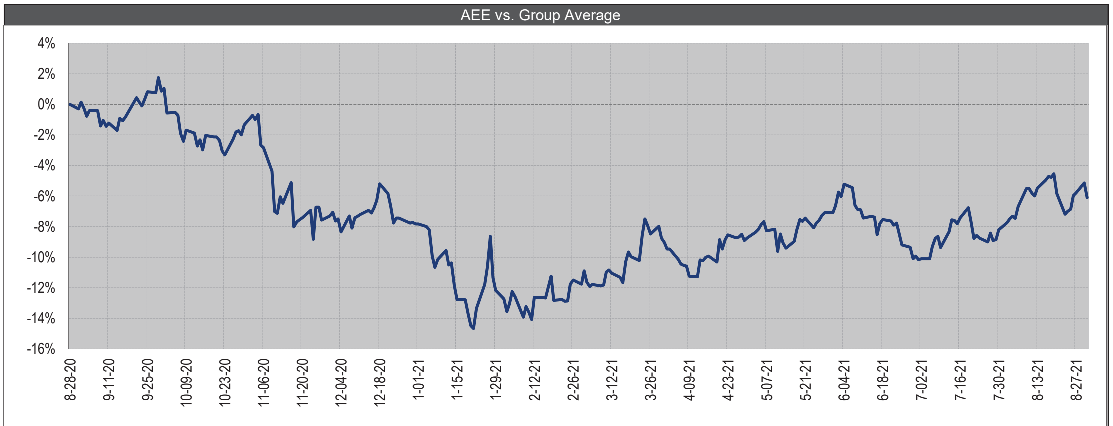


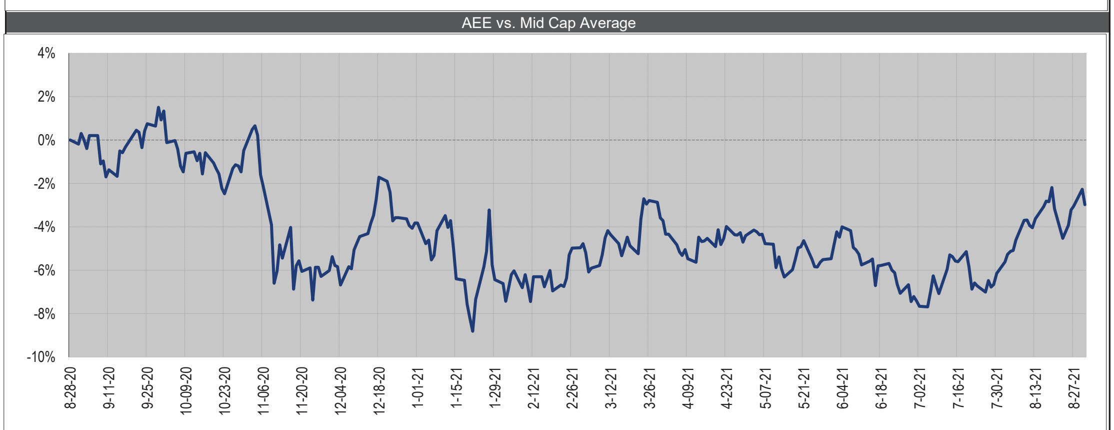
9/6/2021

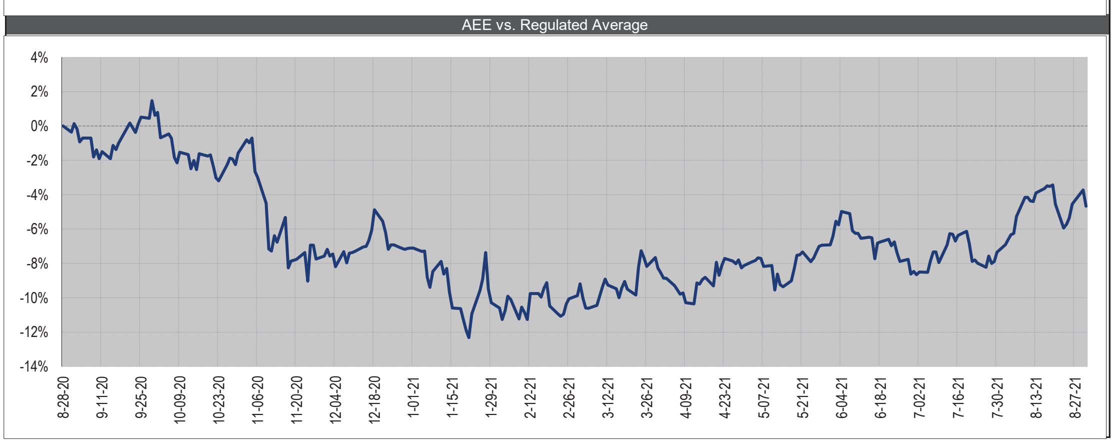
WOLFE RESEARCH

Ameren (AEE) $87.72, Outperform, $90 PT

AEE outperformed peers possibly on a Q2 beat and potential IL legislation, and despite a MO court ruling on environmental retrofits.





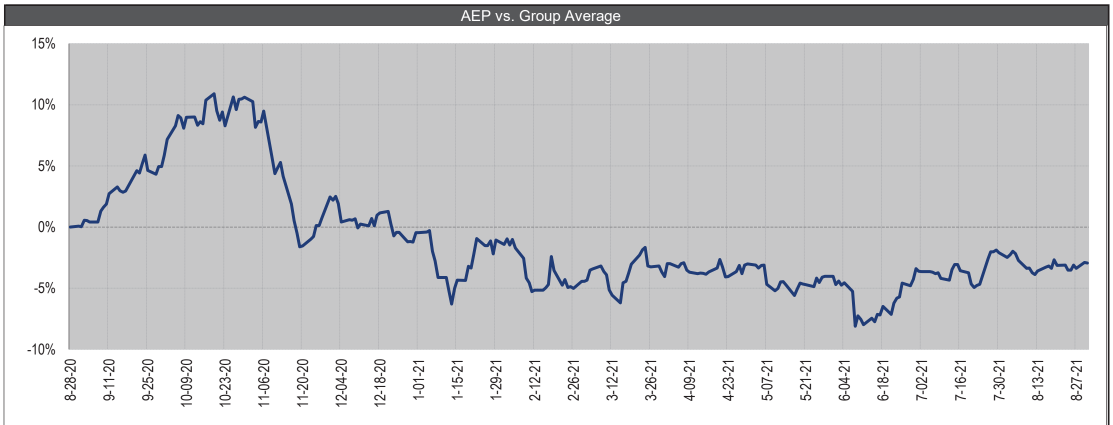


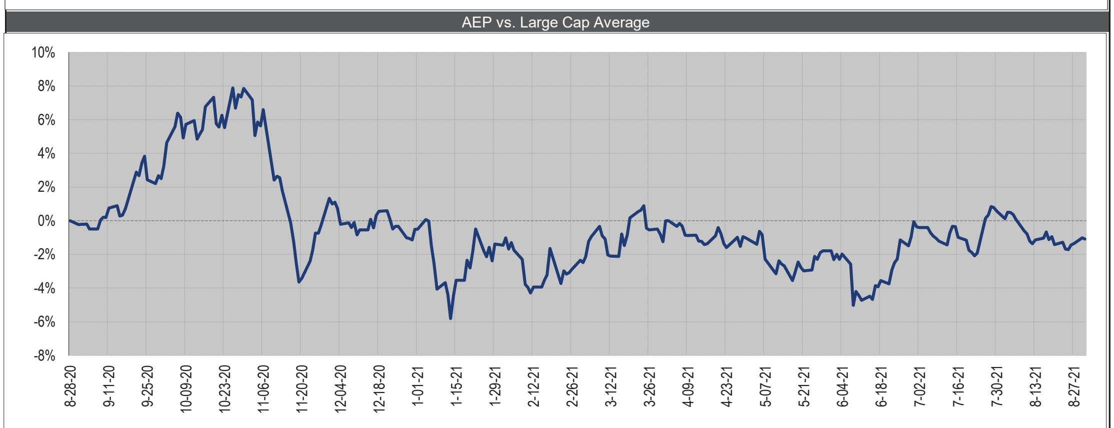
9/6/2021

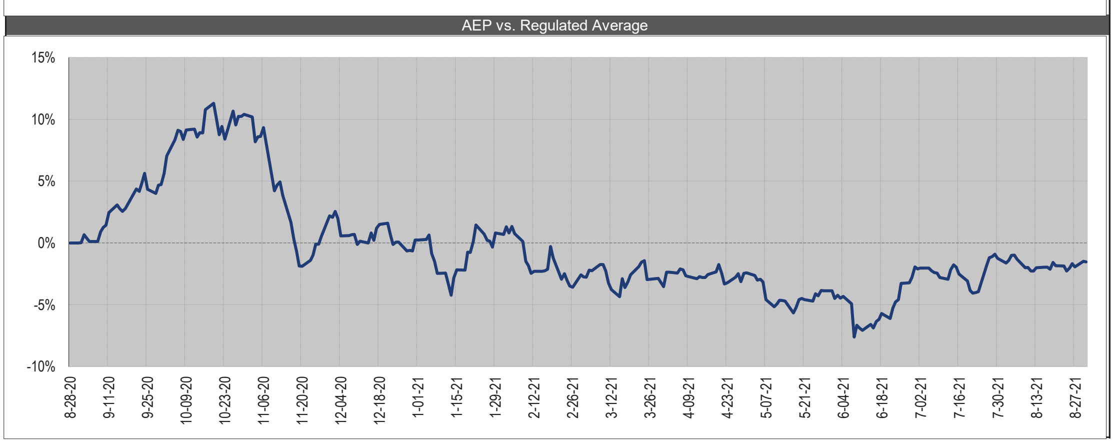
WOLFE RESEARCH

American Electric Power (AEP) $89.57, Peer Perform, $93 PT

AEP underperformed in Aug but largely before an unfavorable TX Appeals court ruling that had a modest headwind.





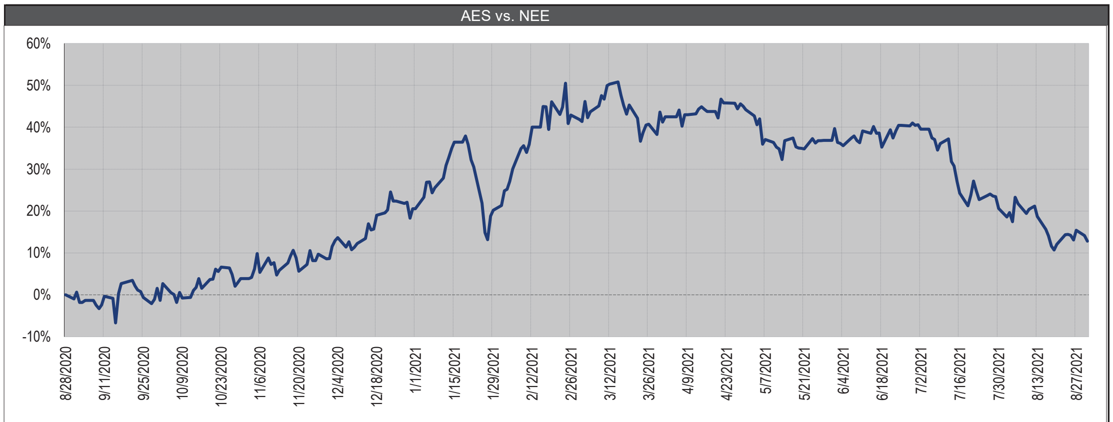


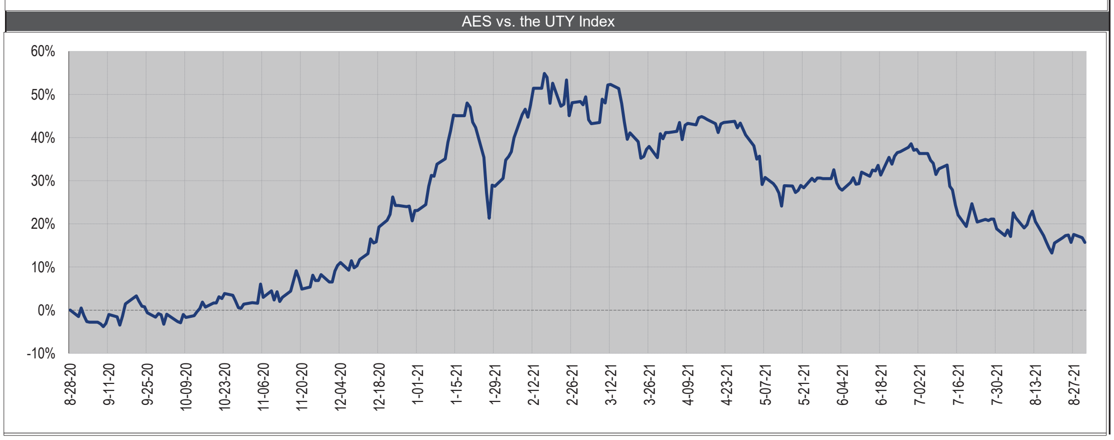
9/6/2021

WOLFE RESEARCH

AES Corporation (AES) $23.87, Outperform, $29 PT

AES underperformed the utilities index by nearly 300bps in August, continuing its weak performance from the month prior. We haven't seen any fundamental news that would explain the recent stock weakness – Q2 results were ahead of cons and the company is well on track for the FY on renewable originations/PPAs. We upgraded AES to Outperform during the month and believe current levels are a compelling entry point for a clean energy leader.



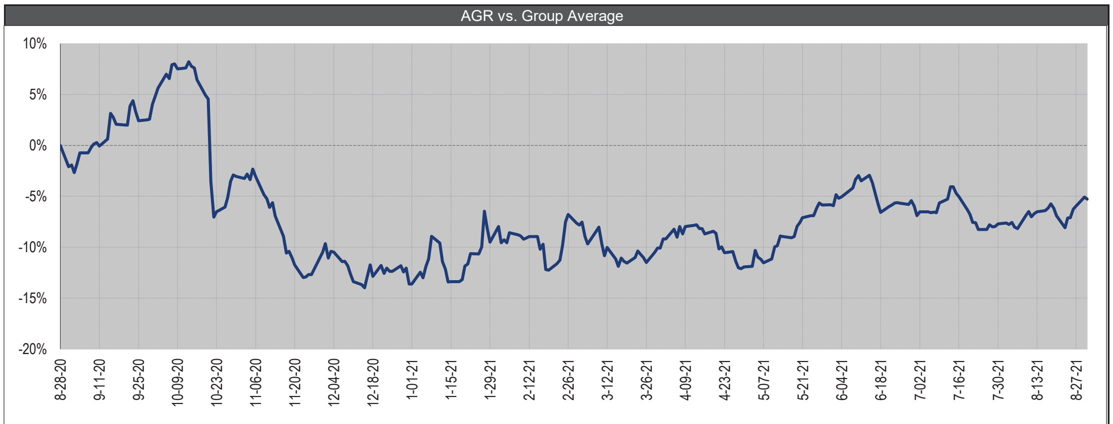


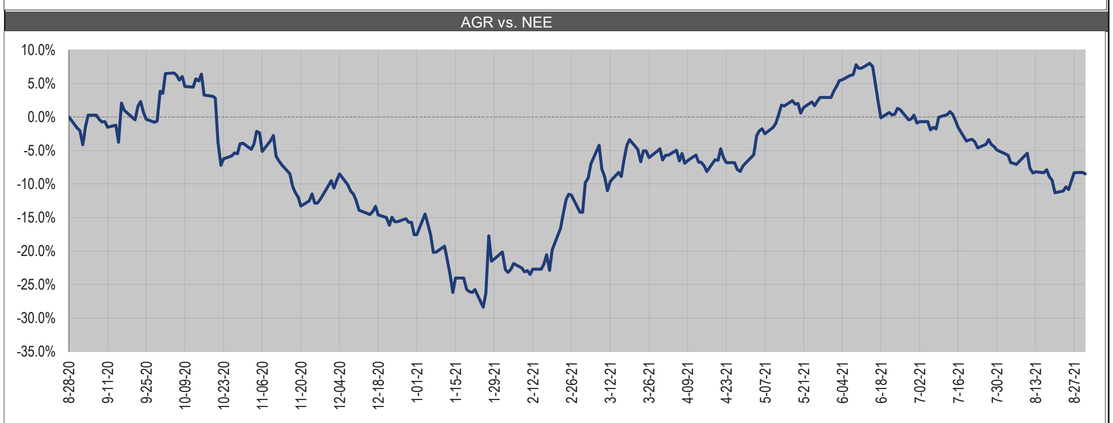
9/6/2021

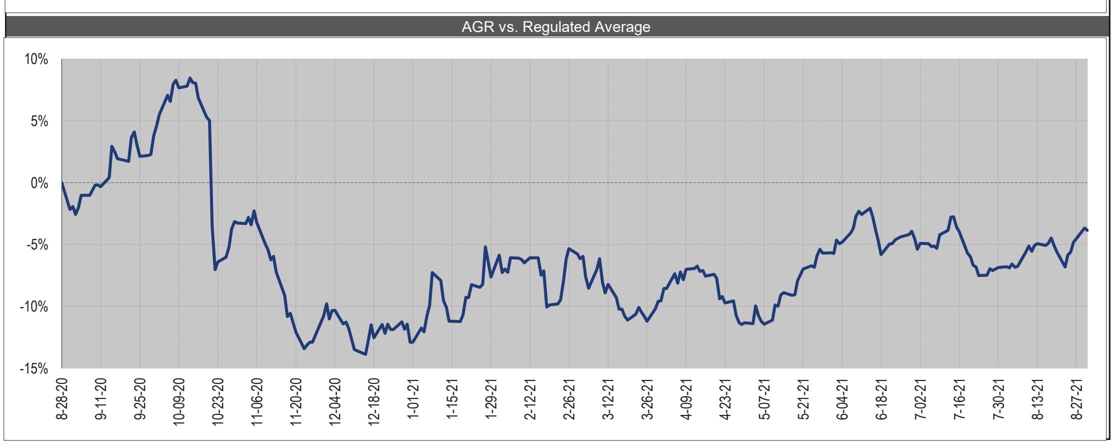
WOLFE RESEARCH

Avangrid (AGR) $54.65, Underperform, $47 PT

AGR outperformed modestly in August, as it continues to be one of the top stocks YTD. To the positive, AGR added more concessions and parties to its PNM merger settlement agreement in New Mexico. To the negative, there is more noise resurfacing on the NECEC transmission line with a state judge vacating the lease for a small portion of the line's land. PNM merger closing appears on track for Q4 with New Mexico the only approval remaining.



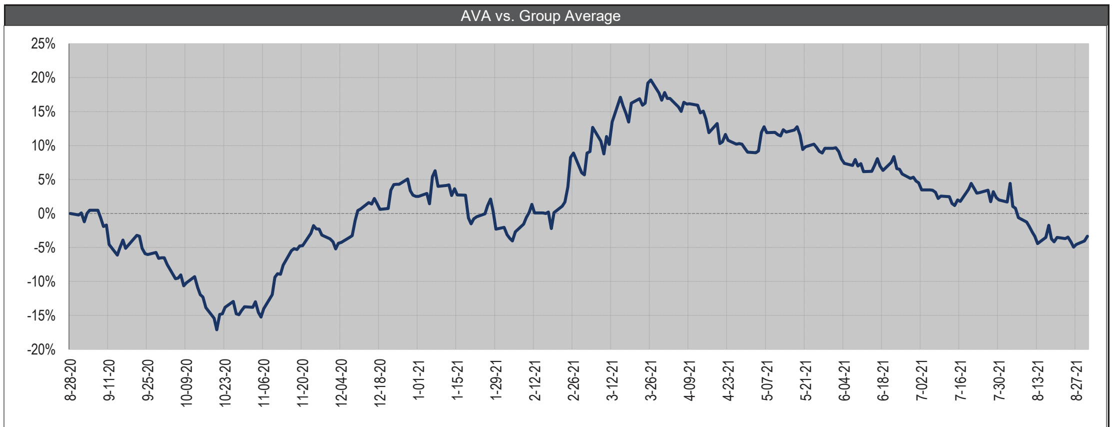


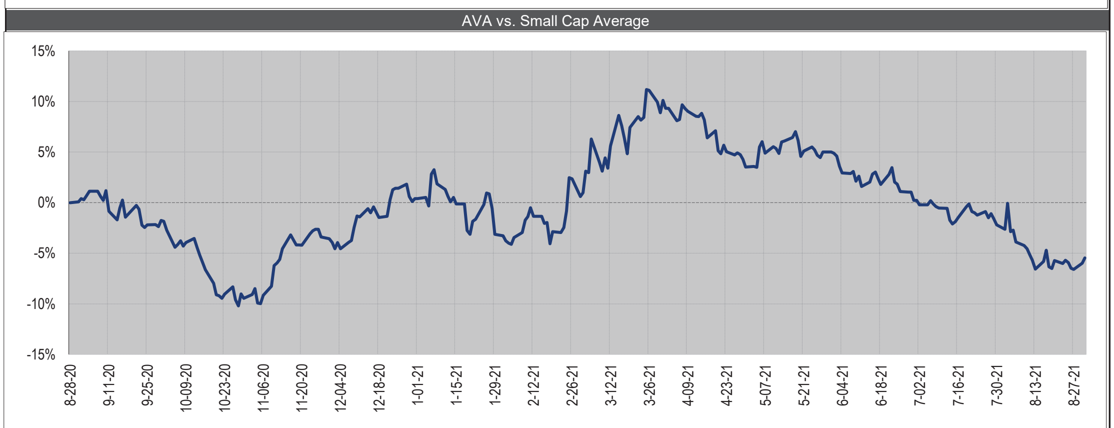


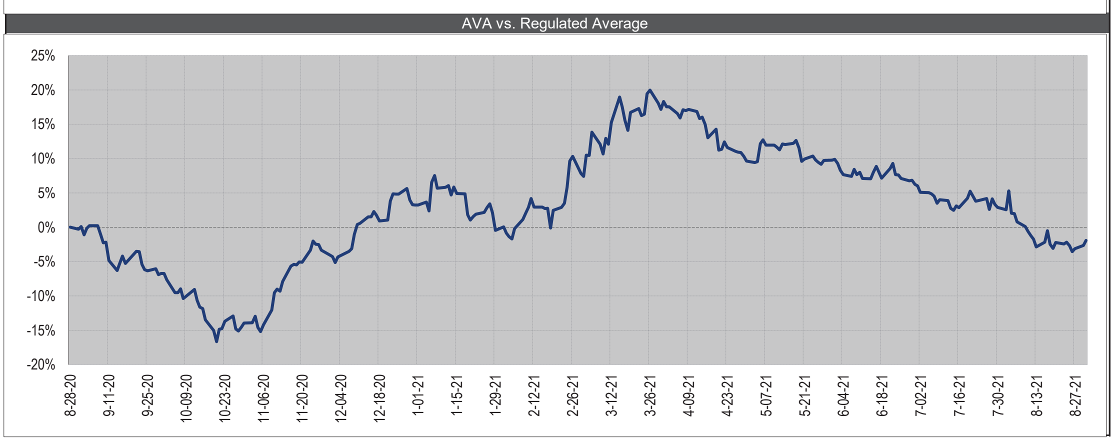
9/6/2021

WOLFE RESEARCH

Avista Corporation (AVA) $41.85, NR



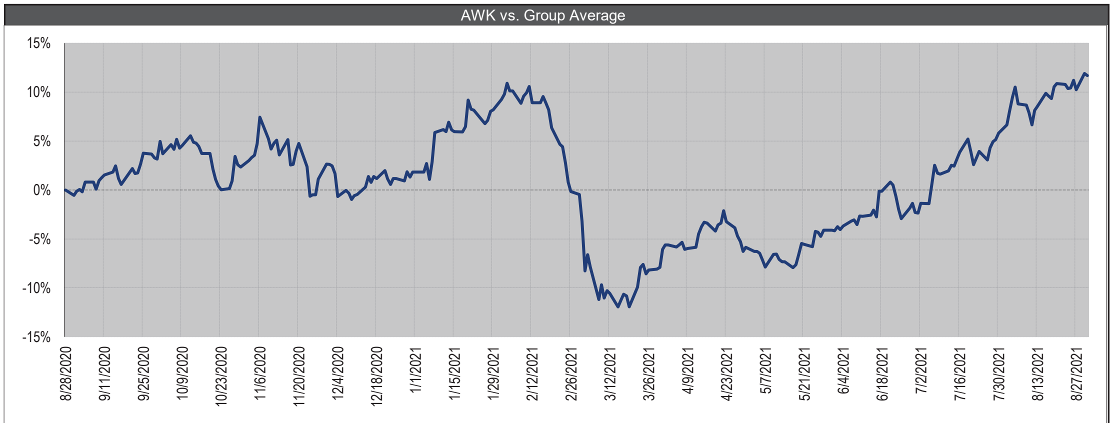


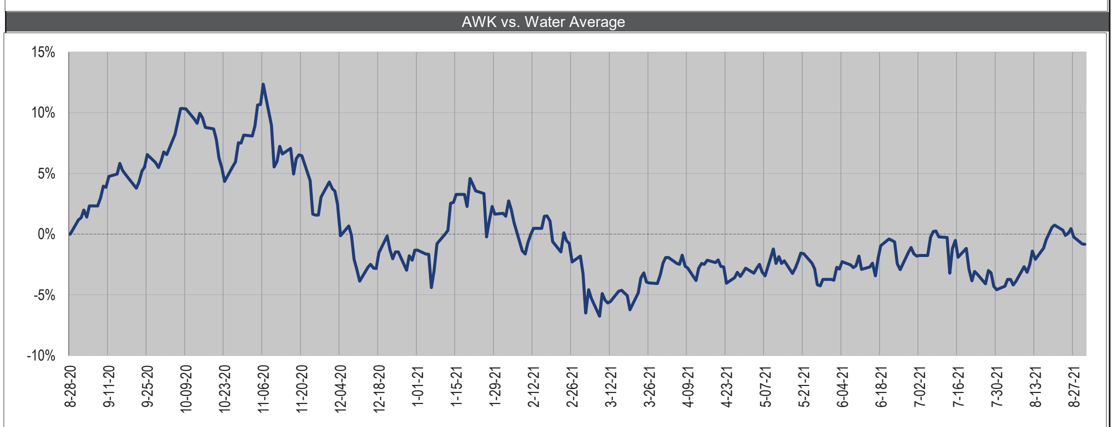


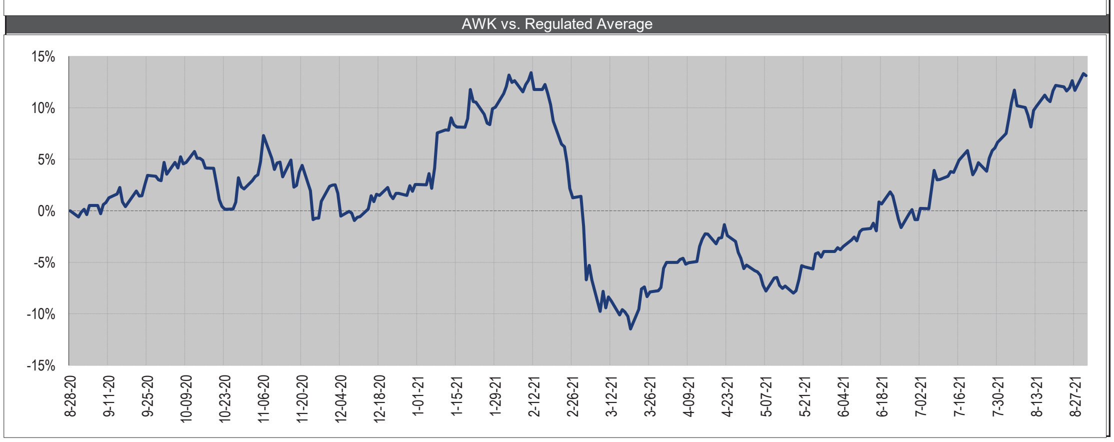
9/6/2021

American Water Works (AWK) $182.25, Peer Perform, $179 PT

AWK outperformed the utility/water averages and was a top performer in August. News was relatively quiet on AWK during the month and the Q2 print was pretty uneventful, in our view.





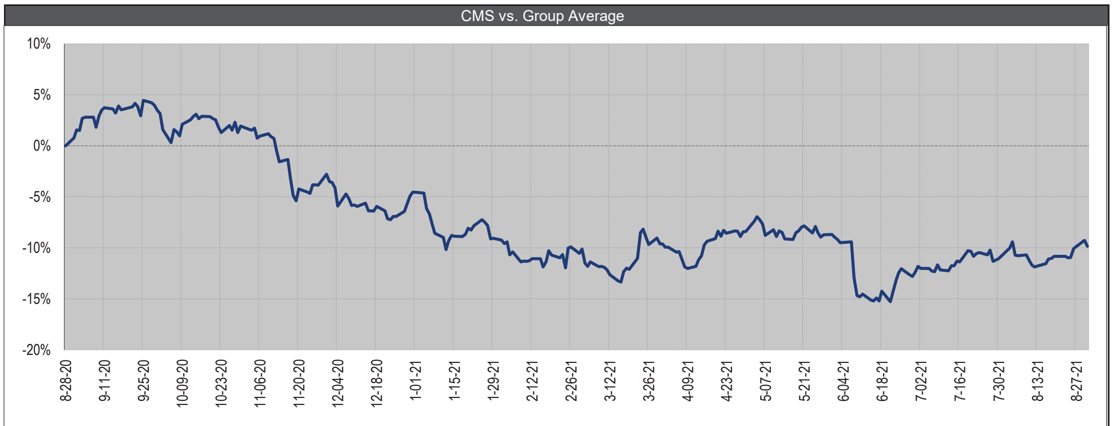


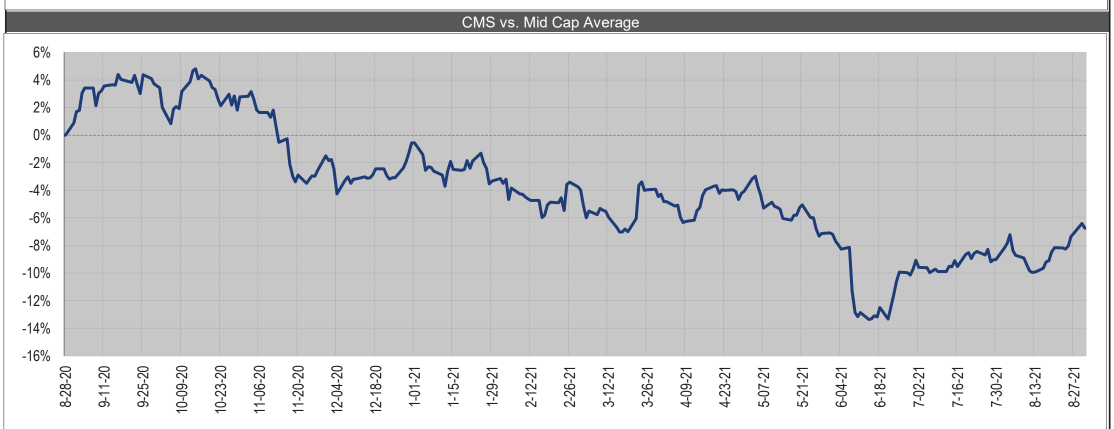
9/6/2021

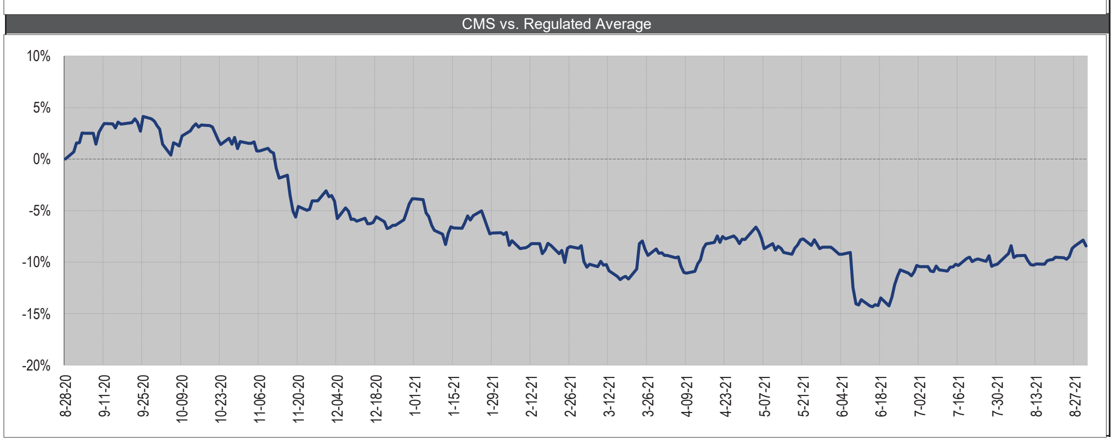
WOLFE RESEARCH

CMS Energy (CMS) $64.13, Peer Perform, $64 PT

CMS modestly outperformed in August, but is still trailing most peers on the year. Michigan was hit hard by a series of storms that generated some headlines following outages, though CMS performed relatively well in restoration time. As a result, the MI PSC launched a proceeding on the outages and utility reliability following comments from Governor Whitmer.





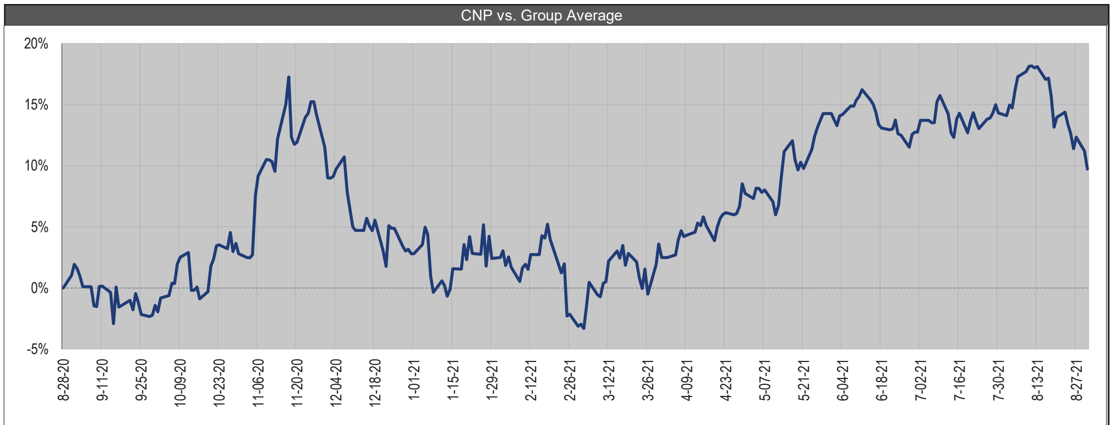


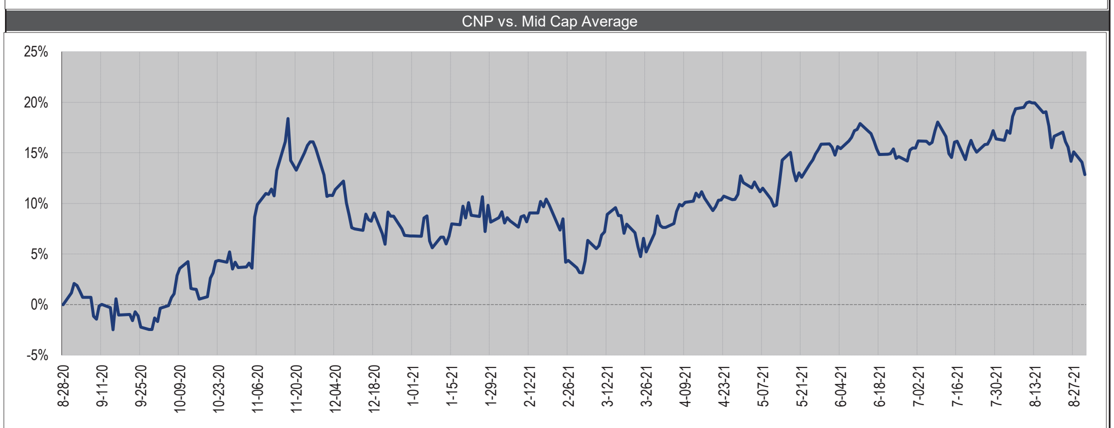
9/6/2021

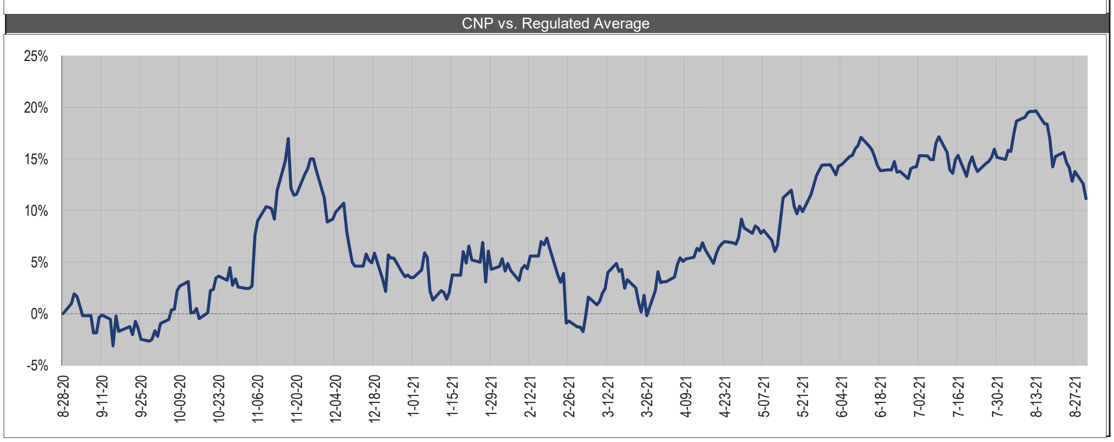
WOLFE RESEARCH

CenterPoint Energy (CNP) $25.09, Outperform, $29 PT

CNP underperformed the utility group by a decent margin in August and was one of the bottom performers in the entire group. From a CNP perspective the month was good – FY21 utility guidance was raised for the second time along with solid Q2 earnings and management identified at least $1.5B of incremental capex ahead of its September Analyst Day. We think the weakness was maybe due to some profit taking given strong performance YTD; ENBL/ET were also weak in August, alongside energy generally. We would be buyers ahead of the Analyst Day.







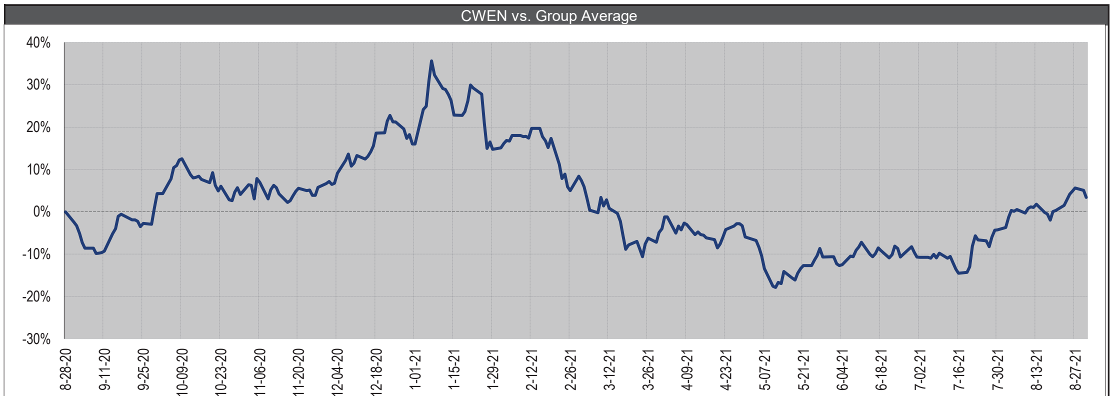
9/6/2021

WOLFE RESEARCH

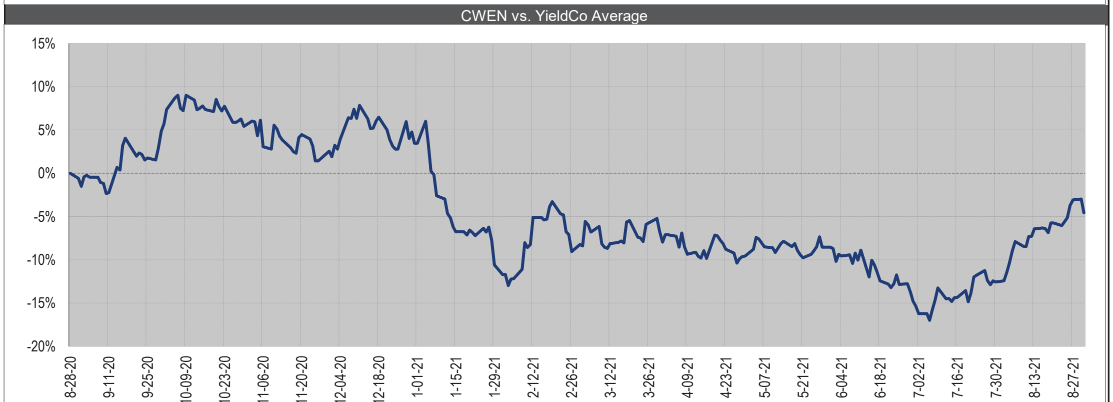
Clearway Energy (CWEN) $31.39, Outperform, $33 PT

CWEN was the second best performer in the sector in August, bested only by its former parent company NRG. That said, CWEN is still underperforming on the year. The company reported a solid Q2 and confirmed that it is exploring a sale of its attractively valued thermal business. CWEN also announced the acquisition of the remaining 50% interest in Utah solar facilities.

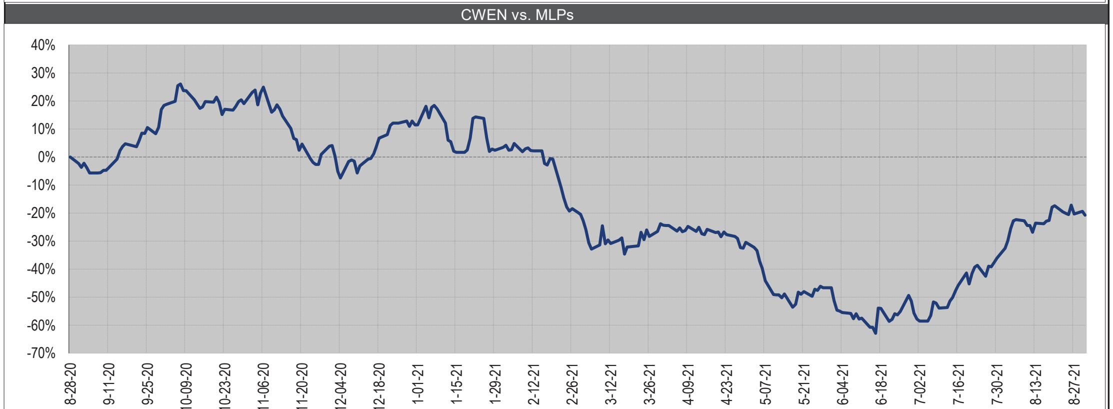
CWEN vs. Group Average



CWEN vs. YieldCo Average



CWEN vs. MLPs

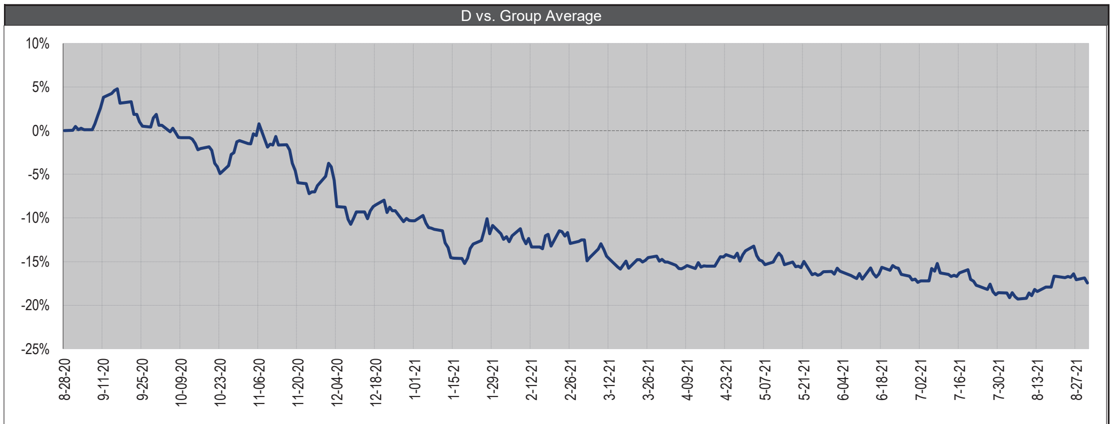


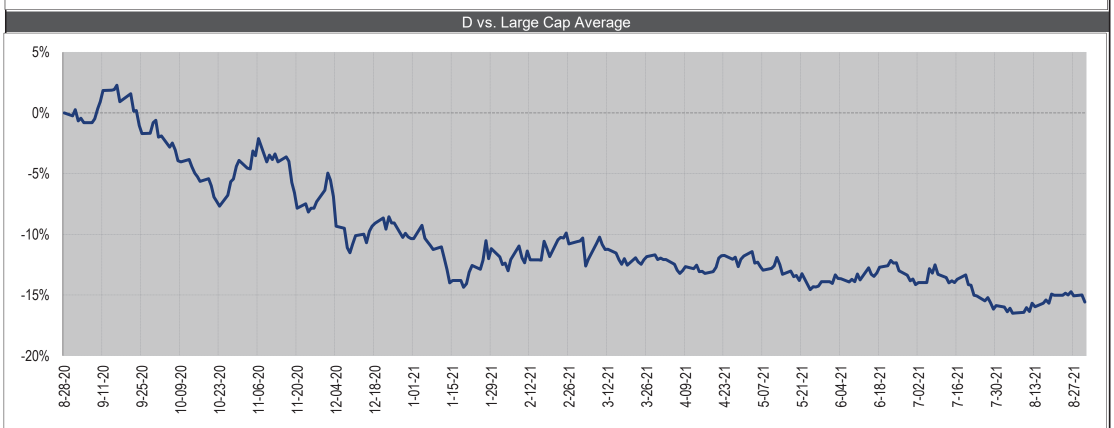
9/6/2021

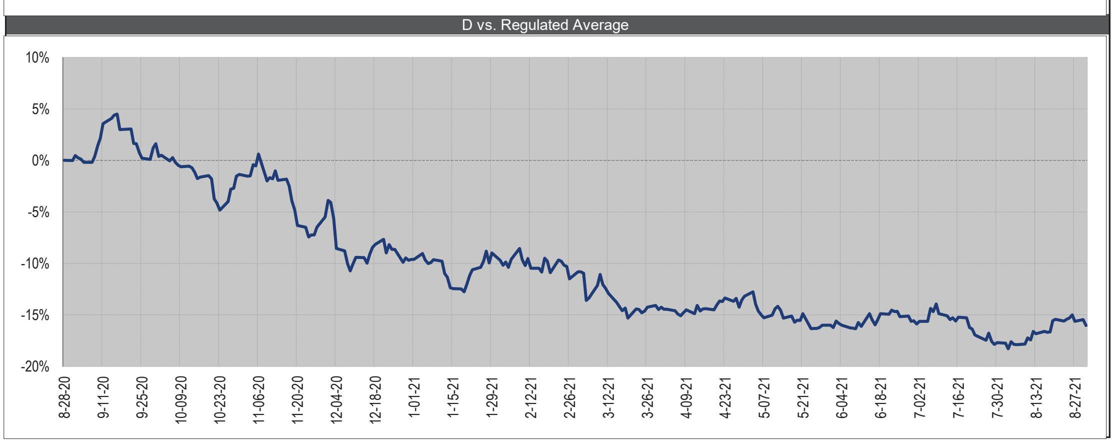
WOLFE RESEARCH

Dominion Energy (D) $77.84, Outperform, $86 PT

D rebounded some (finally) and outperformed the utility average modestly in August. Q2 results were in-line and FY21 guidance was reaffirmed – another straightforward update. This month all the attention will be on Staff's report in VEPCO's triennial review (Sept. 17th), where our expectation is that the recommendation won't exactly be aligned with D's view of things.







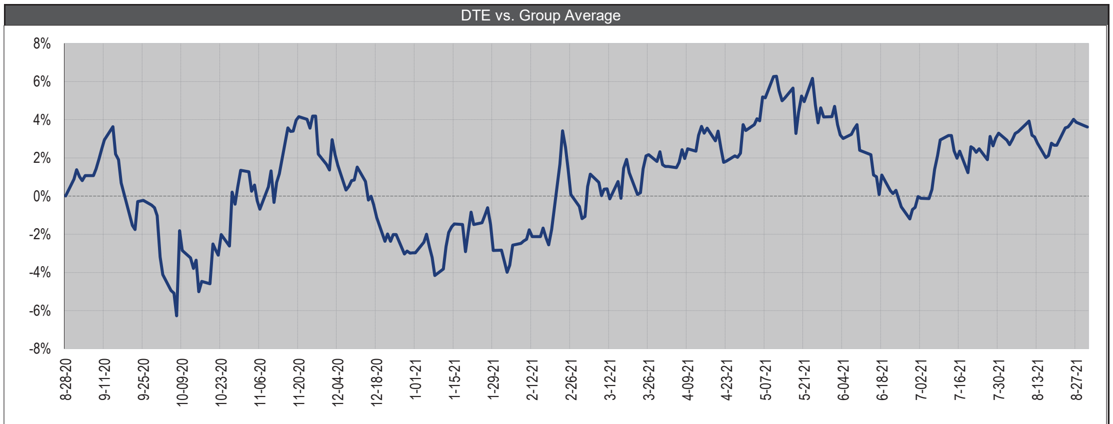
9/6/2021

WOLFE RESEARCH

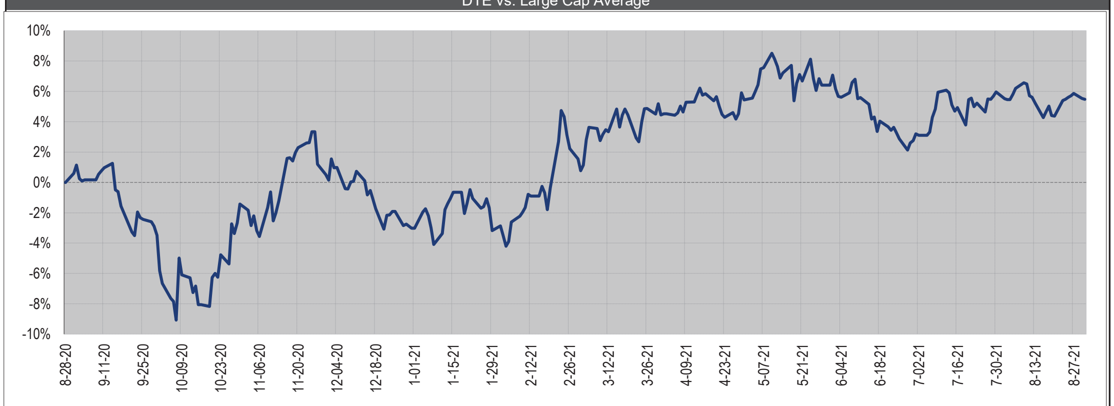
DTE Energy (DTE) $120.34, Peer Perform, $119 PT

DTE underperformed in August, but is still ahead of most peers YTD. Even more so than CMS, the company faced a series of storms that resulted in significant outages. There was noise in the press from the Governor and AG, with the MI PSC ultimately launching a proceeding to look closer at the outages and reliability.

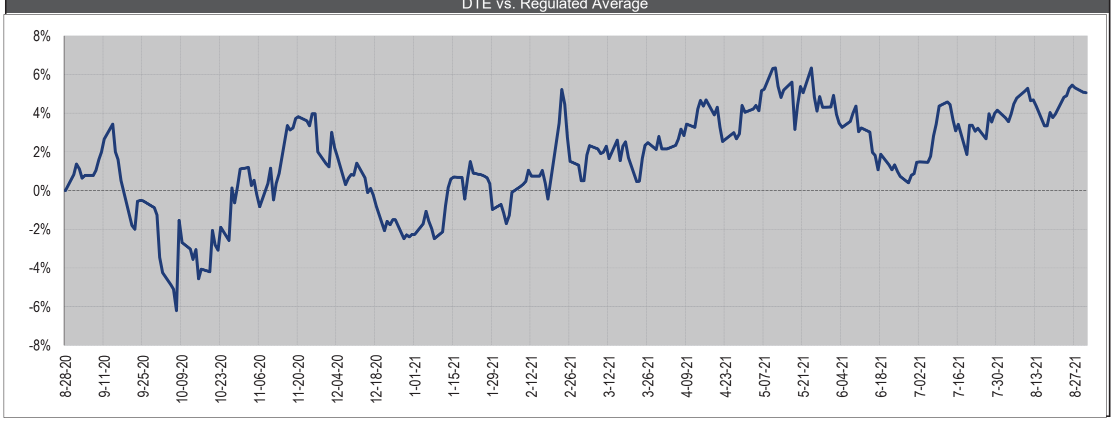
DTE vs. Group Average



DTE vs. Large Cap Average



DTE vs. Regulated Average

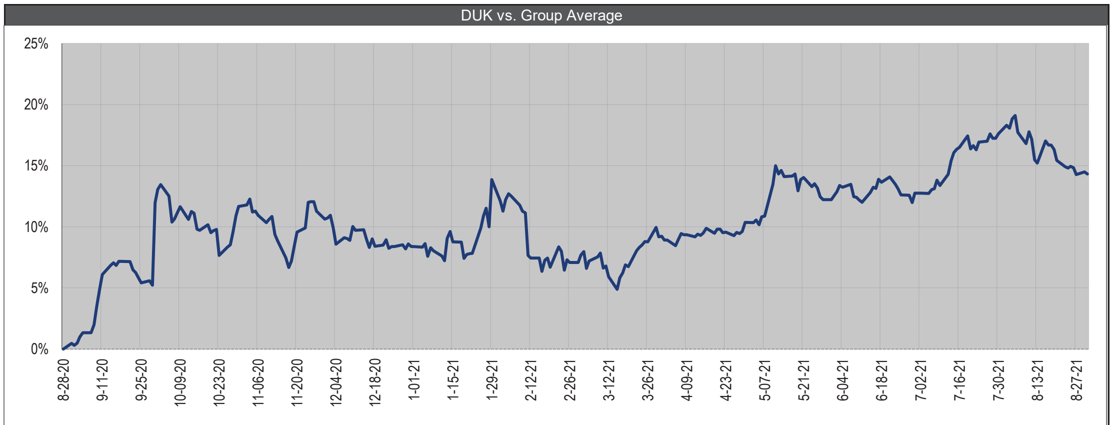


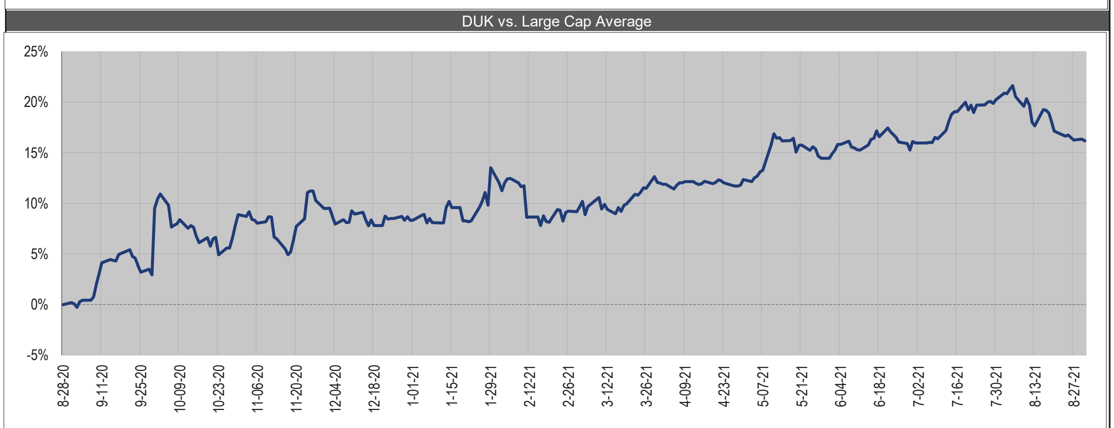
9/6/2021

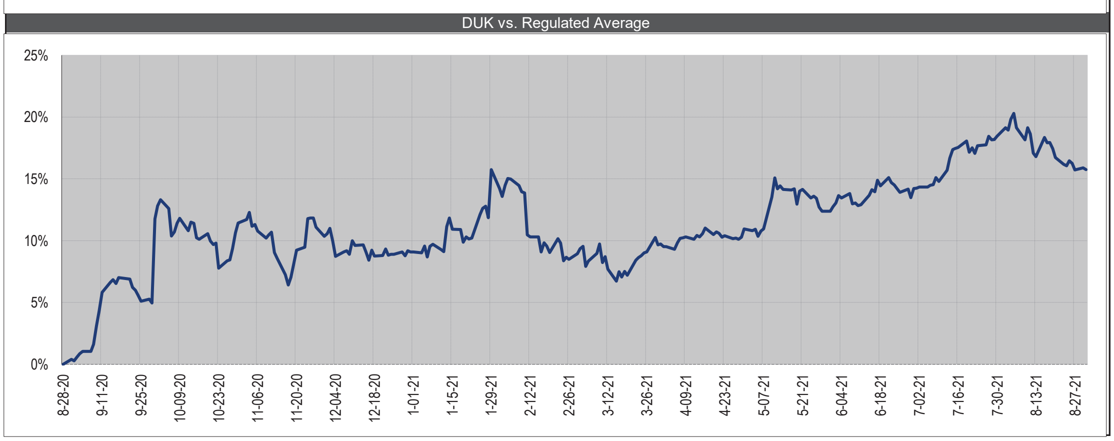
WOLFE RESEARCH

Duke Energy (DUK) $104.66, Peer Perform, $106 PT

DUK broke its months-long streak of setting 52-week highs relative to peers, despite a Q2 beat; legislation sits with the NC Senate following two hearings in Aug.





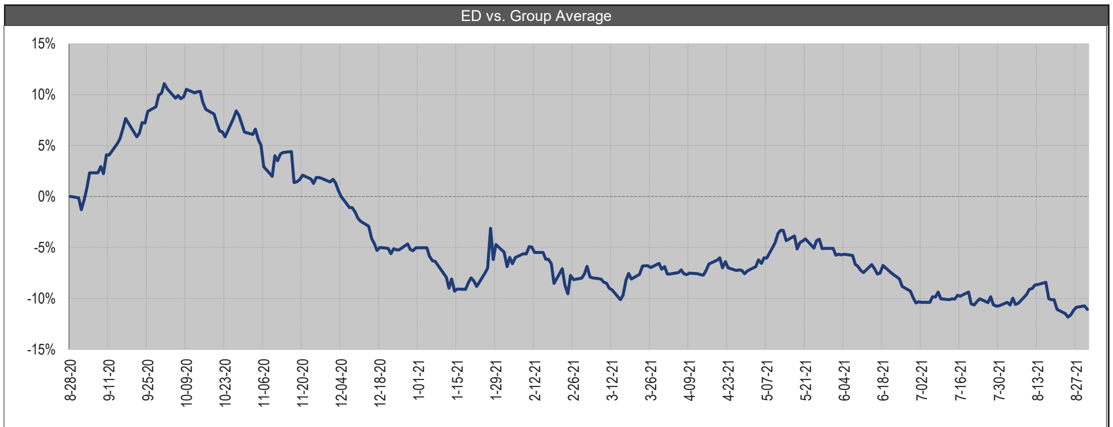


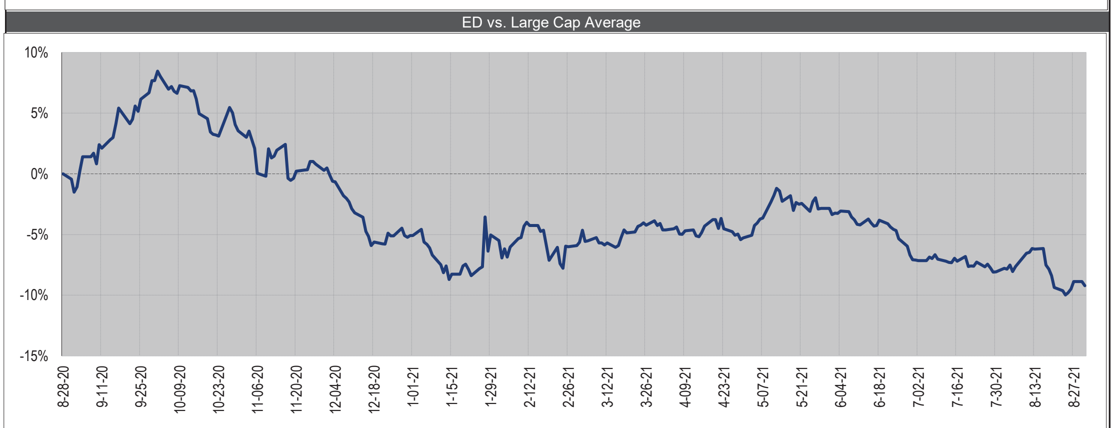
9/6/2021

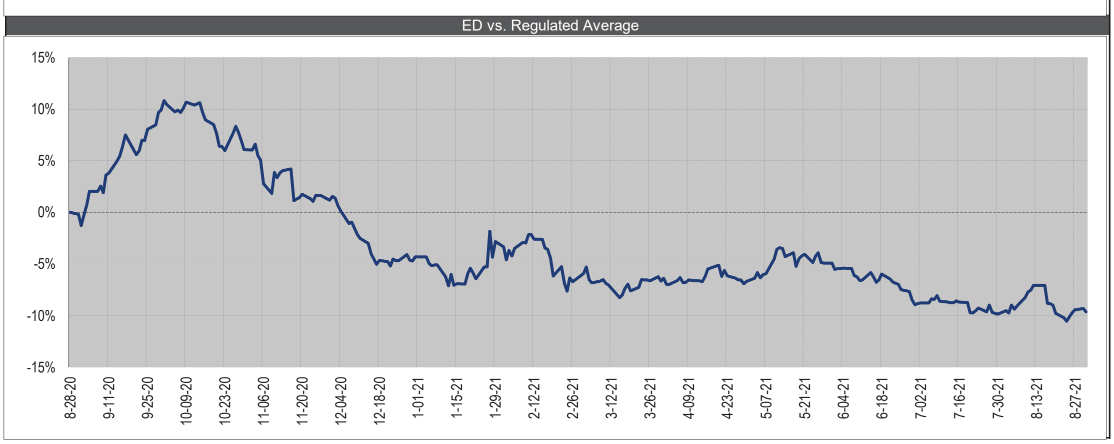
WOLFE RESEARCH

Consolidated Edison (ED) $75.45, Underperform, $73 PT

ED underperformed the utility average in August. ED posted a big Q2 miss, though guidance was reaffirmed. ED hosted its annual ESG day, where we thought the company did a solid job highlighting its ESG-friendly attributes. Also, during the month, NY Gov. Cuomo resigned – a potential benefit over time as he was historically was very tough on the utilities.





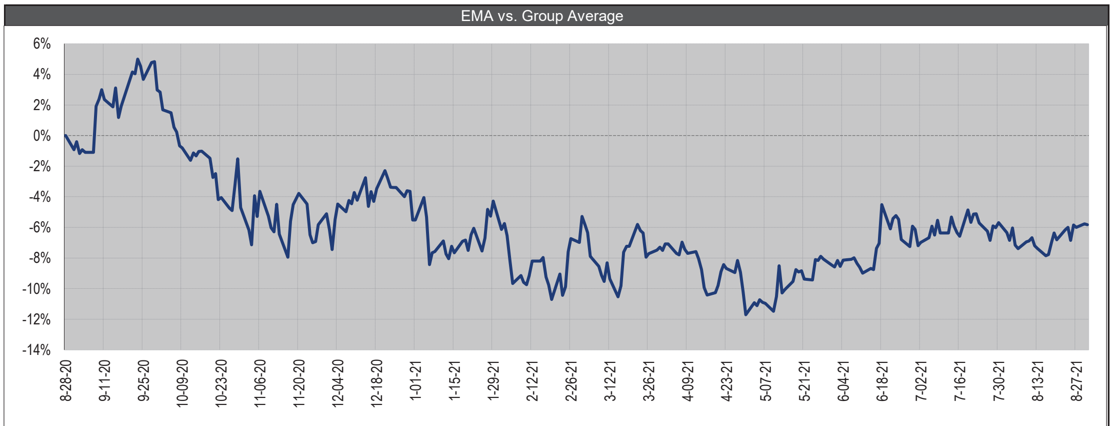


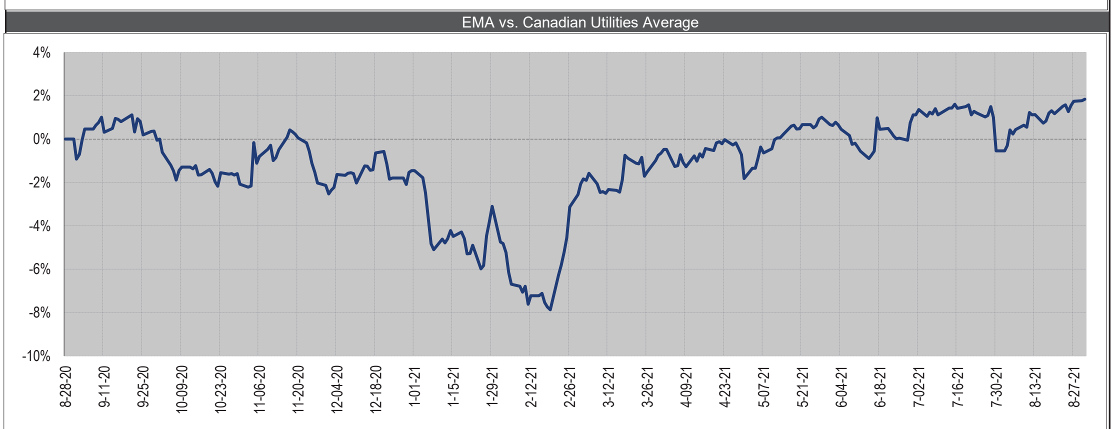
9/6/2021

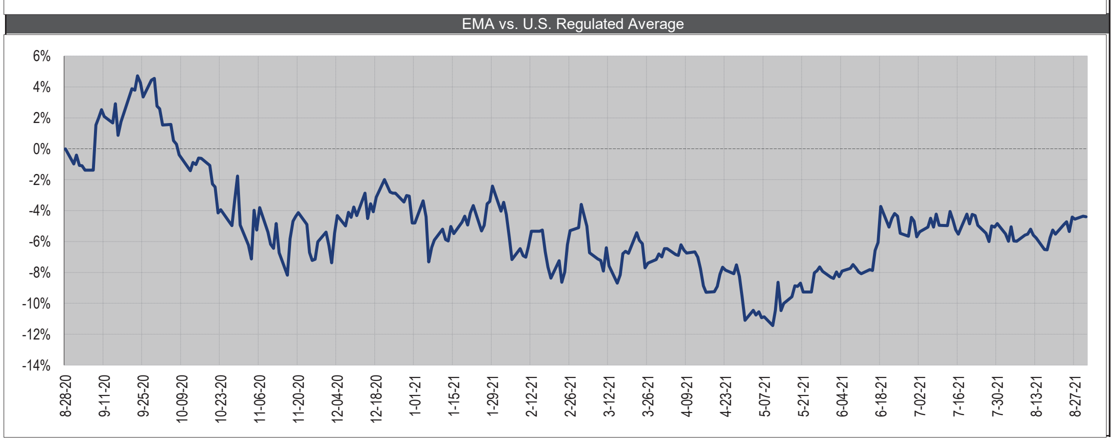
WOLFE RESEARCH

Emera (EMA) $59.59, Peer Perform, $61 PT

EMA underperformed the US utility in August but finished ahead of its closest Canadian peer FTS. This was a bit surprising given that TECO announced it reached a settlement in its Florida rate case – a key regulatory proceeding for EMA. Perhaps some of the luster was diminished when in-state peer NEE reached a settlement in its FPL case too which had meaningfully better terms. Q2 results for EMA were in-line.





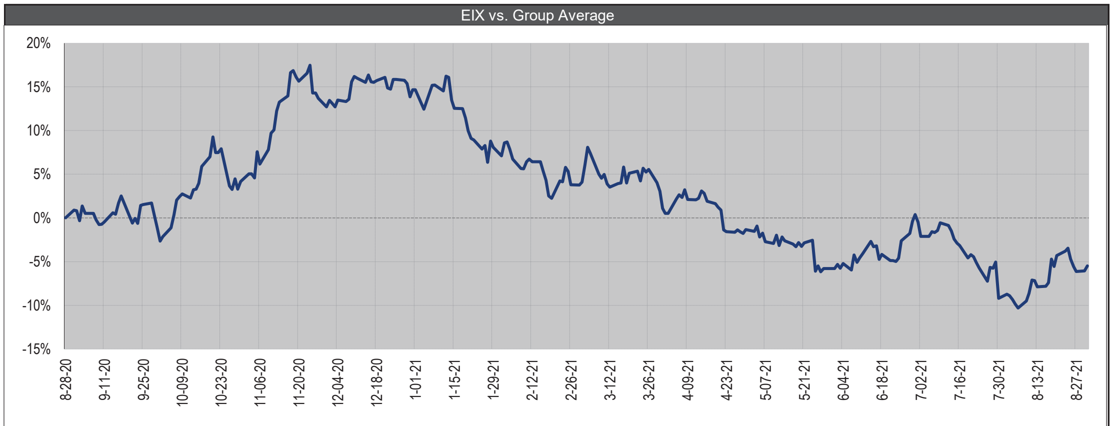


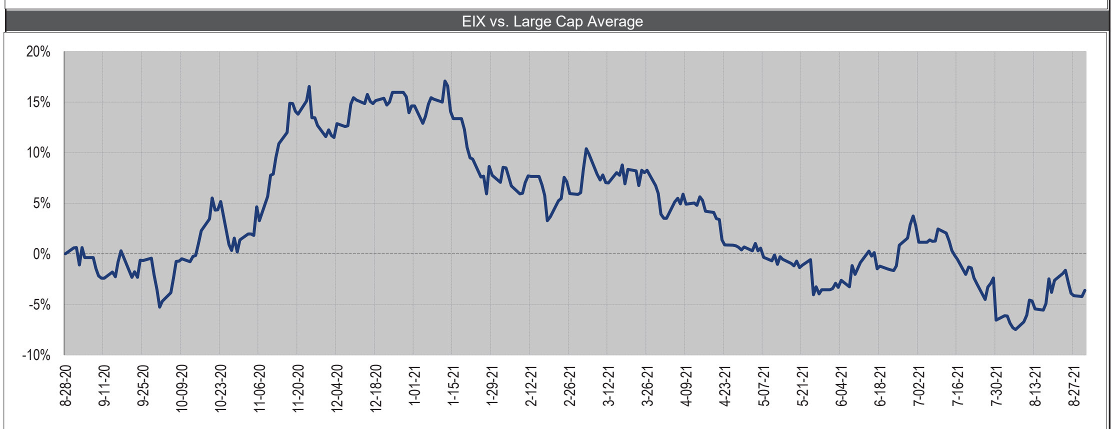
9/6/2021

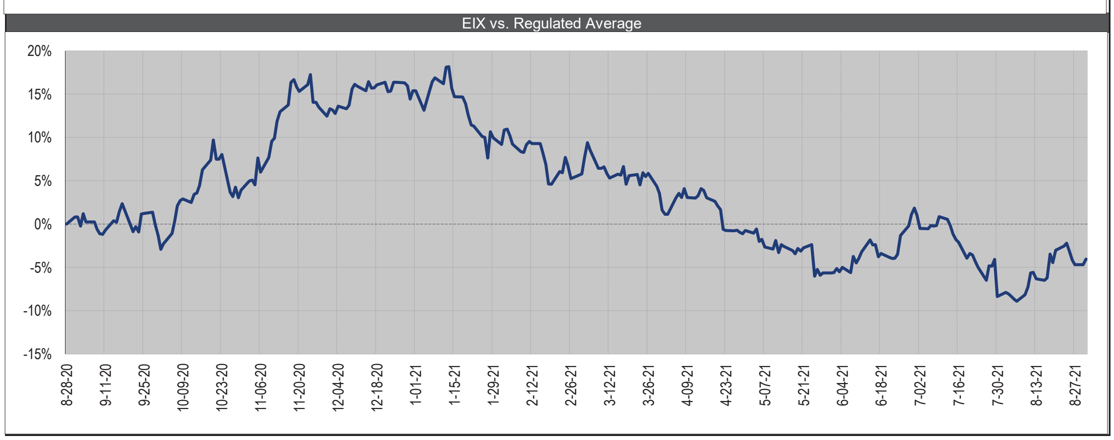
WOLFE RESEARCH

Edison International (EIX) $57.84, Outperform, $66 PT

EIX hit 52-week relative lows in early Aug after the CPUC approved higher rate base than the initial recommendation but ended up outperforming peers; the state also found no evidence to pursue charges against EIX for the 2018 Woolsey fire.





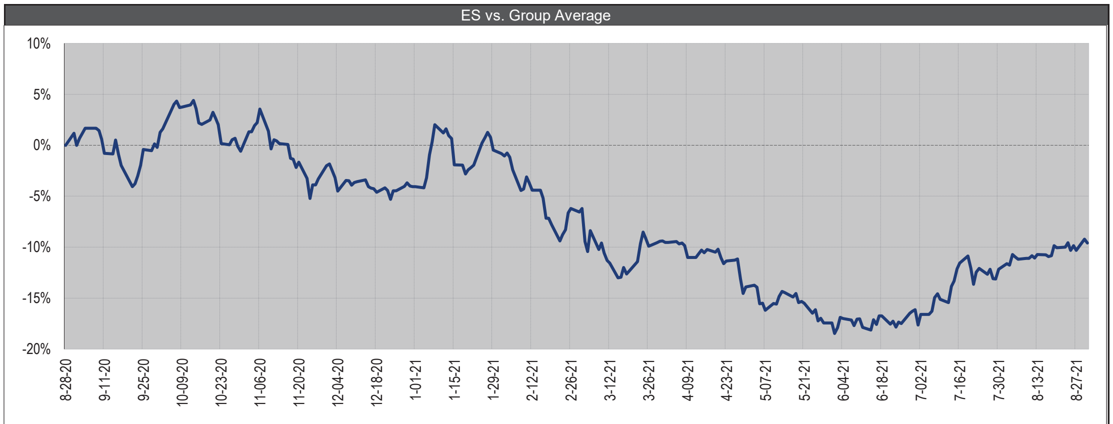


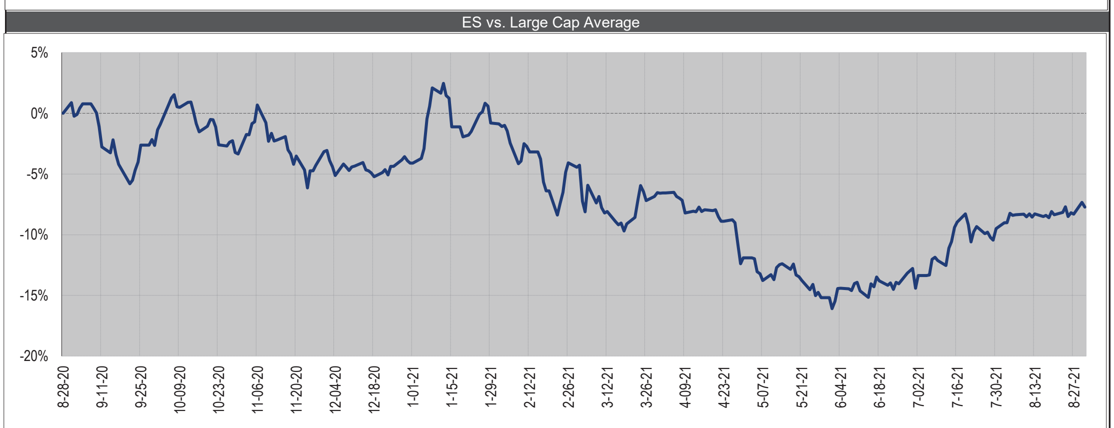
9/6/2021

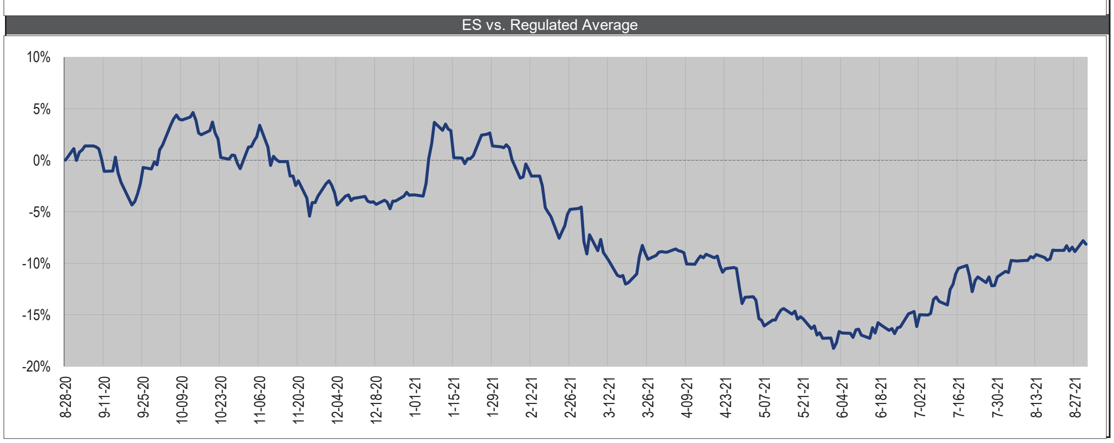
WOLFE RESEARCH

Eversource Energy (ES) $90.73, Outperform, $94 PT

ES continued its outperformance, possibly on the prospects of a CT settlement and progress on two of its planned offshore wind projects; it has now regained over 800bp relative to peers since hitting 52-week lows in early Jun.





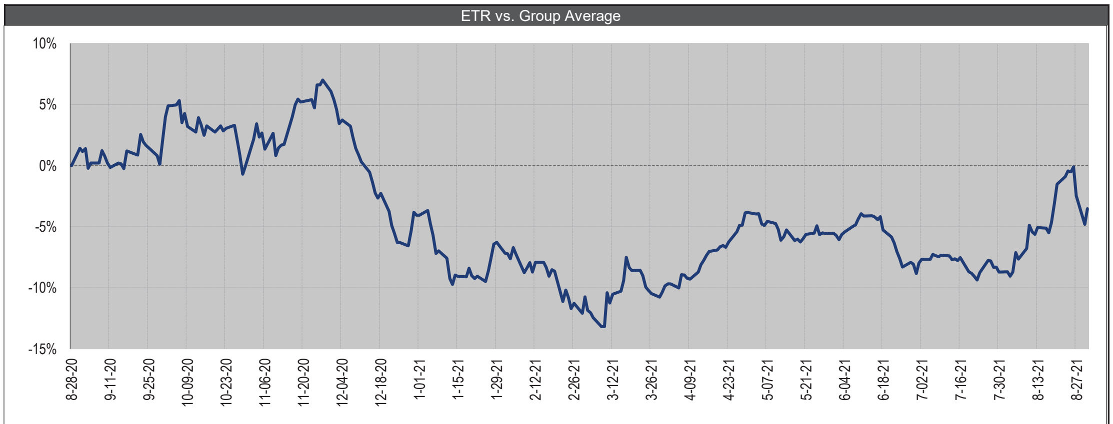


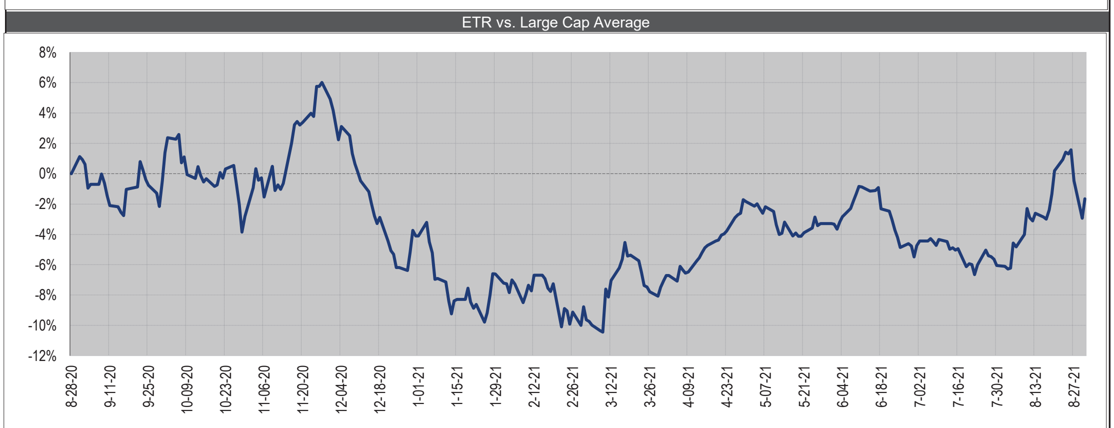
9/6/2021

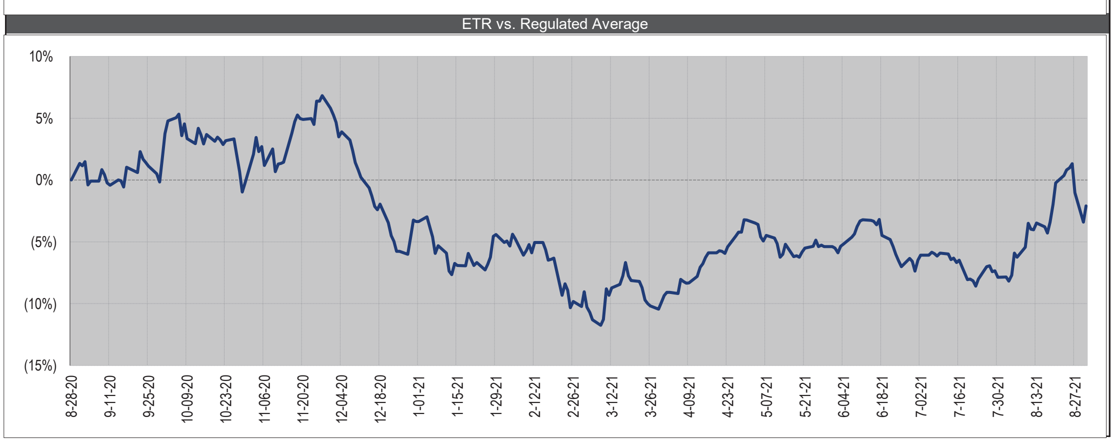
WOLFE RESEARCH

Entergy (ETR) $110.61, Outperform, $122 PT

ETR spiked after mgmt. raised guidance through 2023 on lower equity needs and potentially more investments; but the stock fell before and after Hurricane Ida, though it was still one the top performers in the month.







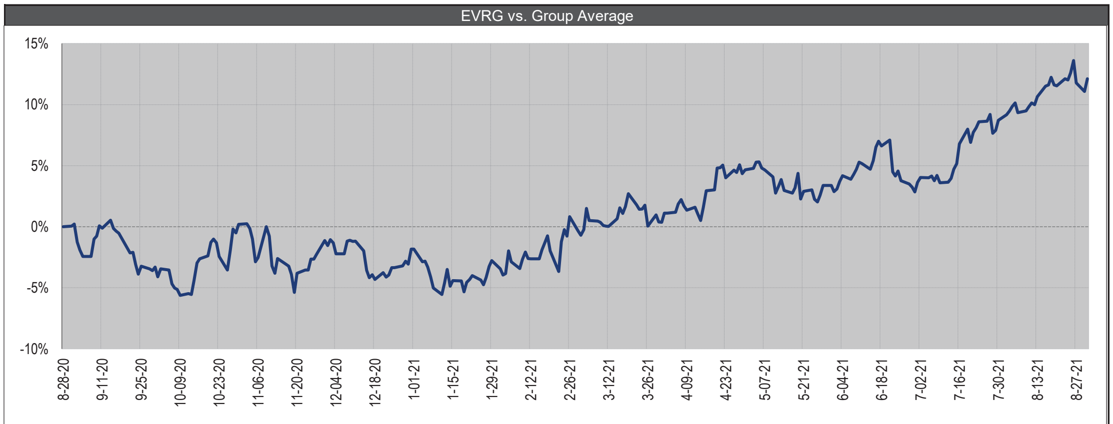
9/6/2021

WOLFE RESEARCH

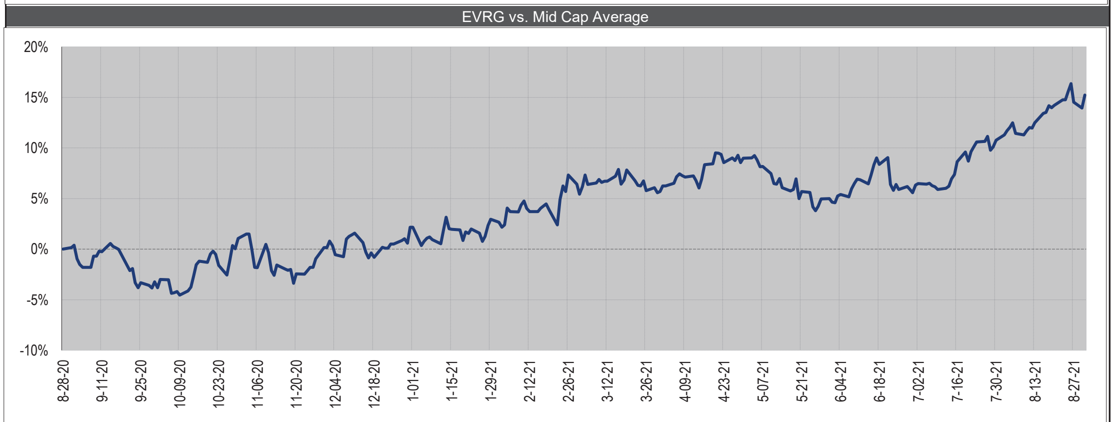
Evergy (EVRG) $68.45, Outperform, $71 PT

EVRG was once again one of the top-performers in the sector for the month and is now the second best for 2021 (only FE has done better). EVRG reported a Q2 EPS beat and 2021 guidance is tracking to the top-half, but more importantly anticipation continues to build for the September Analyst Day.

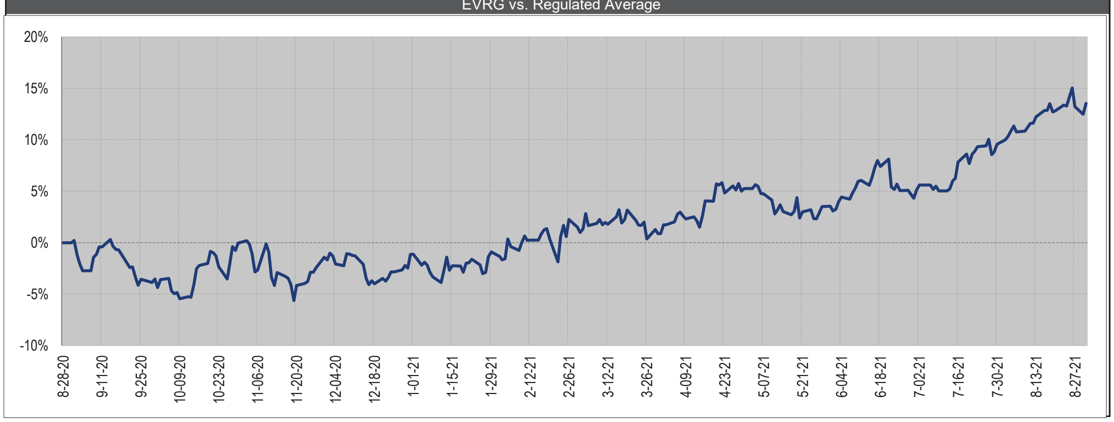
EVRG vs. Group Average



EVRG vs. Mid Cap Average



EVRG vs. Regulated Average

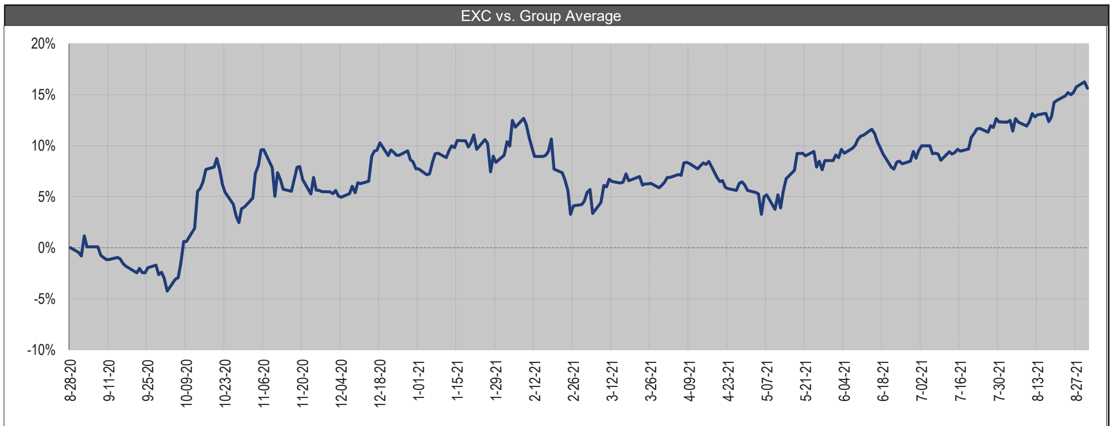


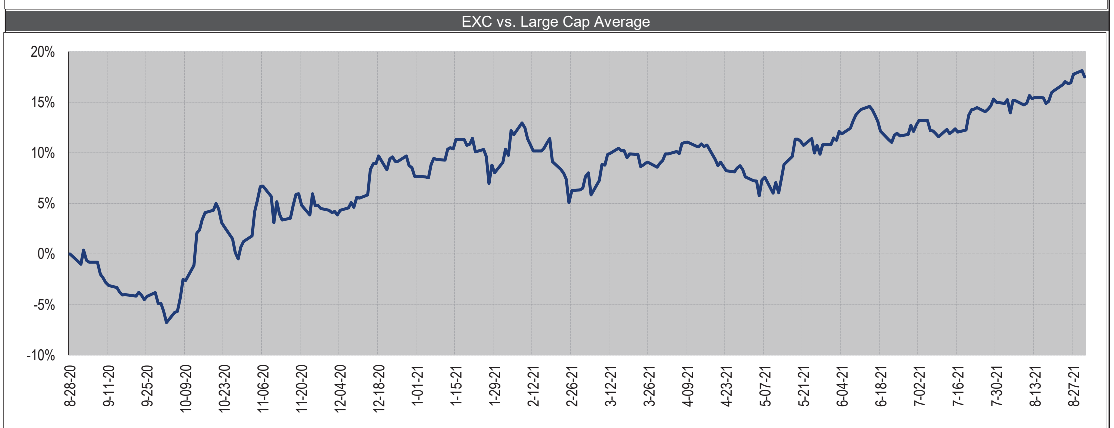
9/6/2021

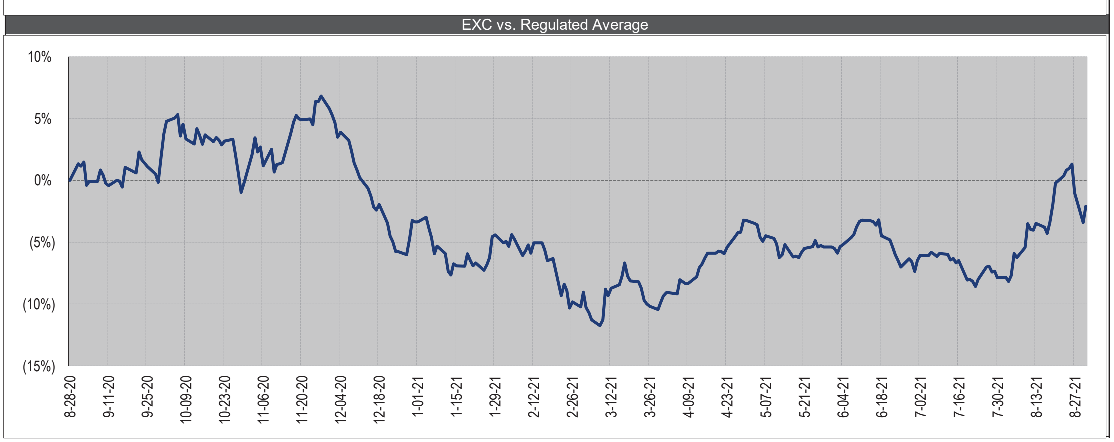
WOLFE RESEARCH

Exelon (EXC) $49.02, Outperform, $52 PT

EXC hit another 52-week high relative to large cap peers, as IL legislation seemed likely during a one-day special session on 8/31; but talks are ongoing with a final deadline of 9/13 to avert a shutdown of Byron (and Dresden will shut in Nov absent legislation).





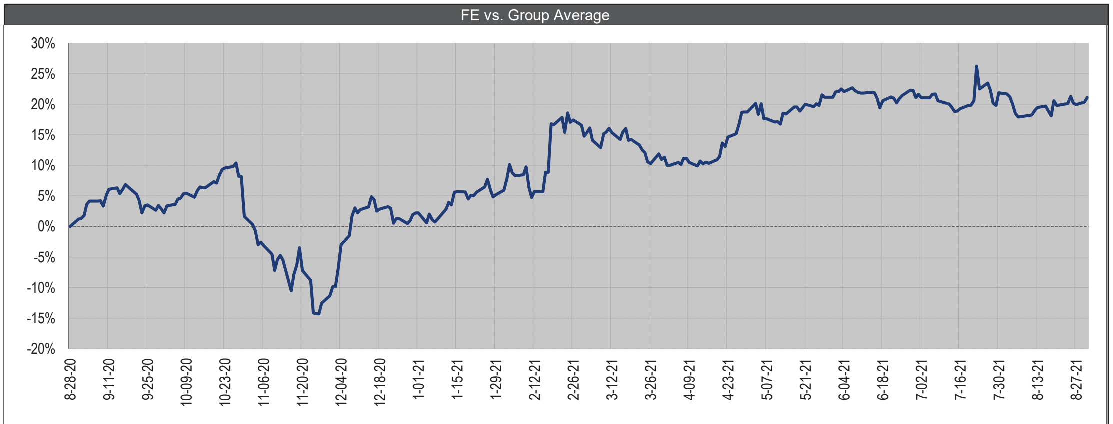


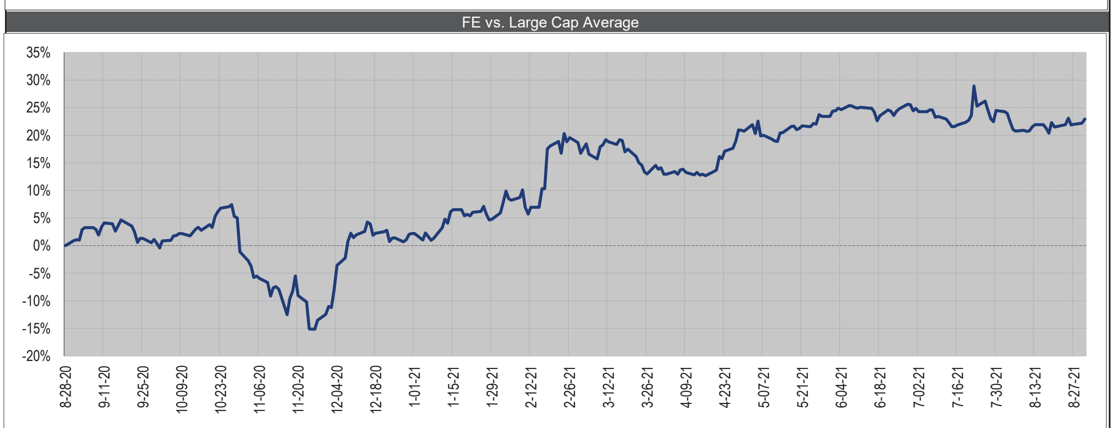
9/6/2021

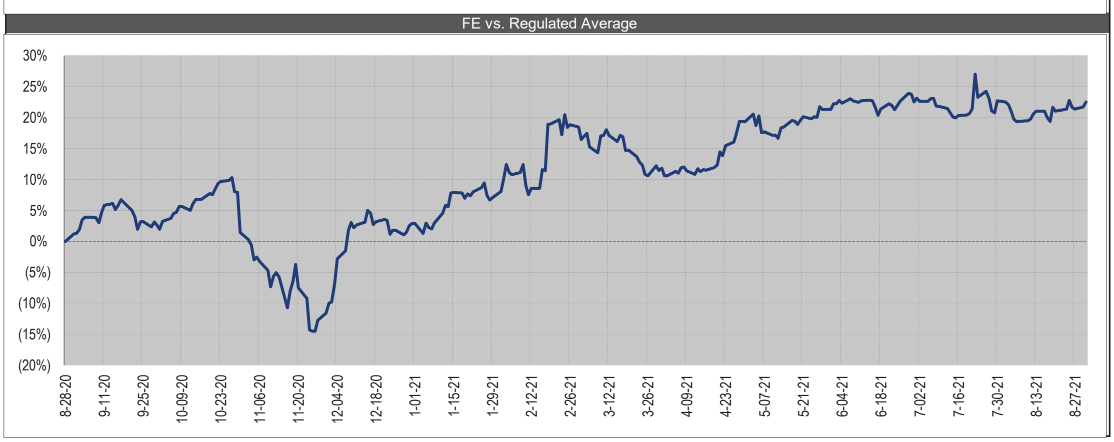
WOLFE RESEARCH

FirstEnergy (FE) $38.87, Outperform, $43 PT

FE underperformed in August, but maintained its spot as the top-performer in the sector for 2021. Following the eventful end of July that provided resolution on the DoJ front with the $230M fine, attention and concern has quickly shifted to resolution in Ohio on the ratemaking construct. We continue to see less earnings downside than some of the bears. There was also a Bloomberg story in August that reported FE was seeking to sell a stake in its transmission business.





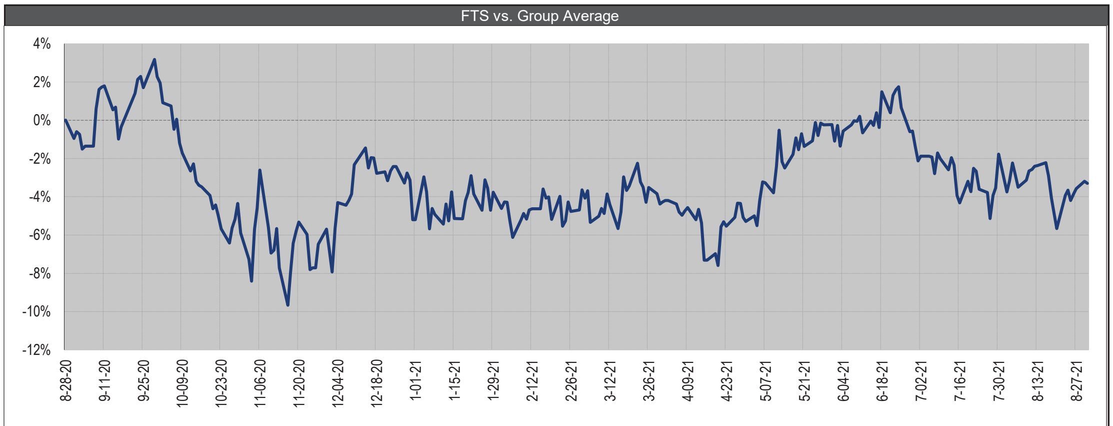


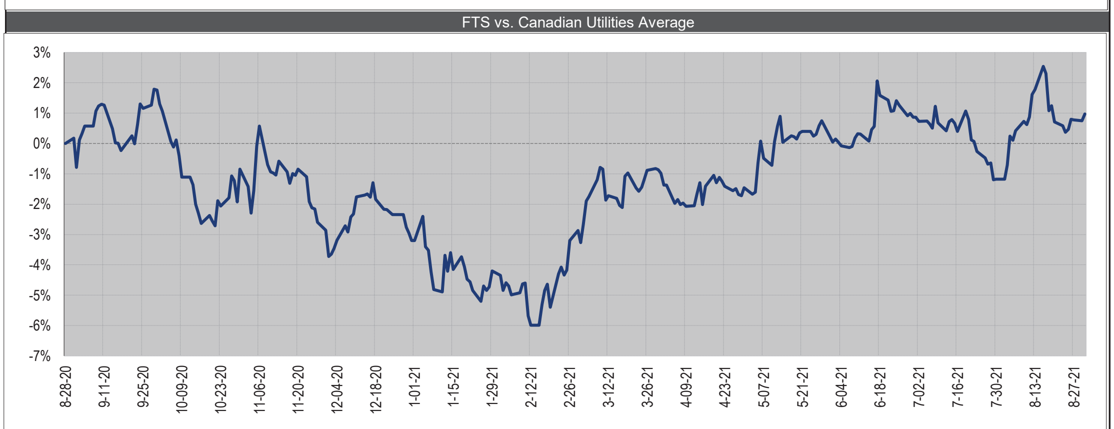
9/6/2021

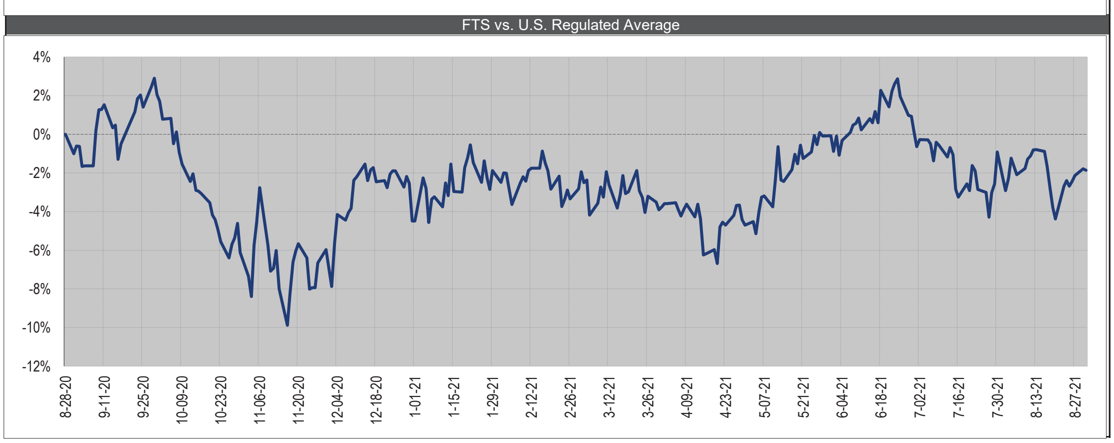
WOLFE RESEARCH

Fortis (FTS) $45.99, Peer Perform, $44 PT

FTS continued to underperform in August, but is still ahead of the pack on the year. News in August was limited other than a settlement filing in New York that resulted in higher ROEs and slightly lower equity ratios.



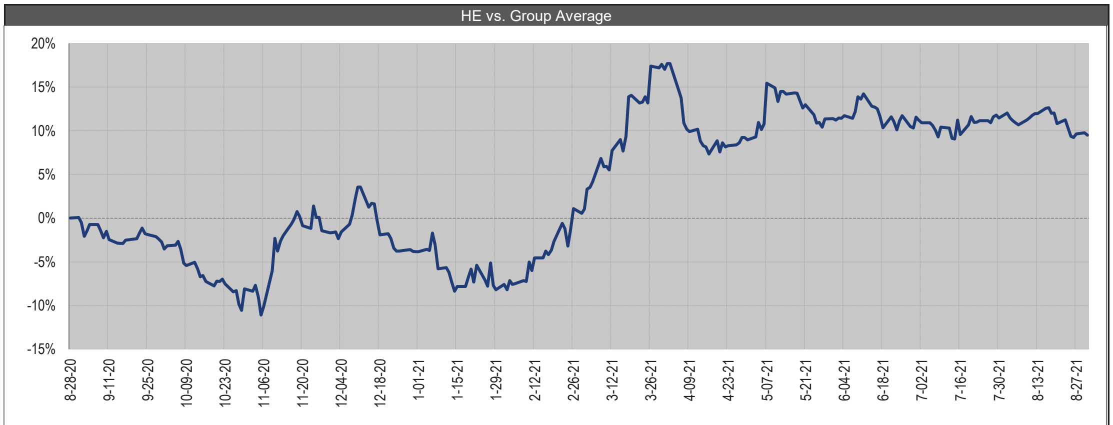


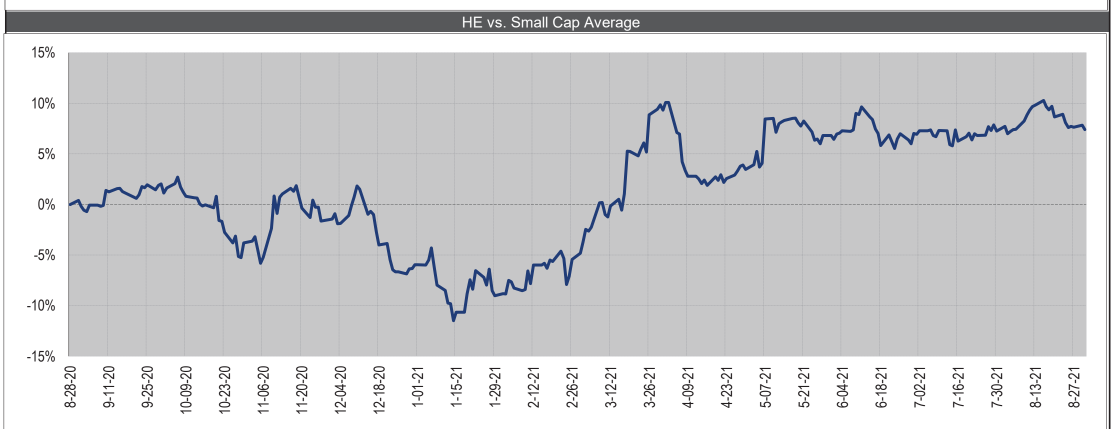


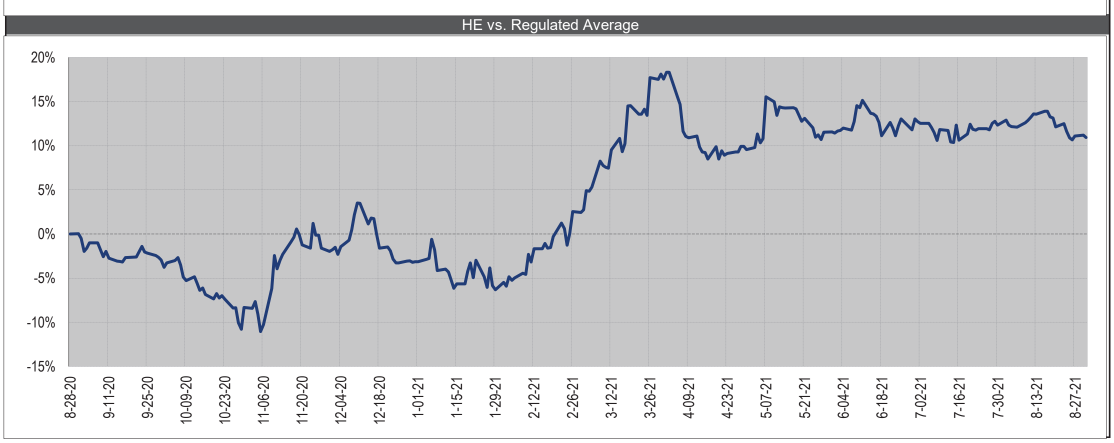
9/6/2021

WOLFE RESEARCH

Hawaiian Electric (HE) $43.60, NR





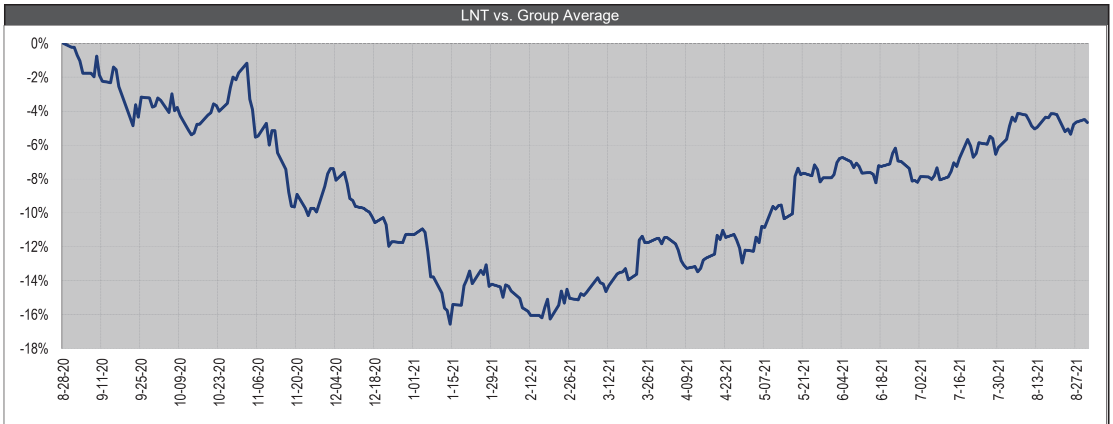


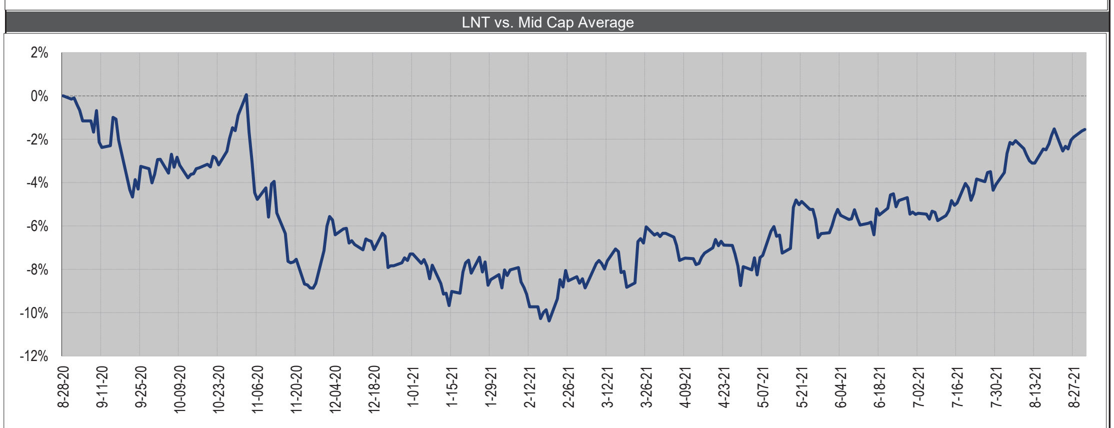
9/6/2021

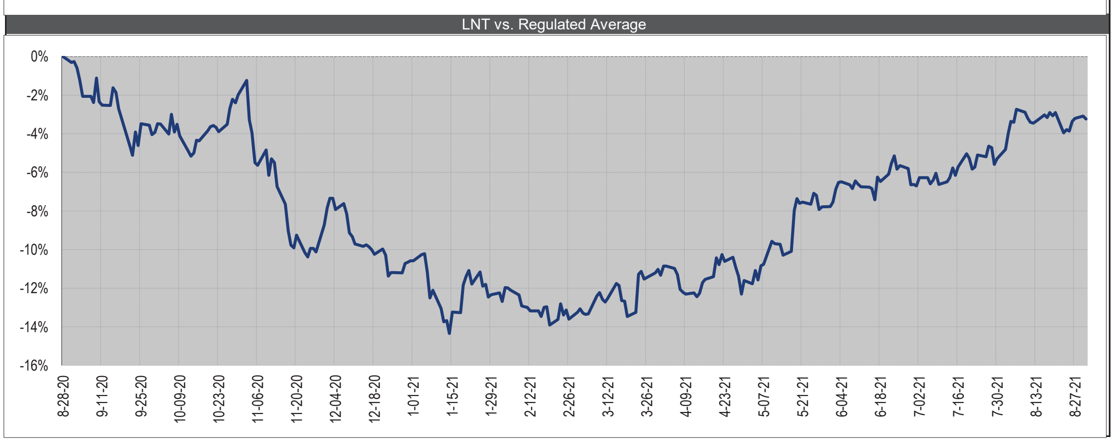
WOLFE RESEARCH

Alliant Energy (LNT) $60.79, Outperform, $65 PT

LNT traded in-line with the group in August and remains near relative highs. The company reported an in-line Q2, but is now tracking toward the upper-half of the 2021 guidance range.







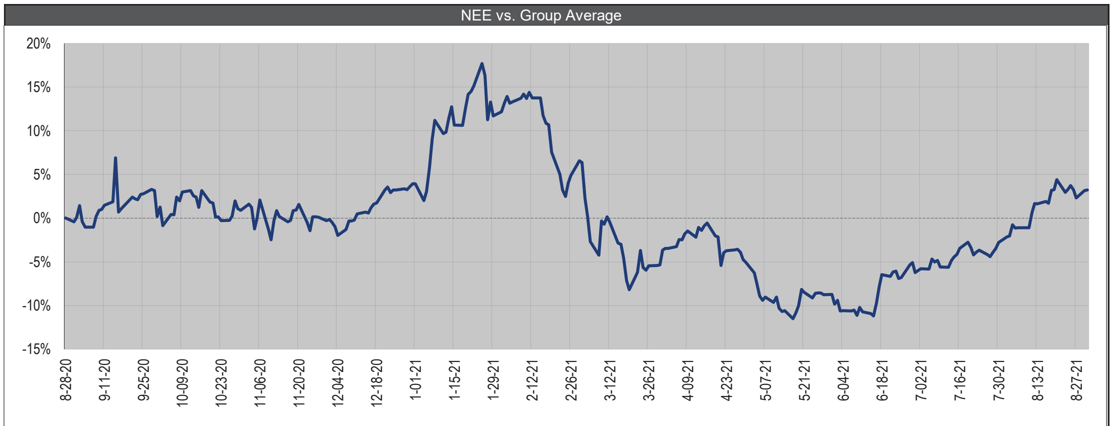
9/6/2021

WOLFE RESEARCH

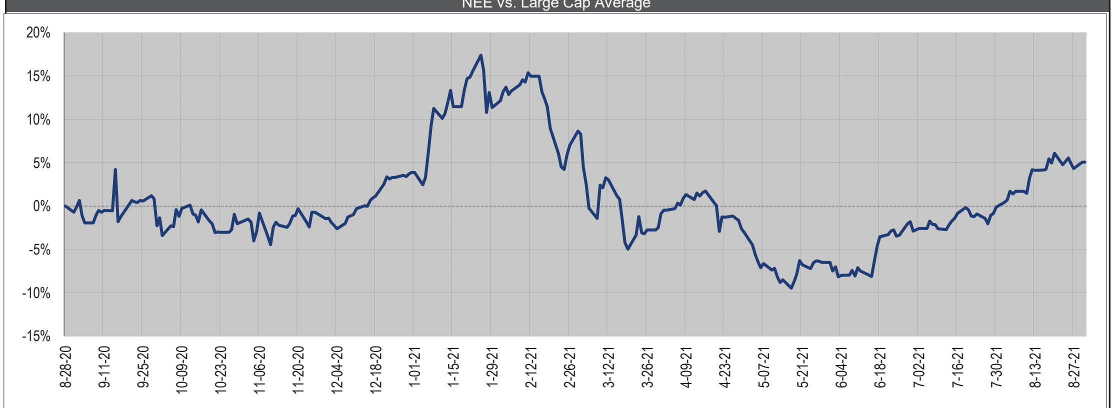
NextEra Energy (NEE) $83.99, Outperform, $91 PT

NEE was one of the best performers in the sector in August, as it continued its strong bounce off relative lows set in mid-June. NEE is now no longer trailing the utilities index on the year. The big news in August was a constructive settlement being reached with key parties in its Florida rate case. The allowed ROE midpoint actually went up slightly, the allowed equity ratio was maintained (both above average), and there is a provision for these to move higher with Treasury rates. NEE also got to keep is reserve surplus amortization mechanism, which helps with smoothing earning volatility.

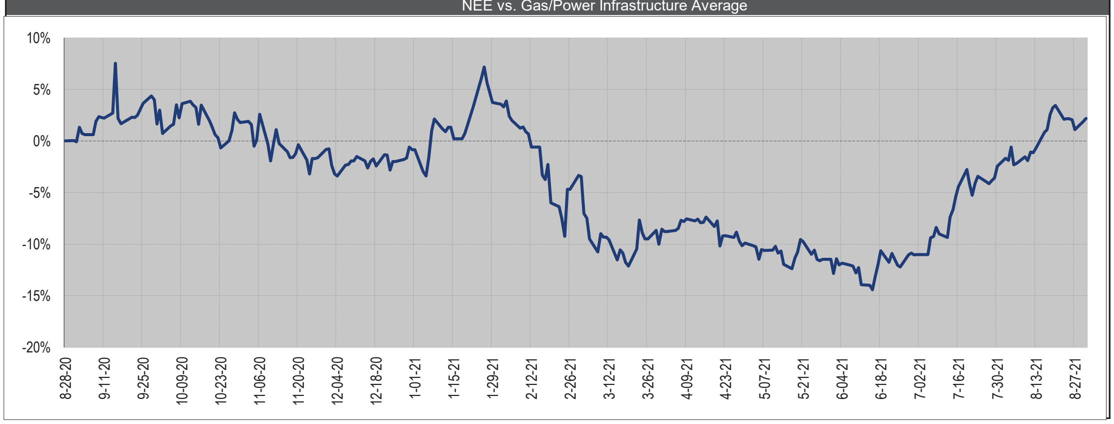
NEE vs. Group Average



NEE vs. Large Cap Average



NEE vs. Gas/Power Infrastructure Average

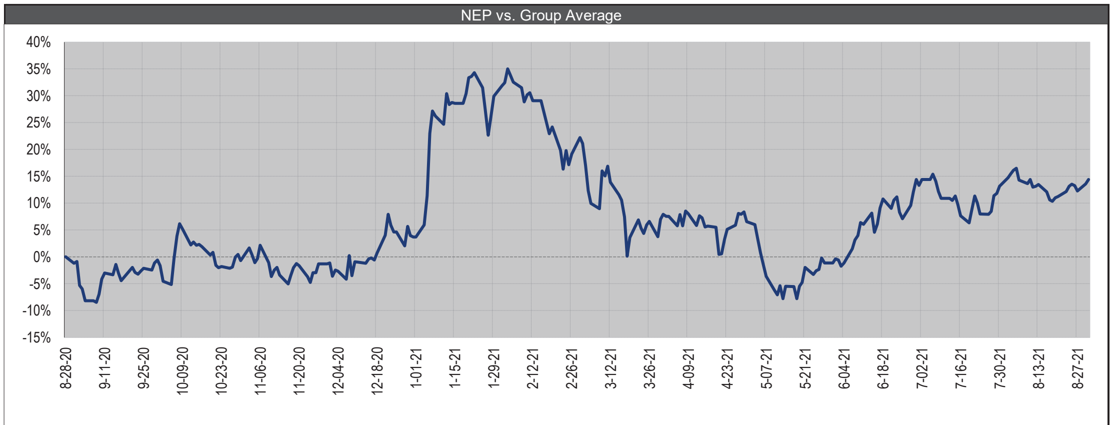


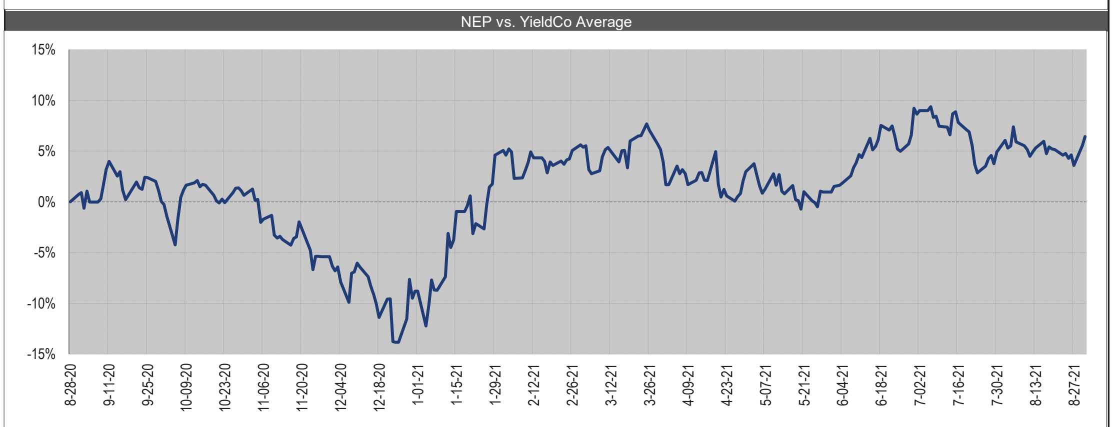
9/6/2021

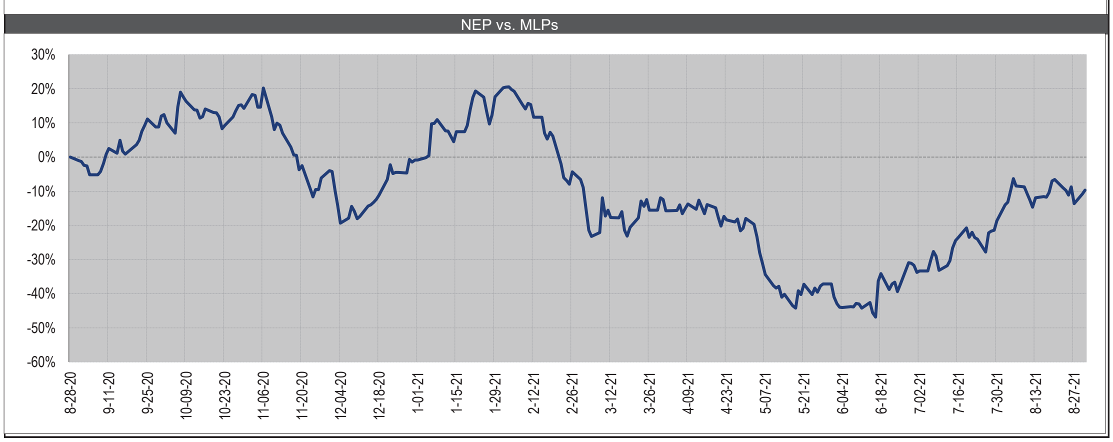
WOLFE RESEARCH

NextEra Energy Partners (NEP) $79.93, Outperform, $95 PT

NEP traded in-line with the group in August, but is still outperforming on the year. The company closed the previously announced Brookfield acquisition during the month.





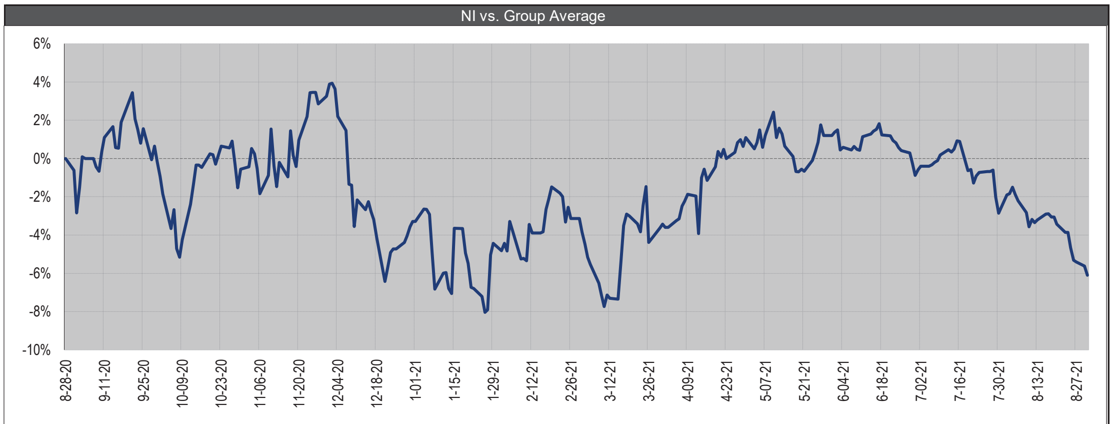


WOLFE RESEARCH

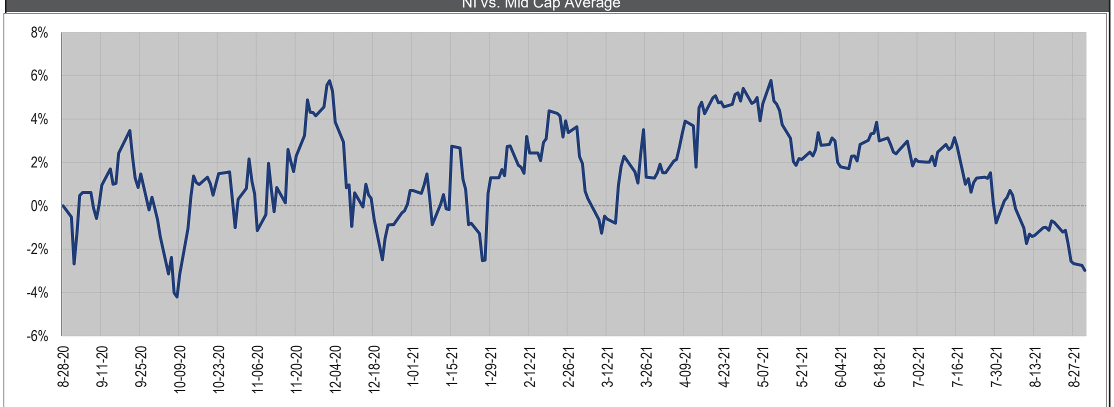
NiSource (NI) $24.65, Outperform, $29 PT

NI was a bottom performer in August. It was a quiet month for NI – Q2 results were in-line; FY21 guidance and L-T growth rates were reaffirmed. Our sense is NI's performance was tied to weakness seen across the LDC space – ATO and OGS were also down during the month. NI is catalyst-light at the moment, but we think the stock is a good value here, particularly as the market starts to look to 2024 where the full benefit from the renewable investments will be reflected.

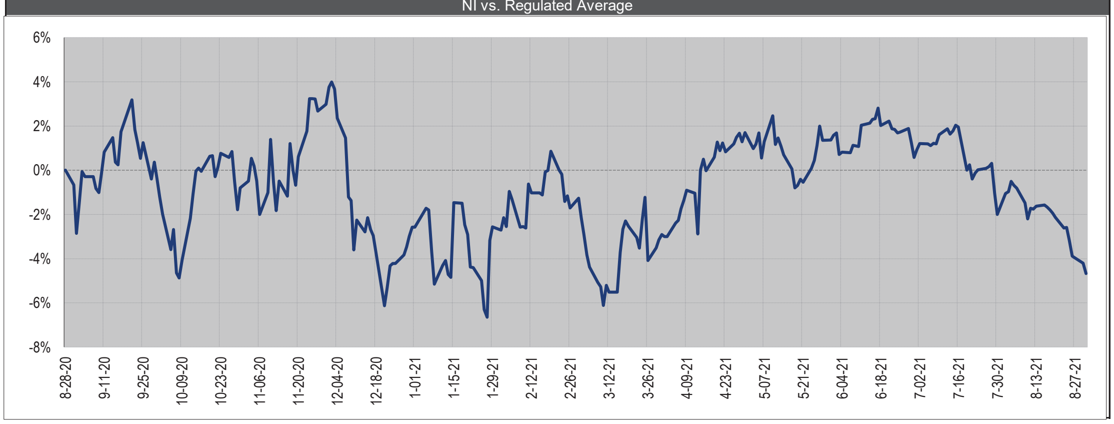
NI vs. Group Average



NI vs. Mid Cap Average



NI vs. Regulated Average

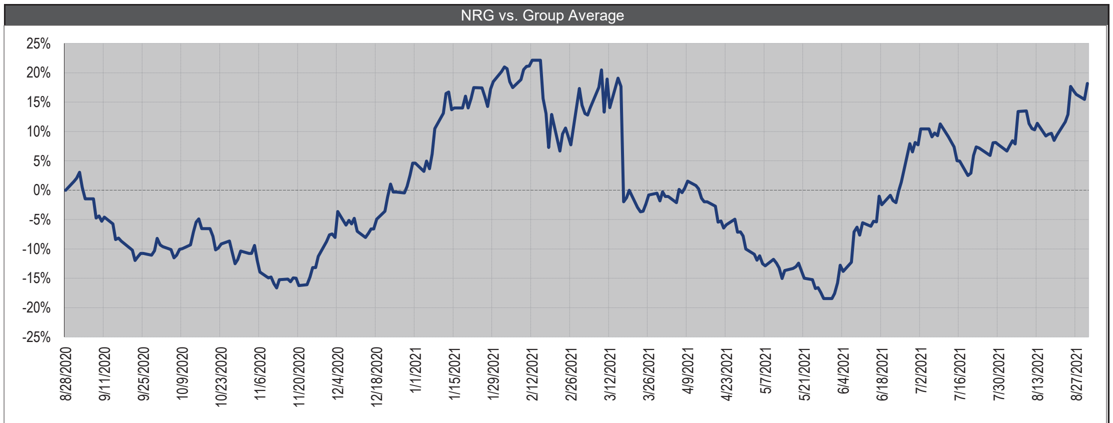


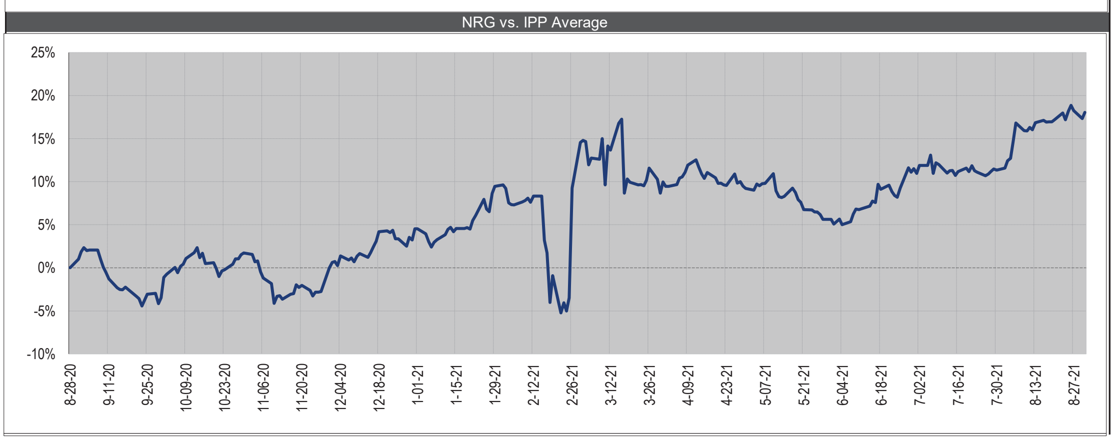
9/6/2021

WOLFE RESEARCH

NRG Energy (NRG) $45.67, Peer Perform, $43 PT

NRG was the top-performing stock in the sector in August and is one of the top-performers on the year as well. NRG reported an in-line Q2 and reaffirmed guidance, while pointing to a resumption in buybacks later this year.

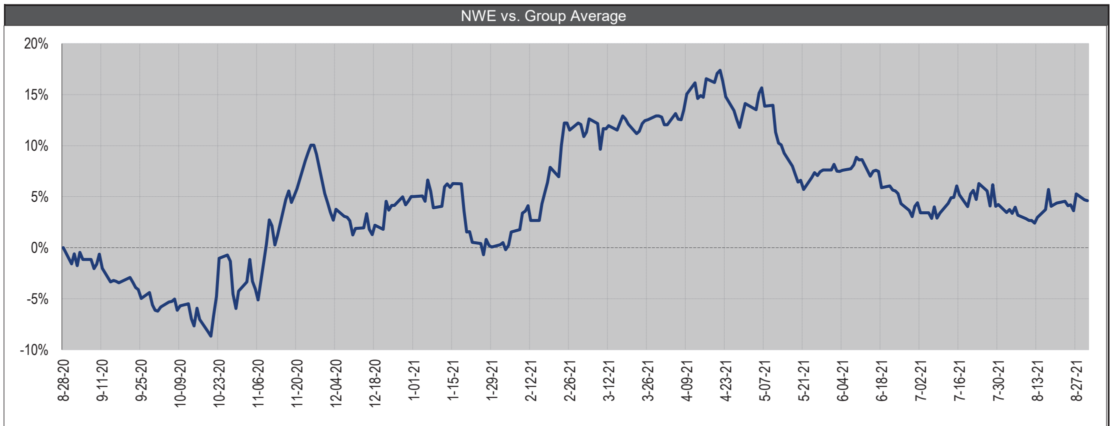


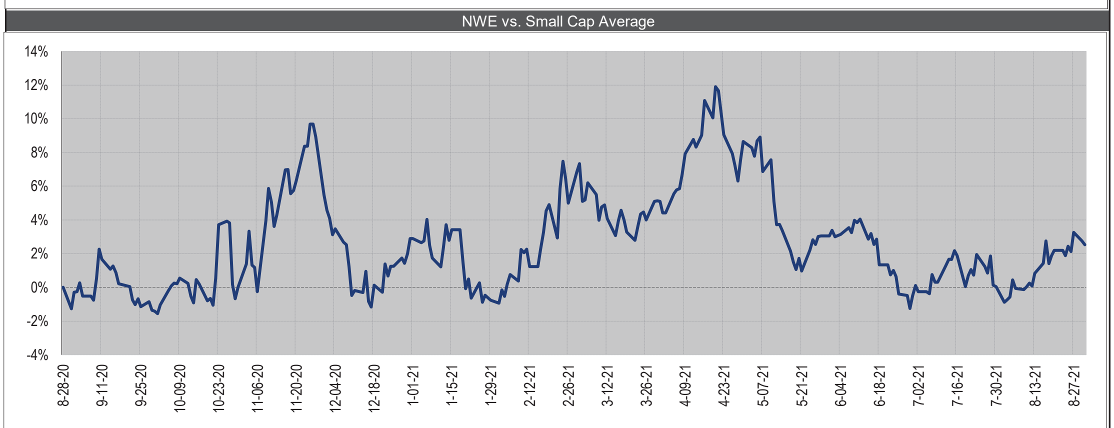


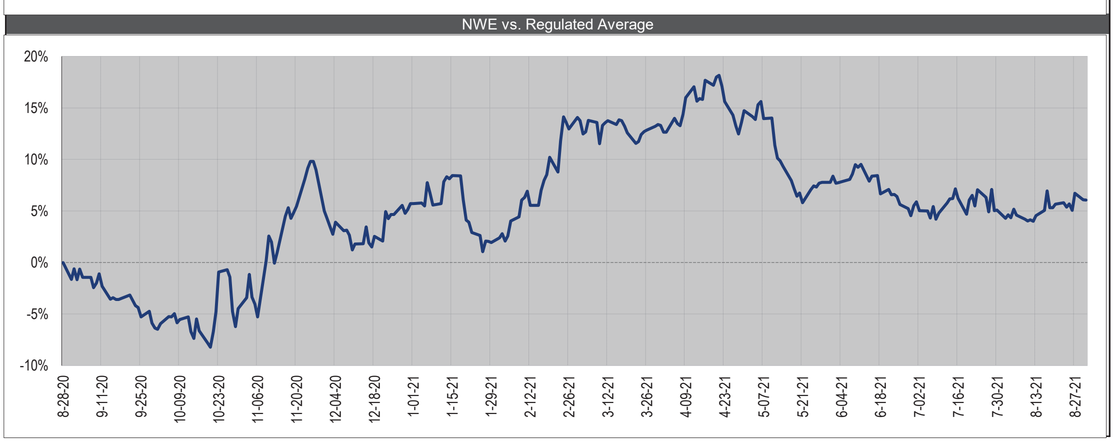
9/6/2021

WOLFE RESEARCH

NorthWestern Corp (NWE) $63.60, NR





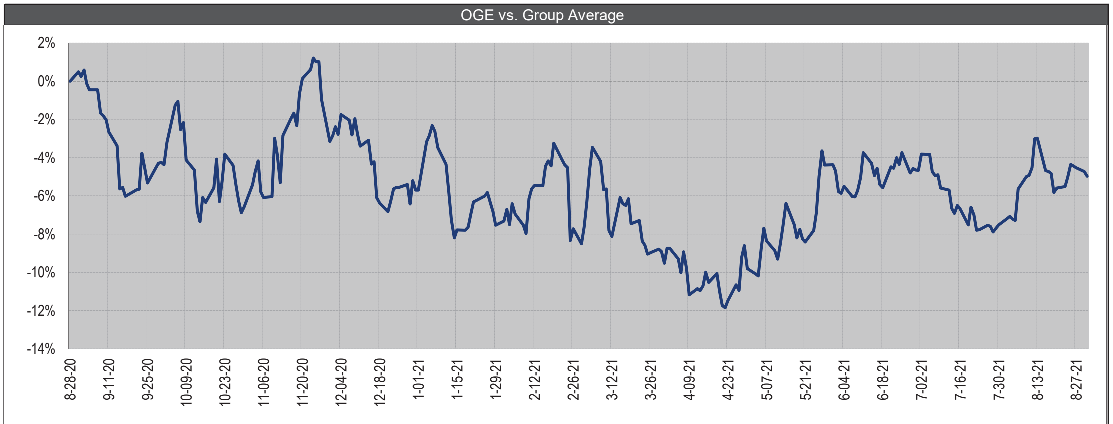


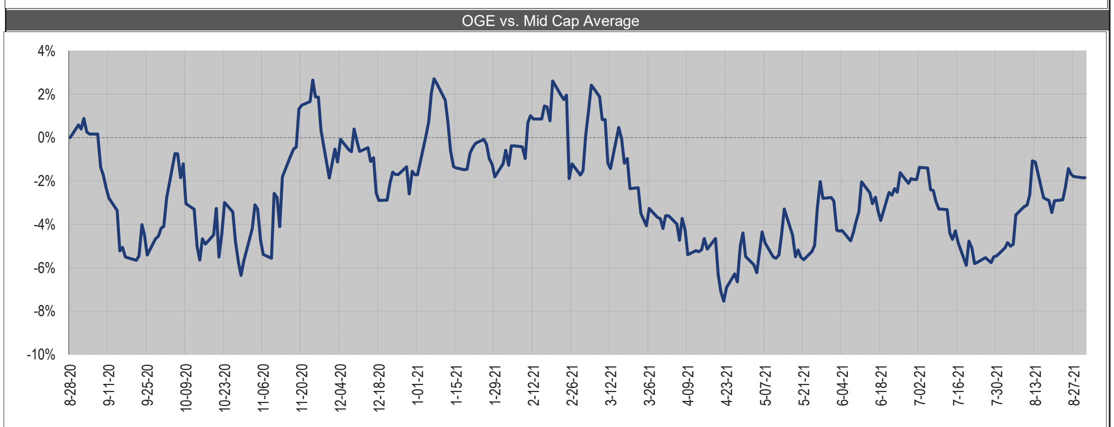
9/6/2021

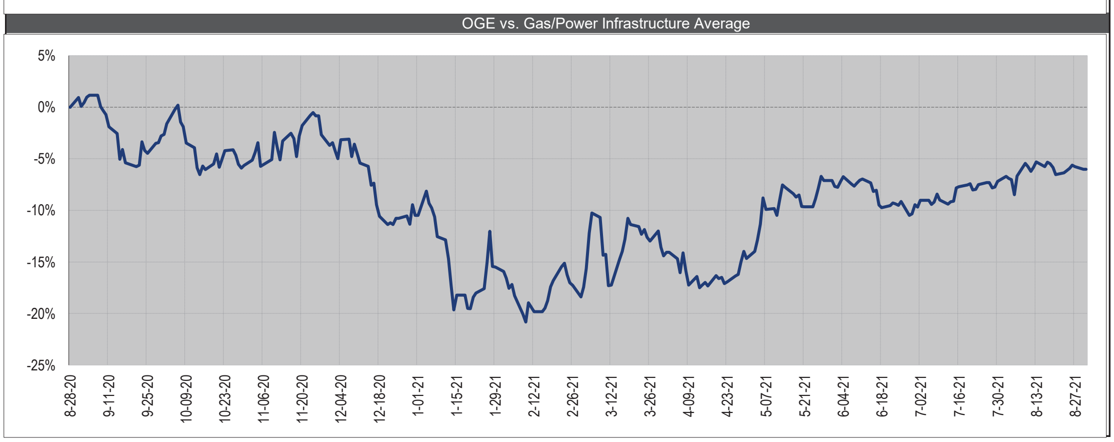
WOLFE RESEARCH

OGE Energy (OGE) $35.41, Peer Perform, $39 PT

OGE outperformed the utility index in August. Q2 results were strong, but primarily due to better-than-expected ENBL performance; FY21 utility guidance was reaffirmed in the lower half of the range. OGE did file its draft IRP in OK/AR – showing 850 MW of retirements over the next 5-6 years, with the expectation to add 100-150 MW of solar annually as a replacement. Any capex out of the IRPs would be upside to OGE's current capex plan.





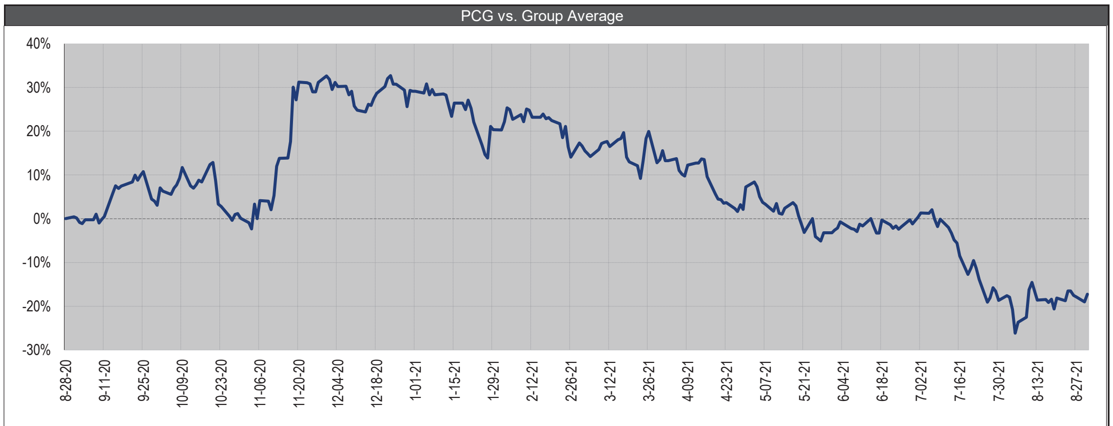


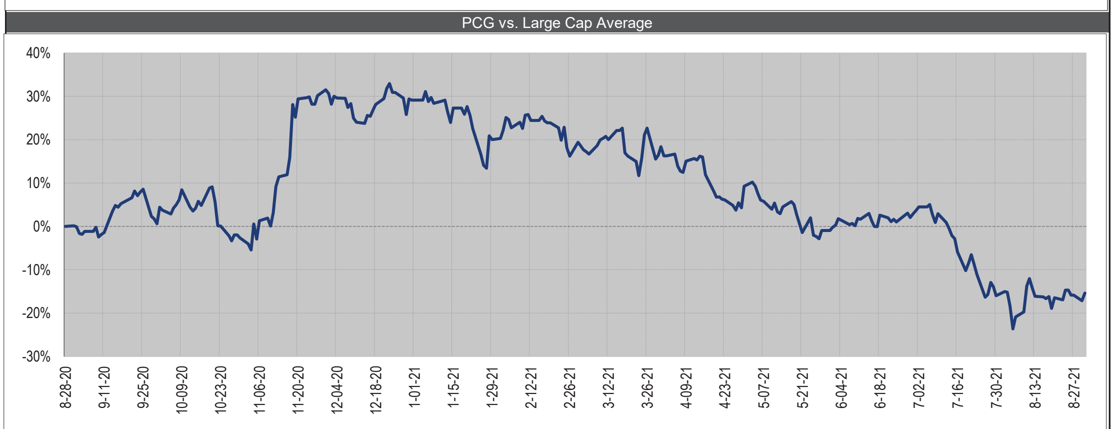
9/6/2021

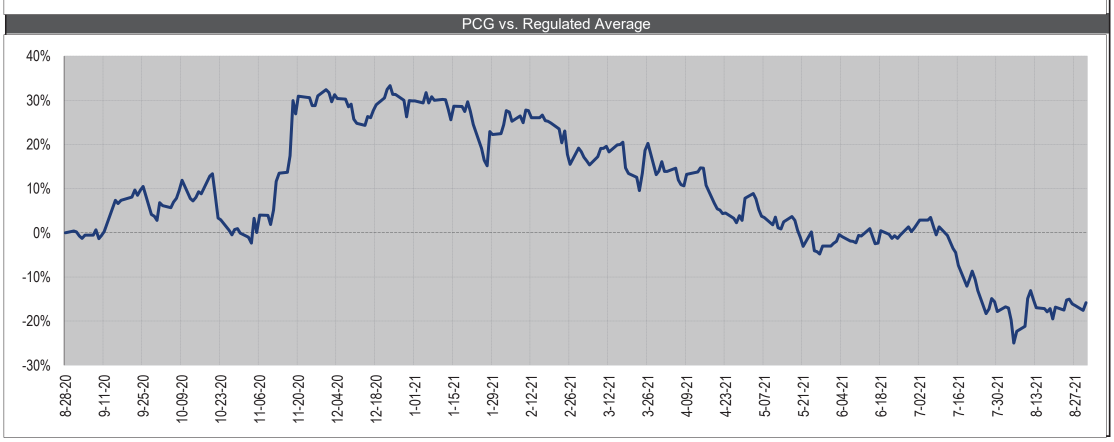
WOLFE RESEARCH

PG&E Corporation (PCG) $9.17, Outperform, $14 PT

PCG hit a 52-week relative low ahead of its 8/9 investor day as the Dixie Fire expanded, but the stock ended up outperforming despite the CPUC president conducting a fact-finding review to determine whether to move PCG up a step on the enforcement process.







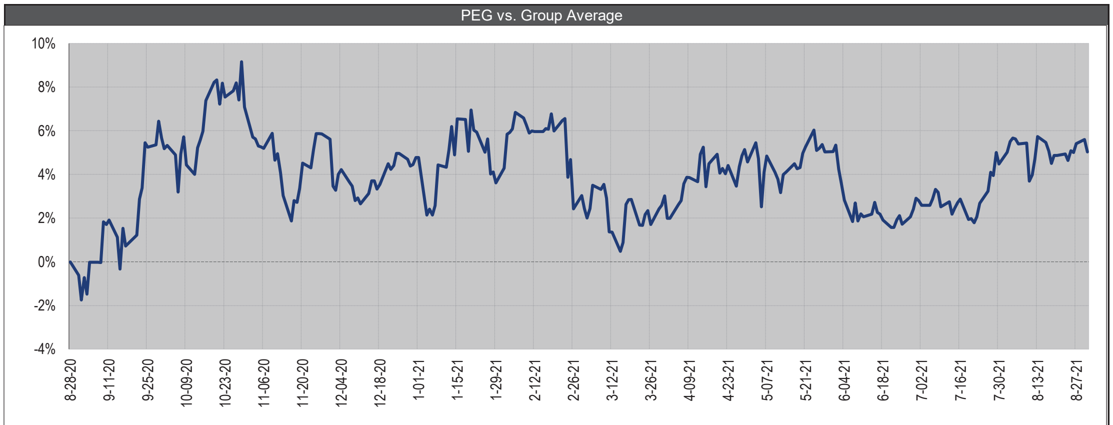
9/6/2021

WOLFE RESEARCH

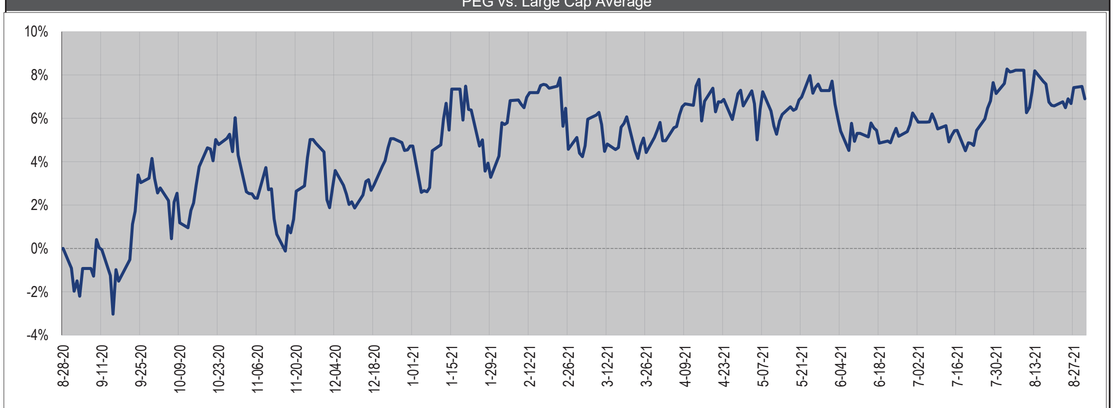
Public Service Enterprise Group (PEG) $63.94, Outperform, $68 PT

The stock traded in-line for the month and is in a similar position for the year. The company finally announced its long-awaited fossil sale that went for a tepid price, but transitions the company to a nearly fully regulated story.

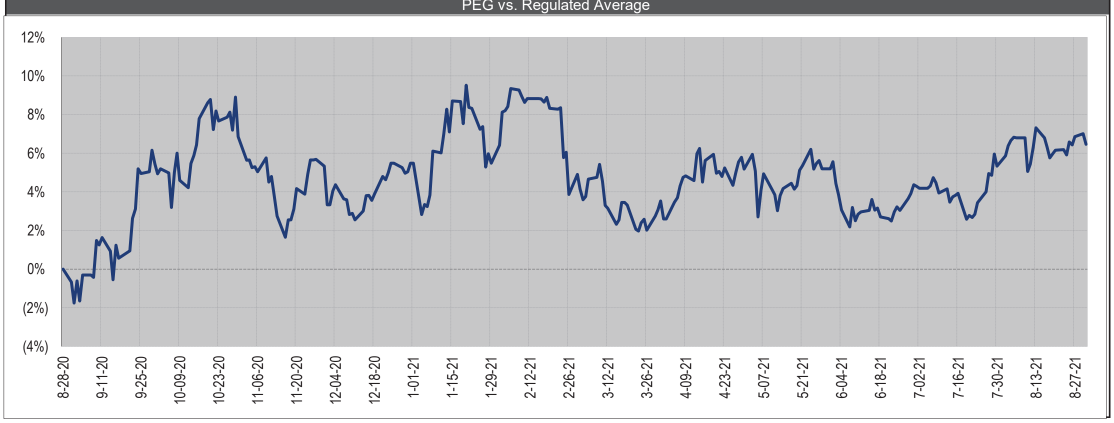
PEG vs. Group Average



PEG vs. Large Cap Average



PEG vs. Regulated Average

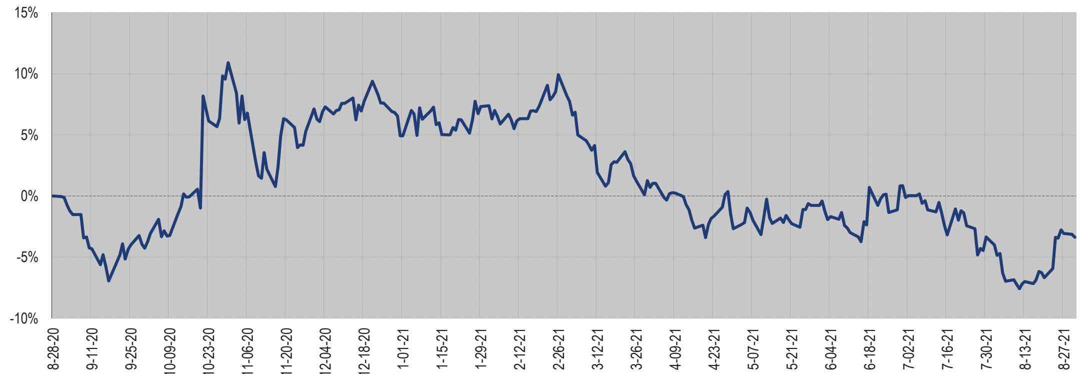


9/6/2021

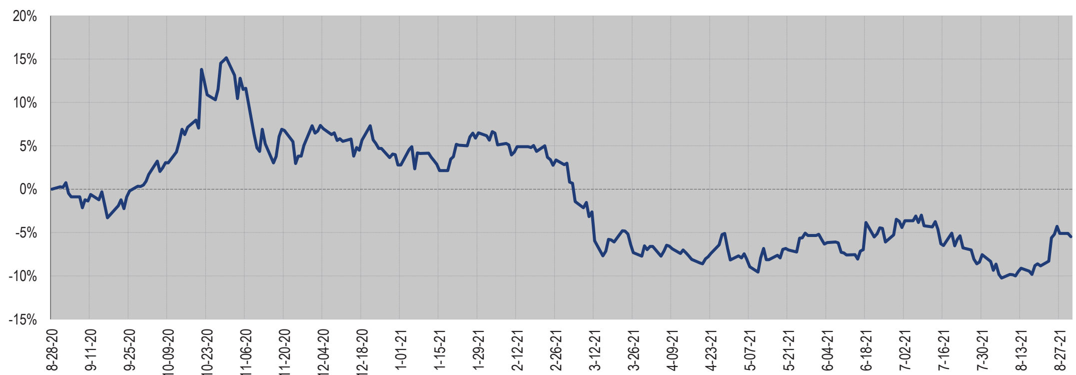
WOLFE RESEARCH

PNM Resources (PNM) $49.50, NR

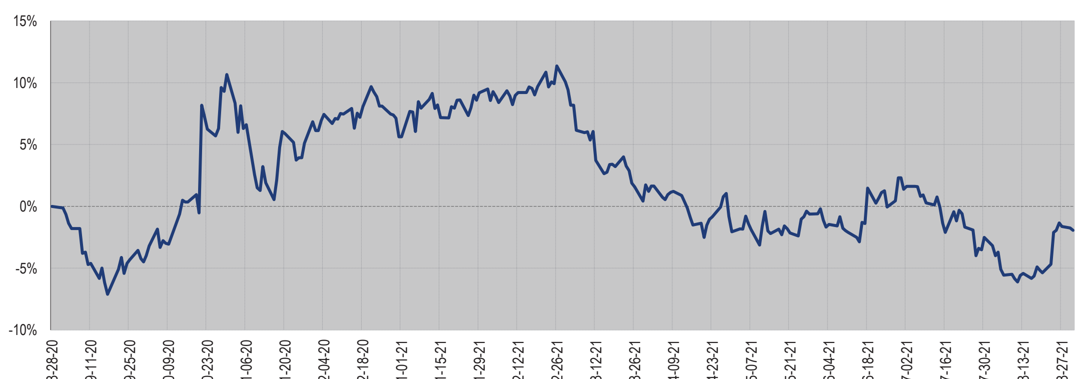
PNM vs. Group Average



PNM vs. Small Cap Average



PNM vs. Regulated Average

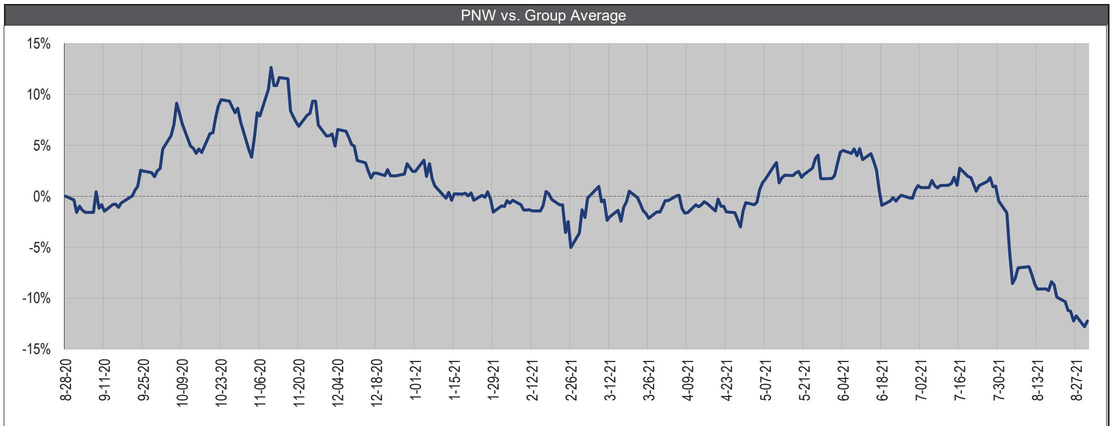


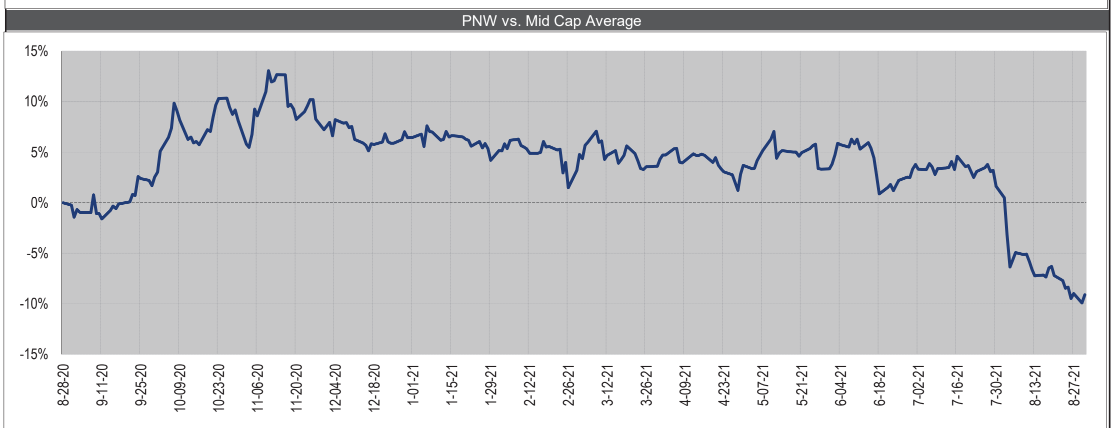
9/6/2021

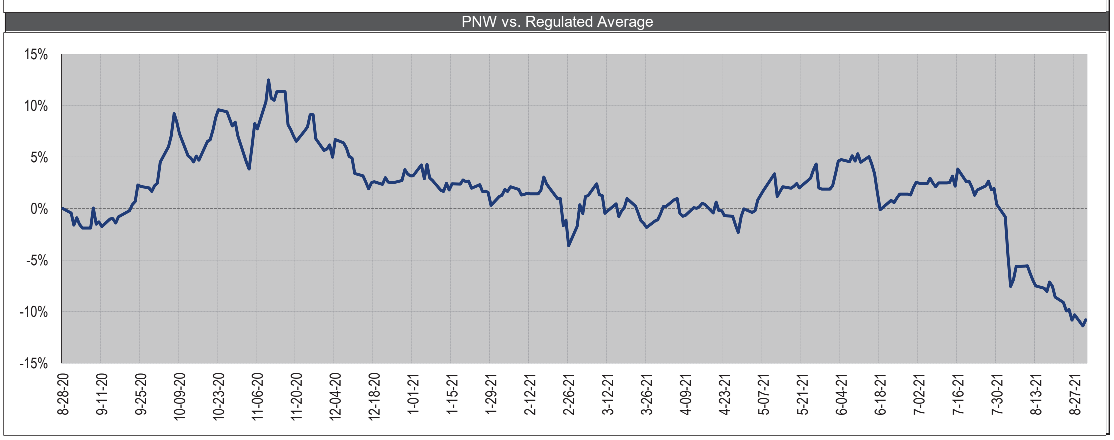
WOLFE RESEARCH

Pinnacle West Capital (PNW) $76.90, Underperform, $74 PT

PNW underperformed the utility index by 1150bps in August and was the worst performer in the group by a lot. This came after an unfavorable ALJ recommendation in APS' longstanding rate case. On its Q2 earnings call, PNW quantified that if the ALJ ROO was adopted as is, the company could see up to a $90M net income decrease – worth $0.75-0.80/sh. (~15% earnings risk vs then consensus).





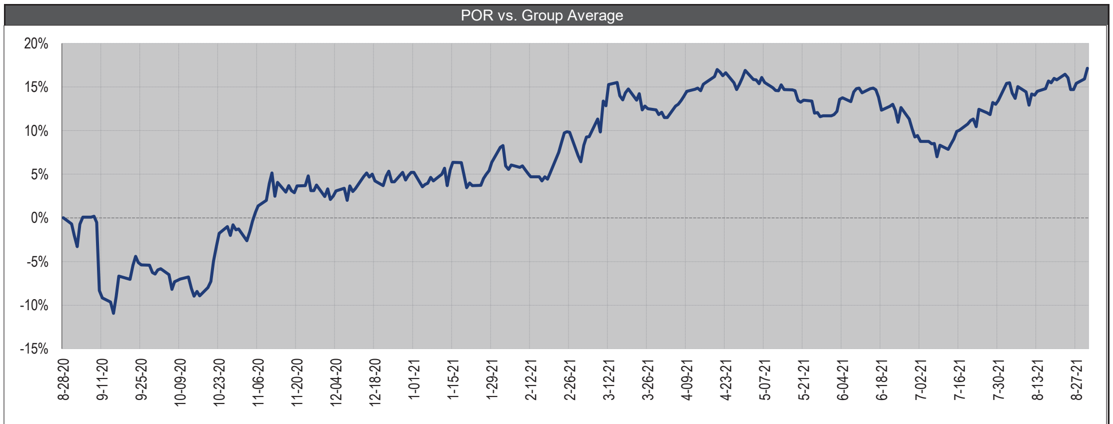


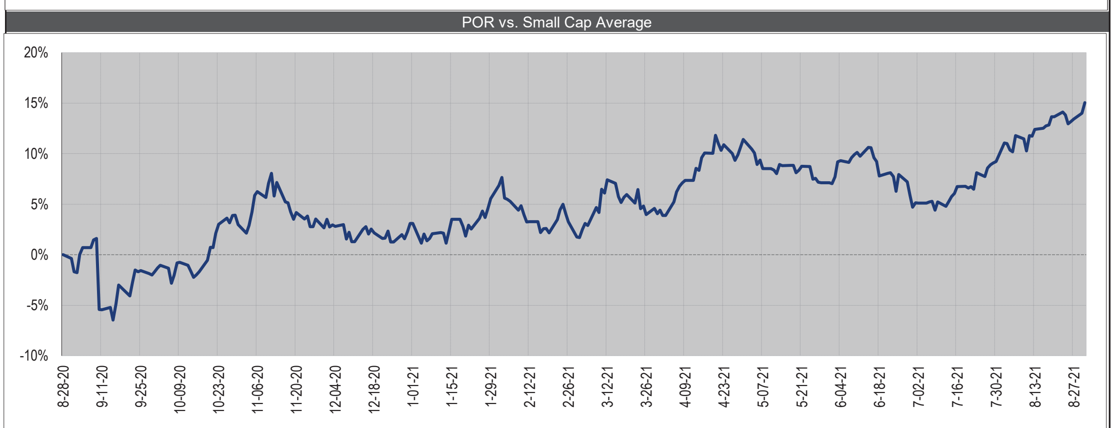
9/6/2021

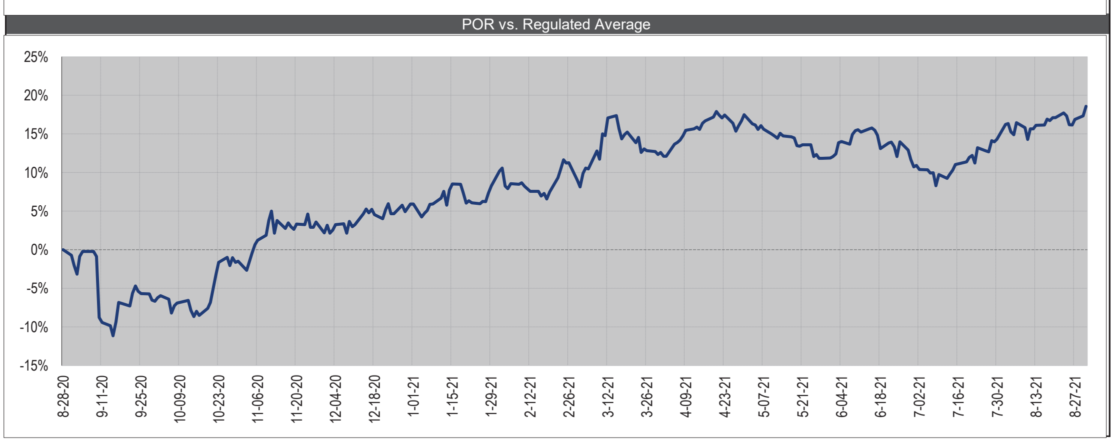
WOLFE RESEARCH

Portland General (POR) $51.35, Peer Perform, $52 PT

POR outperformed the utility average in August. We saw no notable news during the month; perhaps the momentum from July carried over where POR raised its FY21 guidance along with its Q2 earnings report.







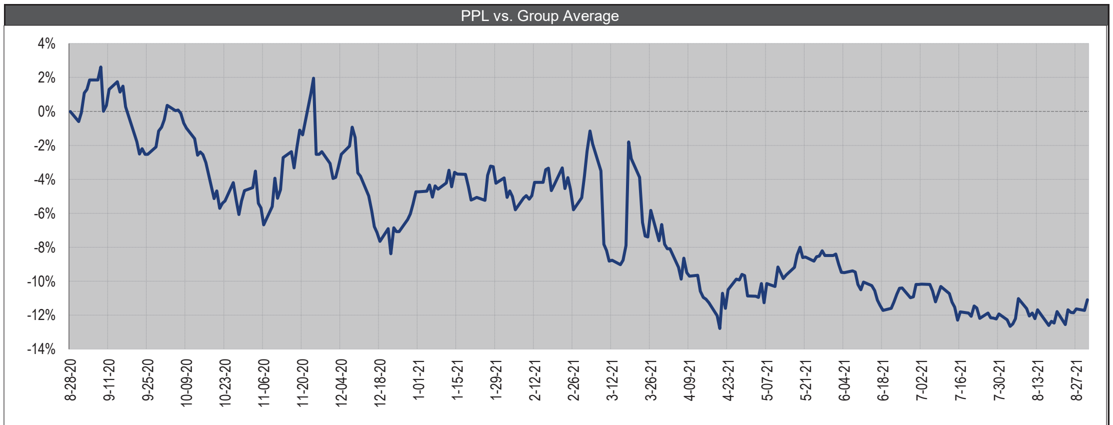
9/6/2021

WOLFE RESEARCH

PPL Corporation (PPL) $29.35, Peer Perform, $31 PT

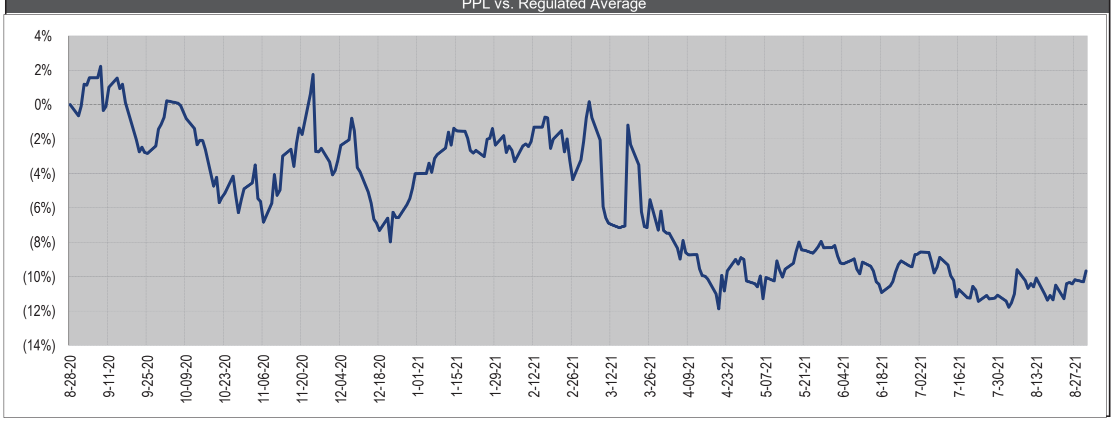
PPL outperformed peers in Aug, as PPL initiated a $3B share repurchase program with $500M targeted by YE21 and reached a deal on FERC ROE; but the stock is in a months-long trading range.

PPL vs. Group Average



PPL vs. Large Cap Average

PPL vs. Regulated Average

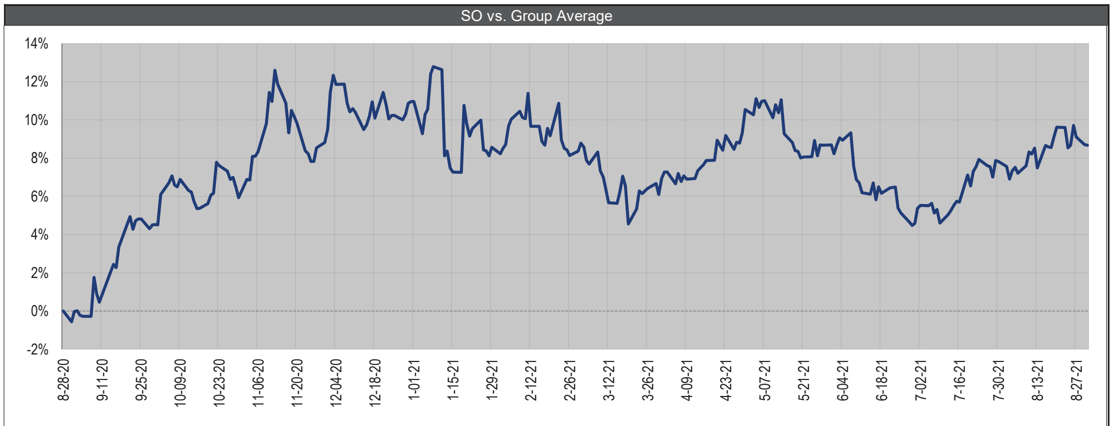


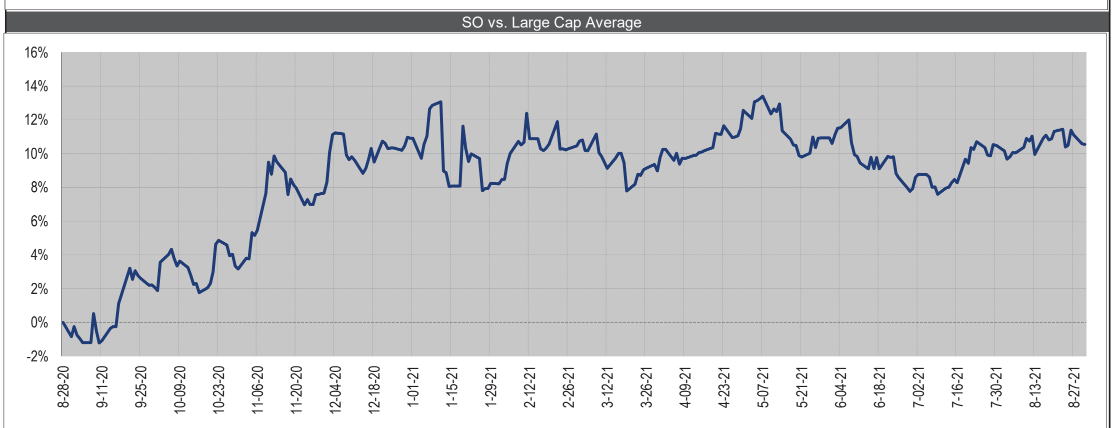
9/6/2021

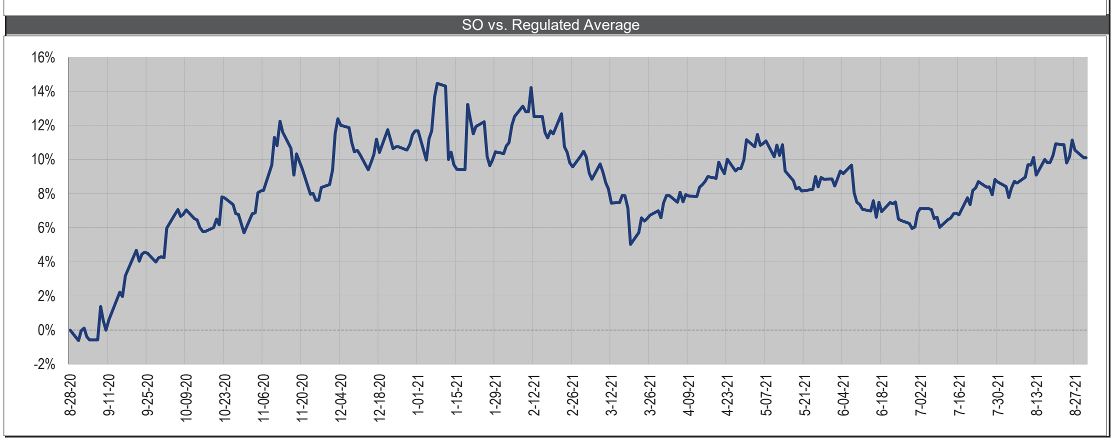
WOLFE RESEARCH

Southern Company (SO) $65.73, Peer Perform, $64 PT

SO outperformed peers in a month that saw a CFO unexpectedly retire and the NRC issue a special inspection report with potentially increased oversight at Vogtle. The new CFO is well known from his past investor-facing roles; and the NRC's findings were self-reported by SO.





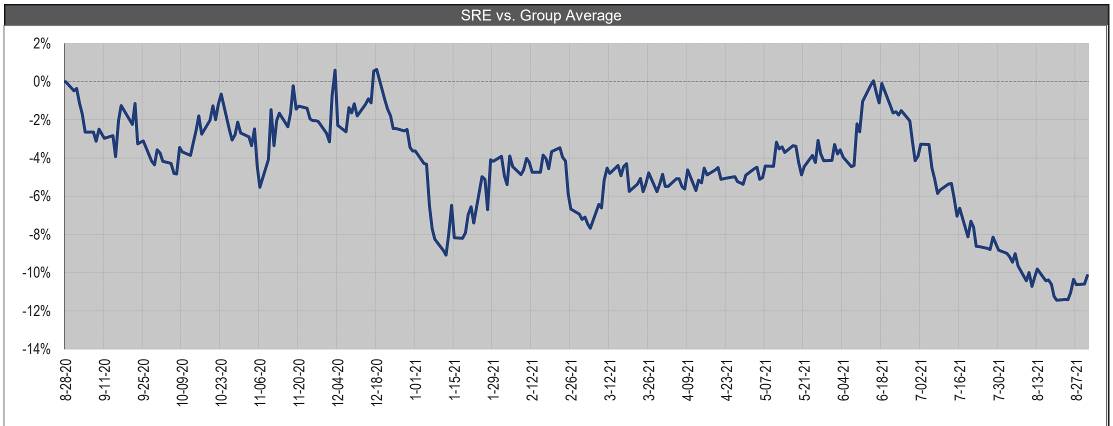


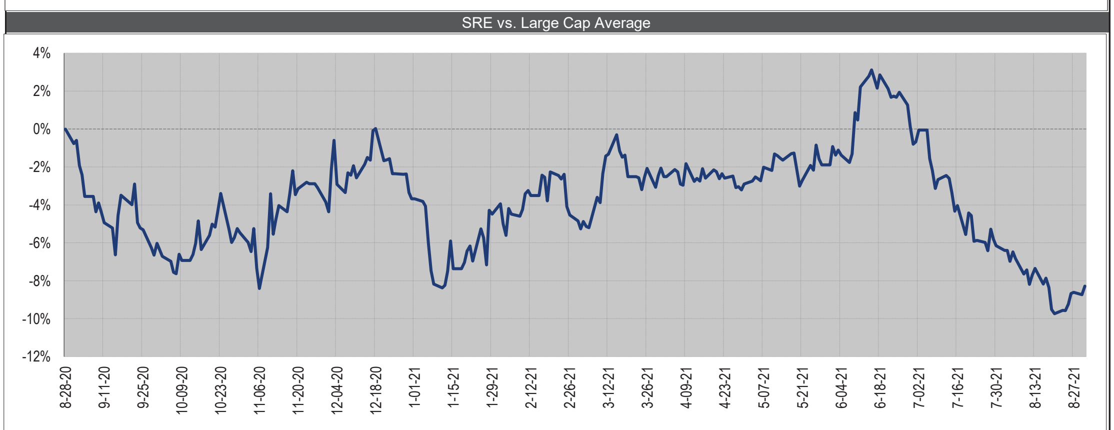
9/6/2021

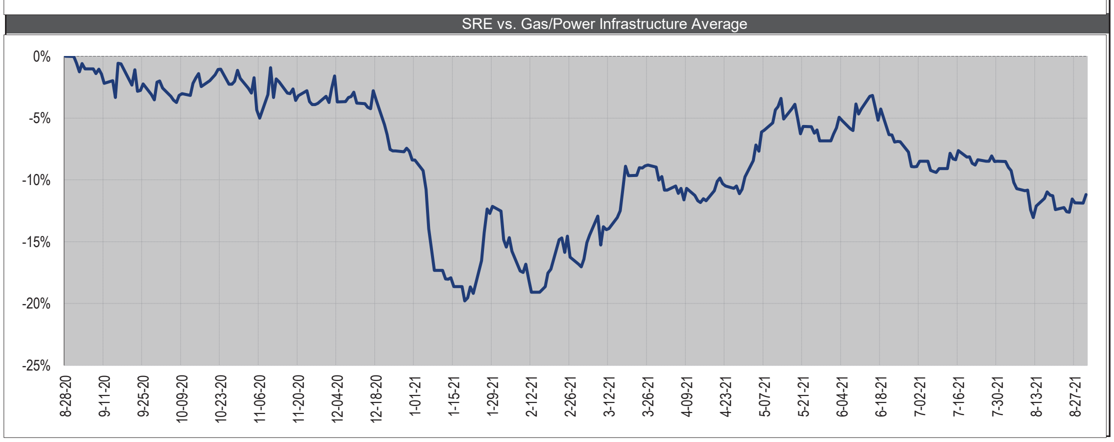
WOLFE RESEARCH

Sempra Energy (SRE) $132.36, Outperform, $151 PT

Shares of SRE rose 1.3%, underperforming the group average by about 200 bp. The main news in the month was the greater certainty on the likelihood of an ROE cut at SDG&E next year under the CA cost of capital mechanism – the impact could be 6-7c on EPS next year (<1% of total), though all the CA utilities are seeking an early cost of capital case to address this. Midstream stocks were also down on the month.





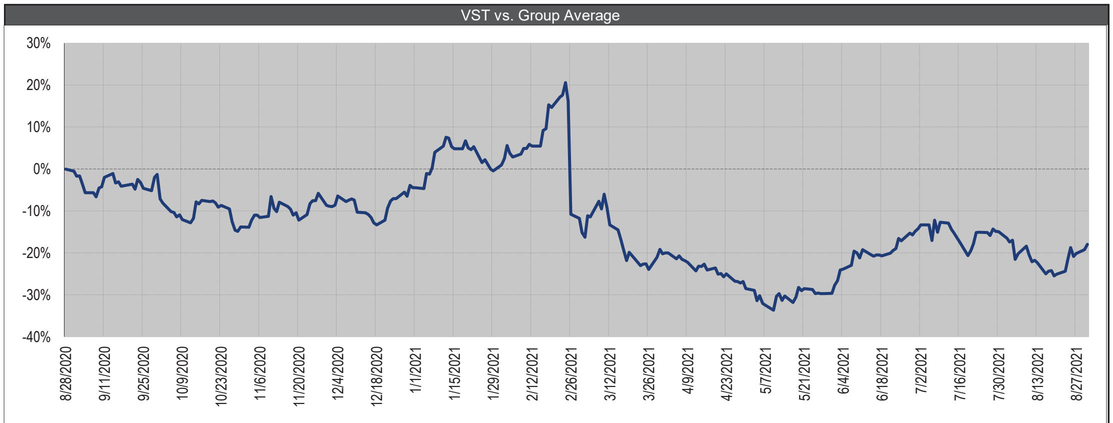


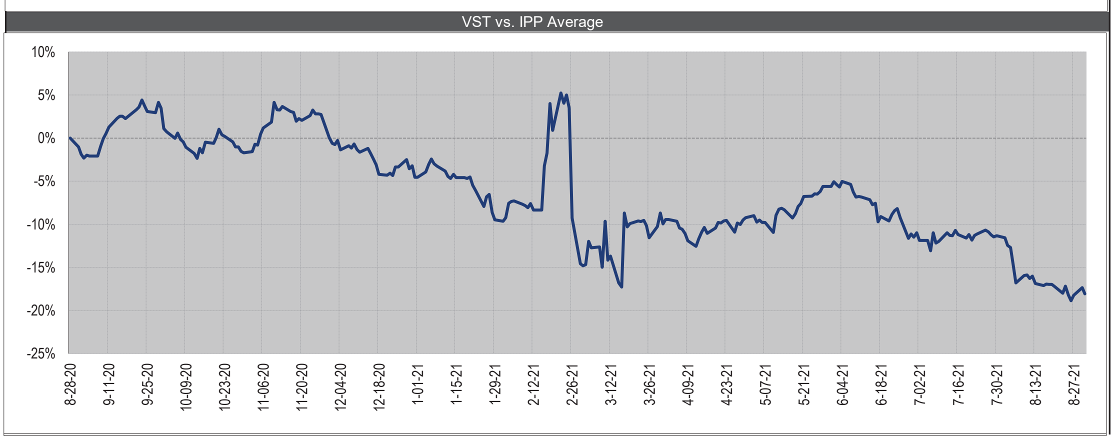
9/6/2021

WOLFE RESEARCH

Vistra Corporation (VST) $19.09, Outperform, $25 PT

VST was one of the worst-performers in the group in August and is in a similar position YTD. The company reported an in-line Q2 and reaffirmed 2021 guidance ex-Uri. VST also gave a first look at 2022 EBITDA that matched consensus and was lower than us, but used lower power curves. More important in our view though, was the discussion on the potential renewables funding alternatives that could create more capital allocation flexibility to resume buybacks soon. VST expects to provide an update on its new plan by the Q3 call.



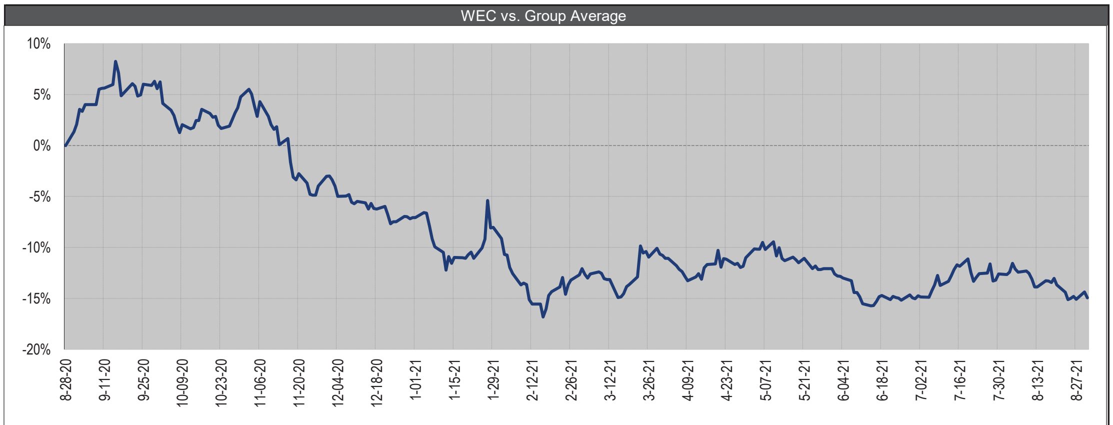


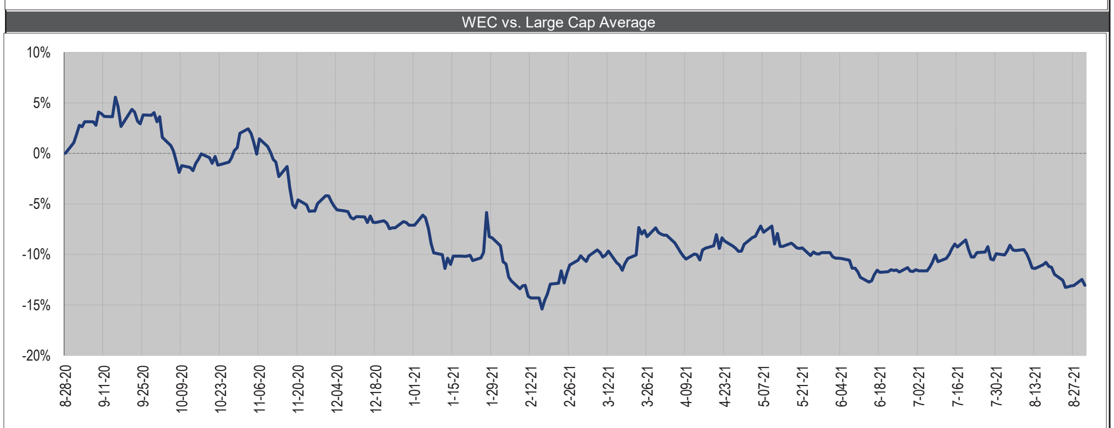
9/6/2021

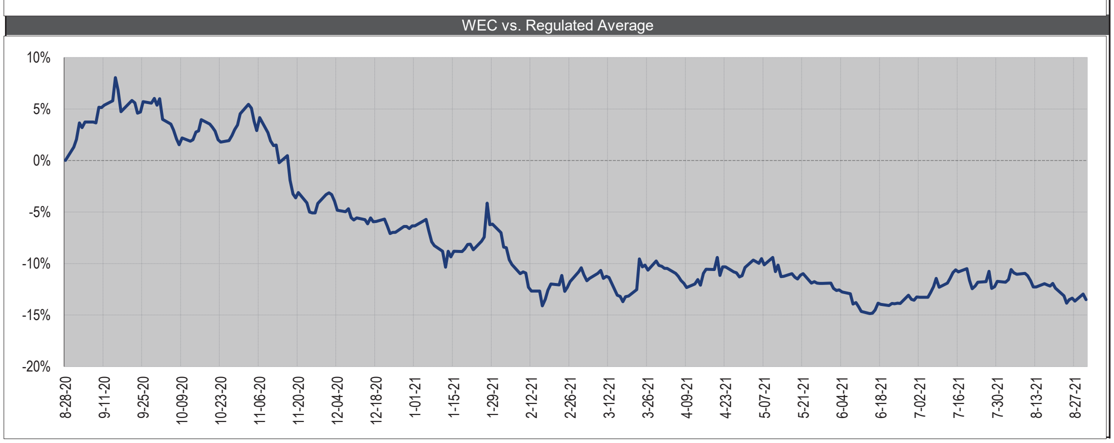
WOLFE RESEARCH

WEC Energy Group (WEC) $94.48, Underperform, $95 PT

WEC underperformed in August and is one of the worst-performers on the year. This despite a Q2 earnings beat and 2021 guidance raise, followed by WI PSC approval of its rate case stay-out agreement.



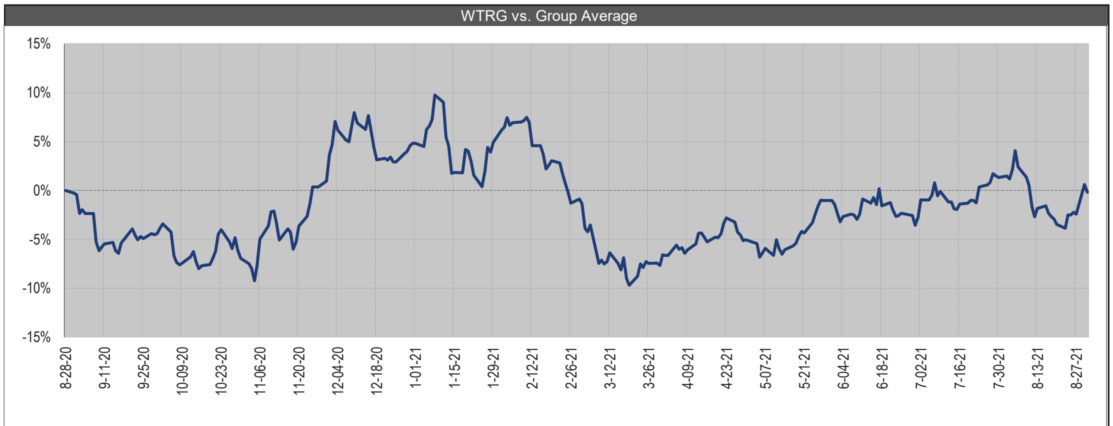


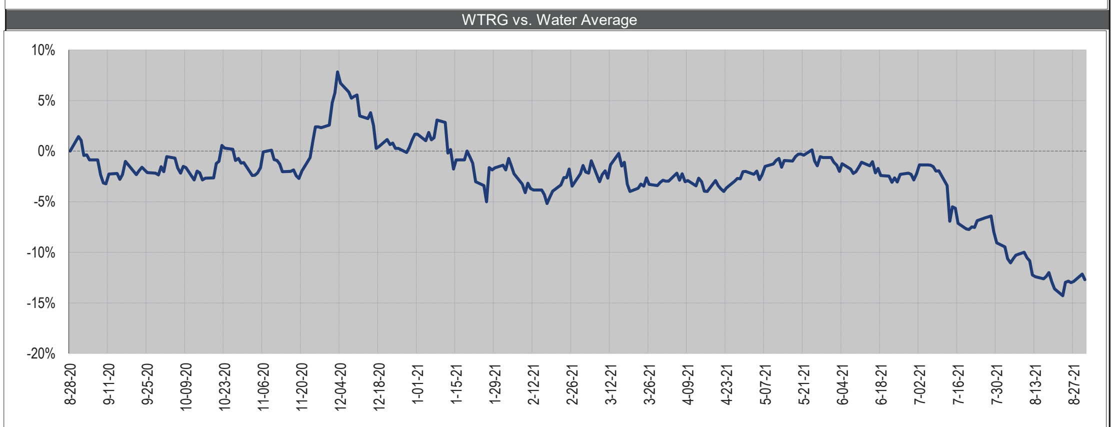


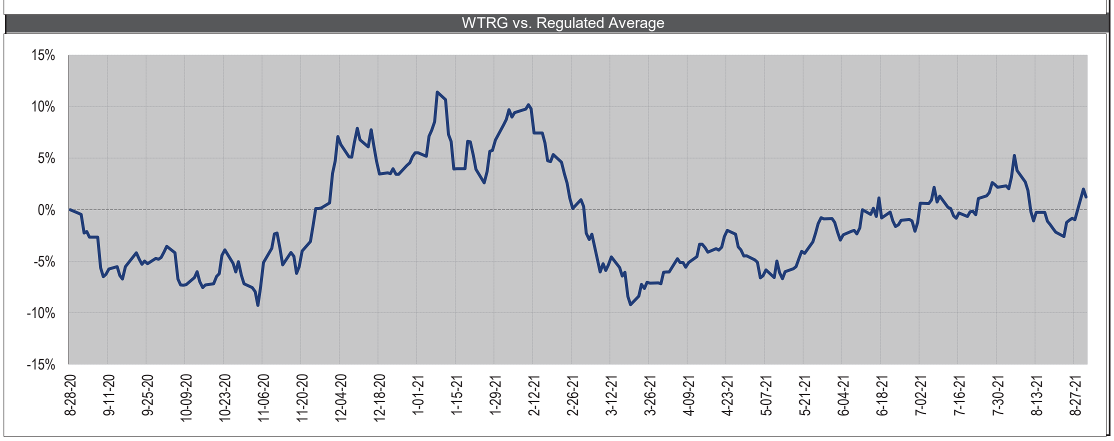
9/6/2021

WOLFE RESEARCH

Essential Utilities (WTRG) $49.63, NR







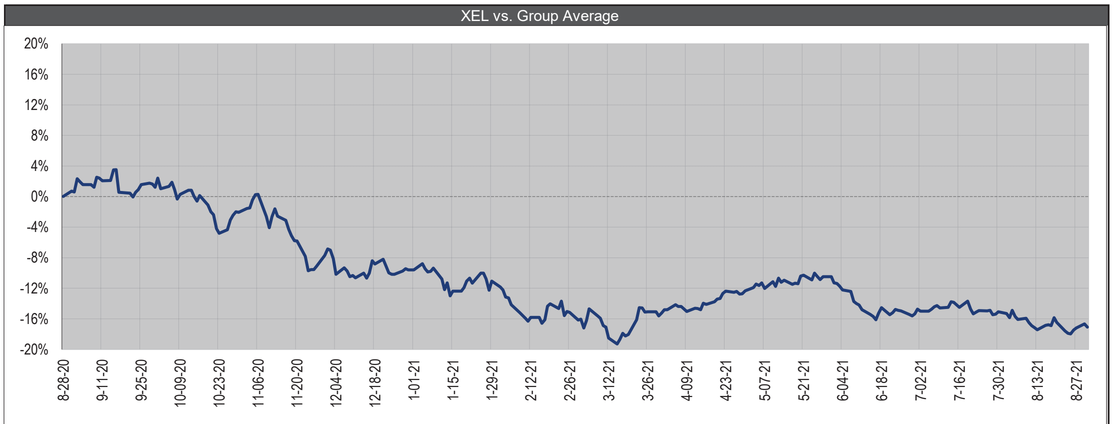
9/6/2021

WOLFE RESEARCH

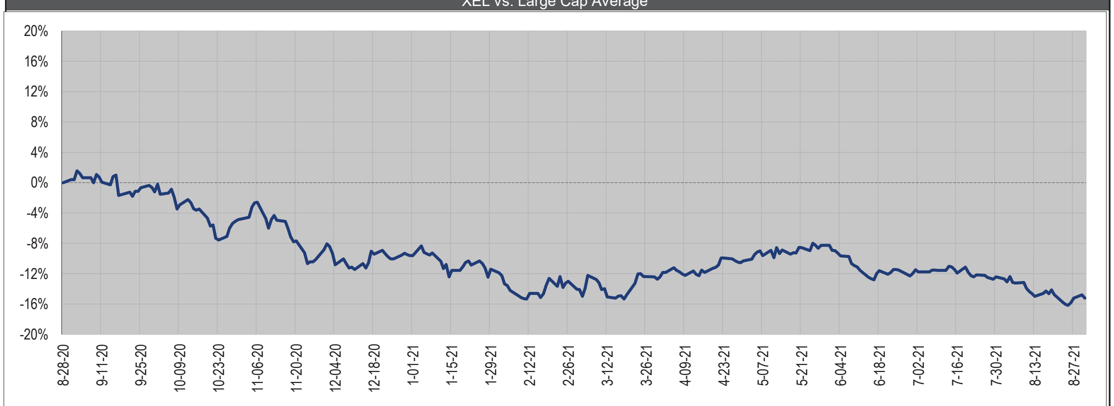
Xcel Energy (XEL) $68.75, Peer Perform, $73 PT

XEL underperformed again in August and is now sitting as one of the worst performing regulateds YTD. It was a relatively quiet month for XEL. PUCT Staff did provide a recommendation in SPS' rate case – a $110M rate increase vs XELs $143M ask, which included a 9.35% ROE and 51% equity ratio.

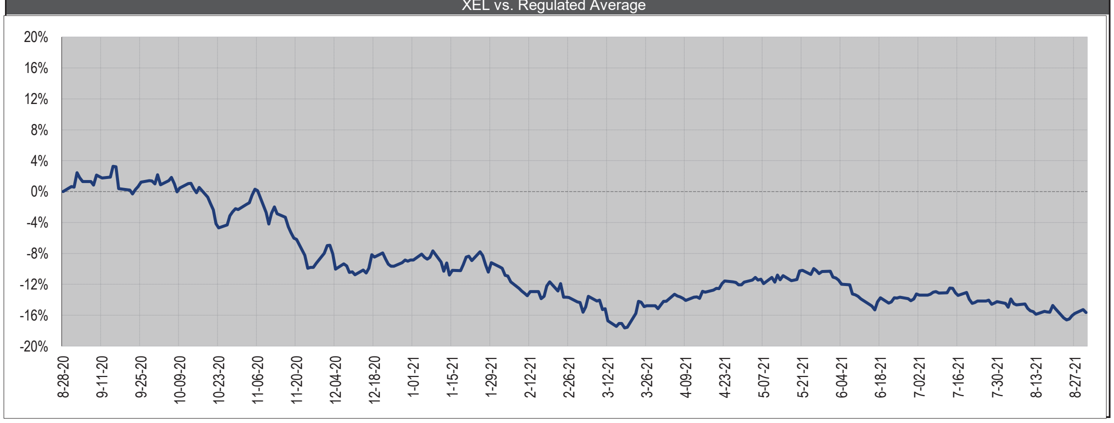
XEL vs. Group Average



XEL vs. Large Cap Average



XEL vs. Regulated Average



WOLFE RESEARCH

Comparable Tables

Exhibit 3: Regulated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Alliant Energy	LNT	$60.79	250	$15,213	23.3x	22.0x	21.0x	19.9x	2.6%	5.9%	62%	2.6x	45%
Ameren	AEE	87.72	257	22,557	23.3x	21.5x	20.1x	19.0x	2.5%	7.0%	58%	2.4x	42%
American Electric	AEP	89.57	500	44,808	19.1x	17.9x	16.9x	15.9x	3.3%	5.7%	63%	2.1x	37%
Avangrid	AGR	54.65	387	21,161	26.0x	22.8x	21.4x	N/A	3.2%	0.0%	84%	1.1x	71%
CenterPoint Energy	CNP	25.09	593	14,876	20.0x	18.6x	17.4x	16.1x	2.5%	7.0%	50%	2.1x	35%
CMS Energy	CMS	64.13	290	18,576	22.3x	22.3x	20.3x	18.4x	2.7%	6.7%	61%	3.2x	32%
Con Edison	ED	75.45	353	26,663	17.7x	16.2x	15.8x	15.1x	4.1%	1.3%	73%	1.3x	44%
Dominion	D	77.84	807	62,780	20.1x	18.8x	17.8x	16.5x	3.2%	6.0%	65%	2.6x	40%
DTE Energy	DTE	120.34	194	23,316	16.4x	20.7x	19.3x	18.2x	3.7%	7.2%	60%	1.9x	35%
Duke Energy	DUK	104.66	769	80,506	20.3x	19.4x	18.2x	17.1x	3.8%	2.0%	76%	1.7x	42%
Edison International	EIX	57.84	380	21,962	13.0x	12.9x	12.2x	N/A	4.6%	4.0%	59%	1.5x	36%
Emera*	EMA	59.56	257	15,277	21.4x	18.4x	17.5x	16.6x	4.3%	4.0%	92%	1.9x	38%
Entergy	ETR	110.61	201	22,228	18.3x	17.3x	16.3x	15.4x	3.6%	6.0%	67%	2.0x	30%
Evergy	EVRG	68.45	229	15,695	20.5x	19.3x	17.8x	17.0x	3.2%	6.0%	65%	1.7x	45%
Eversource Energy	ES	90.73	344	31,179	23.9x	22.2x	20.9x	19.7x	2.7%	6.2%	63%	2.2x	43%
Exelon	EXC	49.02	978	47,933	17.4x	21.7x	20.6x	19.4x	3.1%	0.0%	54%	1.5x	44%
FirstEnergy	FE	38.87	544	21,153	15.4x	14.7x	14.0x	N/A	4.0%	0.0%	62%	2.8x	23%
Fortis*	FTS	57.80	471	27,235	21.1x	19.8x	18.7x	17.8x	3.6%	6.0%	75%	1.6x	43%
NiSource	NI	24.65	392	9,673	18.5x	17.5x	16.3x	14.5x	3.6%	6.0%	67%	1.9x	40%
PG&E	PCG	9.17	1,985	18,205	9.1x	8.5x	7.8x	7.1x	0.0%	N/A	0%	0.8x	33%
Pinnacle West	PNW	76.90	113	8,673	15.3x	16.7x	16.0x	15.1x	4.2%	2.0%	64%	1.5x	43%
Portland General	POR	51.35	89	4,591	18.4x	18.4x	17.8x	17.4x	3.3%	7.1%	61%	1.7x	45%
PPL Corp.	PPL	29.35	770	22,588	14.9x	17.5x	16.1x	N/A	5.7%	0.0%	84%	1.5x	53%
PSEG	PEG	63.94	506	32,327	17.8x	18.9x	18.1x	N/A	3.2%	4.1%	57%	2.0x	48%
Southern Company	SO	65.73	1,059	69,597	19.5x	18.9x	17.5x	16.0x	4.0%	3.9%	78%	2.5x	35%
WEC Energy Group	WEC	94.48	315	29,802	23.3x	22.0x	20.7x	19.5x	2.9%	7.1%	67%	2.8x	43%
Xcel Energy	XEL	68.75	538	37,018	23.1x	21.7x	20.4x	19.3x	2.7%	6.4%	62%	2.5x	37%
Average					**19.2x**	**18.8x**	**17.7x**	**16.9x**	**3.3%**	**4.5%**	**64%**	**2.0x**	**41%**
Average (ex EIX & PCG)					**19.9x**	**19.4x**	**18.3x**	**17.3x**	**3.4%**	**4.5%**	**67%**	**2.0x**	**41%**

Source: Wolfe Utilities & Power Research

Exhibit 4: Gas Power Infrastructure Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth	Payout Ratio
The AES Corporation	AES	$23.87	666	$15,906	15.5x	14.3x	13.3x	12.6x	2.5%	5.0%	39%
NextEra Energy	NEE	83.99	1,962	164,768	33.1x	31.1x	28.8x	26.8x	1.8%	9.7%	61%
OGE Energy	OGE	35.41	200	7,088	15.4x	16.6x	15.8x	15.1x	4.5%	5.6%	70%
Sempra	SRE	132.36	319	42,266	16.3x	15.8x	15.1x	14.4x	3.4%	8.0%	56%
Average					**20.1x**	**19.4x**	**18.2x**	**17.2x**	**3.1%**	**7.1%**	**56%**
Average Regulated (ex EIX and PCG)					*19.9x*	*19.4x*	*18.3x*	*17.3x*	*3.4%*	*4.5%*	*67%*

Source: Wolfe Utilities & Power Research

Exhibit 5: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div Yield
Clearway Energy	CWEN	31.39	193	6,052	12.0x	11.1x	11.6x	12.3x	4.3%
NextEra Energy Partners	NEP	79.93	156	12,469	10.0x	8.4x	8.2x	8.0x	3.3%
Atlantica Yield*	AY	37.61	111	4,168	11.5x	10.8x	10.3x	10.3x	4.6%
Average					**11.2x**	**8.4x**	**8.2x**	**8.0x**	**3.9%**

Source: Wolfe Utilities & Power Research
*Not covered by Wolfe Research, estimates based on consensus

Exhibit 6: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Free Cash Flow Yield 2021E	Free Cash Flow Yield 2022E	Free Cash Flow Yield 2023E	Free Cash Flow Yield 2024E
NRG Energy	NRG	45.67	245	11,179	9.6x	7.2x	6.5x	N/A	8.3%	15.1%	18.0%	N/A
Vistra Corp	VST	19.09	483	9,211	11.3x	5.2x	5.6x	N/A	4.3%	25.0%	22.4%	N/A
Average					**10.5x**	**6.2x**	**6.1x**	**N/A**	**6.3%**	**20.0%**	**20.2%**	**N/A**

Source: Wolfe Utilities & Power Research

Group Classifications

Group:

AEE	AEP	AES	ALE	AVA	CMS	CNP	CWEN	D	DTE	DUK	ED	EIX	EMA
ES	ETR	EVRG	EXC	FE	FTS	HE	IDA	LNT	NEE	NI	NRG	NWE	OGE
PCG	PEG	PNM	PNW	POR	PPL	SO	SRE	WEC	XEL				

Large Cap:

AEP	D	DTE	DUK	ED	EIX	ES	ETR	EXC	FE	NEE	PCG	PEG	PPL	SO	SRE
WEC	XEL														

Mid Cap:

AEE CMS CNP EMA EVRG LNT NI PNW OGE

Small Cap:

ALE AVA EE HE IDA NWE PNM POR

Regulated:

AEE	AEP	ALE	AVA	CMS	D	DUK	ED	EIX	EMA	ES	ETR	EVRG	EXC	FE
FTS	HE	IDA	LNT	NI	NWE	PCG	PEG	PNM	PNW	POR	PPL	SO	WEC	XEL

Gas/Power Infrastructure:

AES DTE NEE OGE SRE

IPPs:

NRG VST

YieldCos:

AY NEP CWEN

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Outperform (OP):	The security is projected to outperform analyst's industry coverage universe over the next 12 months.
Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
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Outperform:	55%	5% Investment Banking Clients
Peer Perform:	38%	4% Investment Banking Clients
Underperform:	7%	0% Investment Banking Clients

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GUGGENHEIM

May 5, 2021

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NI – Equity Done and CMA Sold, NI Turns to Execution

Key Message: NiSource reported 1Q21 earnings generally in line with Guggenheim and consensus estimates while reiterating LT EPS growth and narrowing FY21 EPS guidance. The company also provided some additional details on capital spending, its ongoing renewables efforts, and other regulatory items. While the company has completed the equity offering and has a well-charted financing plan through 2023, we continue to believe portfolio optimization is on the table for NI in the future.

NI reported 1Q21 adj. EPS of $0.77, slightly below our estimate of $0.80 and in line with consensus of $0.77. Results were only $0.01 higher YoY; however, 2021 does not include Columbia Gas of Massachusetts, which contributed to $84mm in lower operating revenues at the gas segment. **Mgmt. also reiterated the FY21-FY24 annual base capital spending guidance of $1.9B-$2.2B, while narrowing the renewables investments to ~ $2bn from the previous $1.8-2.0bn range.** EPS growth of 5-7% and 7-9% from 2021-2023 and 2021-2024, respectively, was also reaffirmed – consistent with our model. Finally, the company also narrowed 2021 guidance to $1.32 to $1.36, versus our $1.35, which remains unchanged.

We still think portfolio optimization is a possibility. Mgmt. is looking closely at the deals that have been announced (i.e., DEI sale to GIC, CNP) and continuously reviews its assets and would not be opposed to divesting additional LDCs if it is accretive for shareholders. Mgmt. does not assume any portfolio optimization in its financing plan, but additional LDC and non-core asset sales could offset some financing needs. We believe mgmt. would transact if a sale were value-add to shareholders and, in our view, the chances of a sale have improved with LDCs somewhat rerating. **We believe there are infrastructure funds that have the appetite for these assets and are willing to transact to an attractive price (we think a deal for the CNP assets could come in at potentially a healthy valuation).** If mgmt. were to divest any of its gas operations, they would essentially be swapping gas for electric, which could be multiple accretive. *See our more in-depth thoughts and modeling in our outlook piece HERE.*

NI — BUY

NiSource Inc.
Sector: Power, Utilities & Alternative Energy

Earnings Release

Share Price	$25.78
Price Target	$27.00

EPS ($) (FY DEC)	1Q	2Q	3Q	4Q	FY
2021	0.77	0.14E	0.03E	0.42E	1.35E
Prior	*0.80*	—	—	*0.39E*	—
P/E					19.1x
2022	0.85E	0.14E	0.04E	0.40E	1.43E
Prior	—	*0.15E*	*0.03E*	*0.41E*	—
P/E					18.0x
2023	0.89E	0.16E	0.07E	0.42E	1.53E
Prior	—	*0.17E*	*0.06E*	—	—
P/E					16.8x

Market Data

52-Week Range	$21.09 - $26.30
Dividend	$1.57
Dividend Yield	6.1%
Market Cap (M)	$10,111
Shares Out (M)	392.2
ADV (3 mo; 000)	4,364

See pages 3 - 4 for analyst certification and important disclosures.

Valuation: We apply our base 18.5x multiple on the electric utility and add a 1x premium to account for additional renewables opportunities and our base 18.5x multiple on the gas LDCs. We arrive at our valuation utilizing a sum-of-the-parts analysis, based on: (1) ~$11/share for the regulated electric utility; (2) ~$18/share value for the regulated gas segment given the limited spread from LDCs after recent market volatility; and (3) (~$-2)/share for other adjustments for Corp and Other. We use this sum of the parts to arrive at our $27 valuation.

Risks: The primary risk on the regulated utility encompass the traditional risk factors inherent with all utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

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Guggenheim Securities, LLC or its affiliates expect(s) to receive or intend(s) to seek compensation for investment banking services from NiSource Inc. and CenterPoint Energy, Inc. in the next 3 months.

Please refer to this website for company-specific disclosures referenced in this report: https://guggenheimsecurities.bluematrix.com/sellside/Disclosures.action. Disclosure information is also available from Compliance, 330 Madison Avenue, New York, NY 10017.

Rating and Price Target History for: NiSource Inc. (NI) as of 05-04-2021

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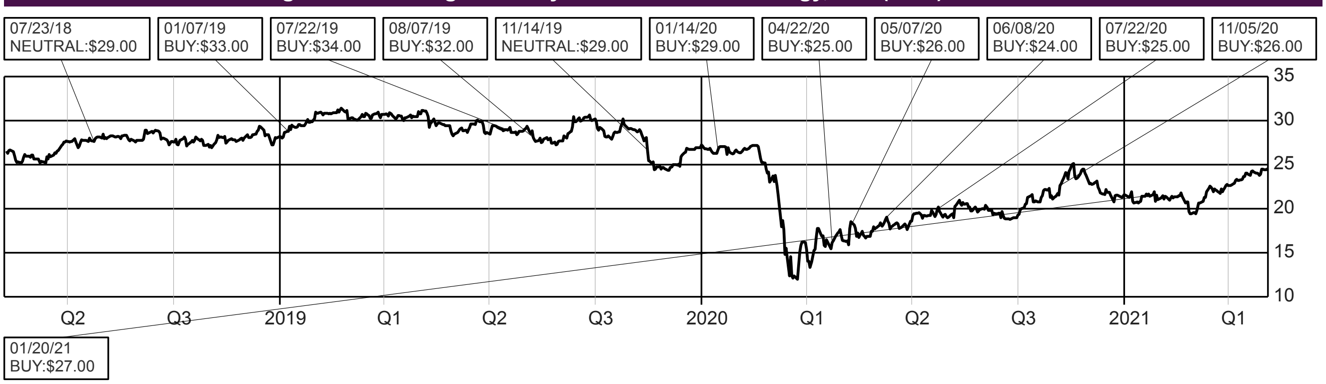
Rating and Price Target History for: CenterPoint Energy, Inc. (CNP) as of 05-04-2021



Created by: BlueMatrix

RATINGS EXPLANATION AND GUIDELINES

BUY (B) - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 10% or more within a 12-month period.

NEUTRAL (N) - Describes stocks that we expect to provide a total return (price appreciation plus yield) of between plus 10% and minus 10% within a 12-month period.

SELL (S) - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more within a 12-month period.

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Price targets are assigned for Buy- and Sell-rated stocks. Price targets for Neutral-rated stocks are provided at the discretion of the analyst.

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Rating Category	**Count**	**Percent**	**Count**	**Percent**
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NEUTRAL	132	33.08%	8	6.06%
SELL	6	1.50%	1	16.67%

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Power & Utilities

August 4, 2021

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Ticker	Price	Rating
AEP	89.09	Buy
ALE	71.60	Neutral
ALTO	5.66	Buy
AVA	44.24	Sell
AWK	175.30	Neutral
CNP	25.87	Buy
ETR	103.97	Buy
EXC	47.38	Neutral
FE	38.54	Neutral
NI	25.31	Buy
OGS	74.88	Neutral
PCG	8.99	Buy
PEG	63.51	Buy
WEC	95.61	Neutral

The Guggenheim Daily Transmission: PEG, WEC, AWK, OGS, ALTO, ETR, AVA, EXC, ALE, NI, FE, OH, AEP, Power, EPA, ERCOT, PCG, CNP

For details on our Guggenheim Hosted Client Utility Events, including our SO NDR, SO CEO Video Call w/Clients, NEE NDR, EEI Financial Conference Schedule, and more, scroll down…

PEG – 2Q EPS In-Line; 2Q Notches Further De-Risking; Upcoming Analyst Day Looks to Provide Catalyst Update (see our note HERE)

WEC – Strong Quarter Comes with Guidance Raise; Textbook WEC (see our note HERE)

AWK: Straightforward 2Q; Guidance Reaffirmed as NYAW Process Grinds On (see our note HERE)

OGS – 2Q EPS Beat; Customer and Margin Growth Materializes, Regulatory Constructs Support Growth (see our note HERE)

ALTO: 2Q Miss on Commodity Woes, But 2022 Specialty Contracting and Strategic Expansion Looks to Set a Path for Success (see our note HERE)

ETR - reports 2Q miss, largely from weather impact; 2021-2023 guidance reiterated and now anticipated at the top end

AVA - reports 2Q Miss; 2022 guidance adjusted down, but 2023 remains intact

EXC – Exelon reports 2Q21 earnings

ALE – ALLETE reports 2Q21 earnings

NI – NiSource reports 2Q21 earnings

FE/OH – PUCO releases DCR audit; DOJ subpoenaed PCUO for Randazzo records

AEP – Stakeholders oppose new cost scenarios for Mitchell plant

Power – Talen partners with bitcoin miner to use Susquehanna nuclear plant's output

EPA – EPA settles upwind suit with northeast states

ERCOT – GIS report points to almost 600MW of resources entering commercial operation

PCG – Dixie fire growth slows, but drought and fire conditions prompt continued evacuation orders; fire grows to 254,000 acres and remains 35% contained

CNP – Enable Midstream sales get scrutiny by FTC with potential delays in approval

ETR reports 2Q miss, largely from weather impact; 2021-2023 guidance reiterated and now anticipated at the top end

- Entergy reports 2Q adjusted EPS of $1.34, vs. consensus $1.40 and our $1.37 estimate.
- 2Q results included -$0.09 of weather vs. normal, bringing normalized results ahead of our estimates and consensus.
- ETR reaffirms 2021-2023 EPS guidance of $5.80–$6.10, $6.15–$6.45, $6.55–$6.85, respectively.
- ETR now anticipates being in the top half of the range in 2021-2023; vs. our EPS expectation of $6.79 for 2023 EPS.

AVA reports 2Q Miss; 2022 guidance adjusted down, but 2023 remains intact

- AVA reported 2Q EPS of $0.20 vs. $0.25 consensus and our $0.30 estimate.
- In 2Q, AVA experienced increases in net power supply costs, and lower hydro generation due to drought conditions.
- AVA confirmed 2021 earnings guidance of $1.96 to $2.16, adjusting 2021 segment ranges to lower Avista Utilities by $0.10 and raise other businesses by $0.10.
- AVA lowered 2022 EPS guidance by $0.15 per diluted share to a range of $2.03 to $2.23 for the same reasons.
- AVA reiterated 2023 EPS guidance of $2.42 to $2.62.

EXC – Exelon reports 2Q21 earnings

- Reported 2Q21 EPS of $0.89 vs. Gugg $0.72 and Street $0.67.
- Results at the utilities were $0.17 higher at EXC Utilities, $0.14 at ExGen, and $0.03 at parent.
- ExGen results included $0.10 of favorable gains on equity investments vs. 2Q20 and $0.04 of NDT gains.
- AVA lowered 2022 guidance by $0.15 per diluted share to a range of $2.03 to $2.23 for the same reasons.
- AVA reiterated 2023 EPS guidance of $2.42 to $2.62.
- EXC Utilities TTM ROE improved to 9.4% from 8.9%, attributed to 2020 storms rolling off.
- EXC Utilities announces net zero by 2050 goal, 50% reduction by 2030 goal.

ALE – ALLETE reports 2Q21 earnings

- Reported 2Q21 earnings of $0.53 vs. Gugg $0.47 and Street $0.52.
- Reaffirms 2021 EPS guidance of $3.00 to $3.30 range.
- Results reflect higher earnings at MN Power and ACE, partially offset by parent drag from marketable securities and higher tax.

NI – NiSource reports 2Q21 earnings

- Reported 2Q21 EPS of $0.13 vs. Gugg $0.14 and street $0.12.
- Reaffirmed 2021 EPS guidance of $1.32 to $1.36.
- Reaffirmed 10-12% rate base growth guidance through 2024.

FE/OH – PUCO releases DCR audit; DOJ subpoenaed PCUO for Randazzo records

- The 215-page third party audit calls for a $6.6mm refund to customers.
- "Today the Public Utilities Commission of Ohio's (PUCO) issued an expanded audit report of FirstEnergy's Ohio electric distribution companies' delivery capital recovery rider for the 2020 calendar year. The audit report recommends $6.6 million should be returned to customers…The audit report examined expenses identified by FirstEnergy Corp. in its Feb. 18, 2021 report to the Securities and Exchange Commission (SEC) to be improperly classified, misallocated, or lacked supporting documentation. The audit examined payments to 17 vendors over a 10-year period, totaling $24.5 million." - report
- The audit report identifies $6.6 million of the $24.5 million total that were included in customer bills and should be refunded.
- "Based on information reviewed, and except for the recommendations noted above, Blue Ridge concludes that the Companies' controls were adequate and not unreasonable." – consultant
- Audit HERE, press release HERE.
- The DOJ has also reportedly subpoenaed PUCO for records related to former Chair Randazzo and his involvement in the 2024 ESP – more HERE.

Guggenheim takeaway: *Yet more noise in the process, but also not altogether surprising to us. The Randazzo linkage is not new at this point, although we remain on the lookout for any other data points that could come from the regulatory investigations or DOJ criminal charges against individuals. Still, we believe the new team at FE is working hard to reset its relationships –* ***see our note from last week's lunch with CEO/CFO and TreasurerHERE for more****.*

AEP – Stakeholders oppose new cost scenarios for Mitchell plant

- A series of stakeholders, including consumer advocate groups are opposed to the provision of new cost scenarios on the grounds that they would deprive stakeholders of due process.
- More HERE

Guggenheim takeaway: *Zero surprise to us given the parties in question and the initial decision by the KY PSC.*

Power – Talen partners with bitcoin miner to use Susquehanna nuclear plant's output

- Talen [PRIVATE] has "entered into a Joint Venture with TeraWulf Inc. ("TeraWulf") [PRIVATE], a U.S.-based bitcoin mining company, to develop up to 300 Megawatts of zero-carbon bitcoin mining capacity. The Joint Venture, named Nautilus Cryptomine will leverage the strengths of both Talen and TeraWulf as they collectively work to advance the convergence of clean energy sources and digital infrastructure assets. Phase I of the Nautilus Cryptomine facility is a 180-megawatt bitcoin mining facility which will be built on Talen's digital infrastructure campus adjacent to its Susquehanna nuclear power generation station." - release
- More HERE.

Guggenheim takeaway: *Interesting heads up.*

EPA – EPA settles upwind suit with northeast states

- "The agreement announced today with the Biden-Harris Administration's EPA resolves the coalition's lawsuit and ends the EPA's illegal delay by establishing deadlines for action. The agreement requires the EPA to approve or reject Good Neighbor SIPs from the upwind states by April 30, 2022." – AG James
- More HERE.

Guggenheim takeaway: *Minor ICYMI from last week and not a surprise to us.*

ERCOT – GIS report points to almost 600MW of resources entering commercial operation

- Just over 500MW of wind and 40MW of storage was approved for commercial operation in July.
- More HERE.

Guggenheim takeaway: *Minor FYI as the ISO and PUCT continue to weight tweaks to support dispatchability.*

PCG – Dixie fire growth slows, but drought and fire conditions prompt continued evacuation orders; fire grows to 254,000 acres and remains 35% contained

- The Dixie fire in northern California slowed expansion but weather conditions continue to threaten further expansion.
- The fire is currently estimated at 254,000 acres burned with 35% containment.
- Evacuation orders are continued to be considered in the affected areas.
- Damage assessments are currently estimating 67 structures destroyed.
- The Butte county DA along with CalFire is investigating the incident.

Guggenheim takeaway: *FYI. We continue to monitor the report for datapoints on structure damage and potential future liabilities. While current estimates may be incomplete due to access, no major population centers have reported damage, and 67 structures destroyed is a very small number relative to the overall size of the fire, which speaks to the unpopulated nature of the terrain and CalFire efforts to guide the fire away from population centers.*

CNP – Enable Midstream sales get scrutiny by FTC with potential delays in approval

- The FTC continues issuing requests for information and extending the approval timeline for antitrust clearance in the Enable Midstream deal (ENBL).
- Energy Transfer (ET) addressed the deal with CNP on the quarterly call, still expecting to close in the second half of 2021.

- The ET team does not see antitrust issues for the ENBL footprint since there is adequate competition in the area.

Guggenheim takeaway: *FYI. The delays were not anticipated by us or the ET mgmt. team, per comments on the call, given the relatively straight forward nature of the sale, but FTC's extensions have moved the timeline twice. We continue to monitor but do not anticipate any delays beyond 2021.*

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Equity Research | Corporate Access

Southern Company (SO)

Drew Evans, *Chief Financial Officer*
Scott Gammill, *Director, Investor Relations*

Date
Wednesday, August 4, 2021

Meeting Format
Virtual NDR - 1:1 Meetings & Group Meeting

Company Information
Market Cap: $65.67bn
Southern Co (SO) is a holding company. The firm engages in the sale of electricity. It operates through the following segments: Traditional Electric Operating Companies, Southern Power and Southern Company Gas. The Traditional Electric Operating Companies segment refers to vertically integrated utilities that own generation, transmission and distribution facilities, and supplies electric services in the states of Alabama, Georgia, Florida, and Mississippi. The Southern Power segment constructs, acquires, owns, and manages generation assets such as renewable energy projects and sells electricity in the wholesale market. The Southern Company Gas segment distributes natural gas through natural gas distribution facilities in the states of Illinois, Georgia, Virginia, New Jersey, Florida, Tennessee, and Maryland. The company was founded on November 9, 1945 and is headquartered in Atlanta, GA. (Source: FactSet)

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Equity Research | Corporate Access

Southern Company (SO)

Tom Fanning, *Chairman, President & Chief Executive Officer*

Please join Guggenheim Research Analyst Shar Pourreza for a discussion with Southern Company's Tom Fanning.

Date and Time

Friday, August 13, 2021
12:00PM ET | Group Call

Company Information

Market Cap: $65.67bn

Southern Co (SO) is a holding company. The firm engages in the sale of electricity. It operates through the following segments: Traditional Electric Operating Companies, Southern Power and Southern Company Gas. The Traditional Electric Operating Companies segment refers to vertically integrated utilities that own generation, transmission and distribution facilities, and supplies electric services in the states of Alabama, Georgia, Florida, and Mississippi. The Southern Power segment constructs, acquires, owns, and manages generation assets such as renewable energy projects and sells electricity in the wholesale market. The Southern Company Gas segment distributes natural gas through natural gas distribution facilities in the states of Illinois, Georgia, Virginia, New Jersey, Florida, Tennessee, and Maryland. The company was founded on November 9, 1945 and is headquartered in Atlanta, GA. (Source: FactSet)

Participating Guggenheim Analyst

Shar Pourreza*, Senior Managing Director, Equity Research Analyst – Power & Utilities*

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NextEra Energy, Inc. (NEE)

Rebecca Kujawa, *Chief Financial Officer*
Jessica Aldridge, *Head of Investor Relations*

Dates & Locations

September 13 | Los Angeles
September 14 | San Francisco

Meeting Format

1:1 Meetings & Small Group Meeting

Company Information

Market Cap: $145.87bn

NextEra Energy, Inc. (NEE) is an electric power and energy infrastructure company. It operates through the following segments: FPL & NEER. The FPL segment engages primarily in the generation, transmission, distribution and sale of electric energy in Florida. The NEER segment produces electricity from clean and renewable sources, including wind and solar. It provides full energy and capacity requirements services; engages in power and gas marketing and trading activities; participates in natural gas production and pipeline infrastructure development; and owns a retail electricity provider. The company was founded in 1984 and is headquartered in Juno Beach, FL. (Source: FactSet)

 See pages 19 - 20 for analyst certification and important disclosures.

Save the Date: 56th EEI Financial Conference

Dates

November 7 - 9, 2021

Company Dinners (Hosted by Guggenheim)

Sunday, November 7, 2021

6:00 p.m. | Cocktail Reception with full Guggenheim Securities Team & corporate utility clients

7:00 p.m. | Dinner with **Duke Energy Corp (DUK)** CEO & CEO of Duke Carolinas
Lynn Good, *Chairman, President & Chief Executive Officer*
Julie Janson, *EVP & Chief Executive Officer, Duke Energy Carolinas*
Location TBD

Monday, November 8, 2021

6:00 p.m. | Cocktail Reception with full Guggenheim Securities Team & corporate utility clients

7:30 p.m. | Dinner with **Entergy (ETR)** CEO, Group President & CFO
Leo Denault, *Chief Executive Officer*
Rod West, *Group President, Utility Operations*
Andrew Marsh, *Chief Financial Officer*
Location TBD

Guggenheim Hosted Utilities Investor Discussion Panel with Mark McLain and Shar Pourreza
Tuesday, November 9, 2021
7:30 p.m. | Location TBD

Company Meetings

More Utilities may be added and we will update schedule accordingly

Sunday, November 7th	
Time	***Co.***
11:00AM	LNT
12:00PM	POR
2:00PM	WEC
3:00PM	CNP
4:00PM	AWK
5:00PM	ALE

Monday, November 8th	
Time	***Co.***
8:00AM	PCG
9:00AM	OGE
10:00AM	PNW
11:00AM	DTE
12:00PM	CMS
1:00PM	PPL
2:00PM	FE
3:00PM	AEP
4:00PM	D
5:00PM	NI

Tuesday, November 9th	
Time	***Co.***
8:00AM	EVRG
9:00AM	EIX
10:00AM	NEE
11:00AM	EXC
12:00PM	PEG
1:00PM	SO
2:00PM	NWE
2:00PM	SRE
3:00PM	ES
4:00PM	AEE
5:00PM	ED
6:00PM	AVA

Participating Guggenheim Analyst

Shar Pourreza, *Senior Managing Director, Senior Equity Research Analyst – Power & Utilities*

Guggenheim's Power & Utility Comp Sheet

Updated as of 8/3/2021

Regulated Electric Utilities (1)		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	Guggenheim EPS '21E	Guggenheim EPS '22E	Guggenheim EPS '23E	Guggenheim P/E '21E	Guggenheim P/E '22E	Guggenheim P/E '23E	Consensus P/E '21E	Consensus P/E '22E	Consensus P/E '23E
AEE	Ameren	21.8	Buy	$90	$85.61	NA	#VALUE!	256	3.73	4.02	4.30	23.0	21.3	19.9	22.7	21.2	19.8
AEP	American Electric Power	44.5	Buy	$98	$89.09	NA	#VALUE!	500	4.70	5.03	5.30	19.0	17.7	16.8	19.0	17.9	16.9
ALE	ALLETE	3.7	Neutral	$65	$71.60	NA	#VALUE!	52	3.18	3.85	3.98	22.5	18.6	18.0	22.6	18.5	18.0
AVA	Avista	3.1	Sell	$32	$44.24	NA	#VALUE!	69	2.06	2.26	2.47	21.5	19.6	17.9	21.0	19.4	17.9
CMS	CMS Energy	18.3	Neutral	$63	$63.24	NA	#VALUE!	290	2.69	2.88	3.14	23.5	22.0	20.1	23.1	21.9	20.2
D	Dominion	60.8	Buy	$89	$75.50	3.3%	65%	807	3.86	4.15	4.44	19.6	18.2	17.0	19.5	18.3	17.3
DTE	DTE Energy	22.7	Buy	$126	$118.13	3.6%	74%	194	5.80	5.95	6.19	20.4	19.9	19.1	20.6	20.2	19.2
DUK	Duke Energy	81.8	Buy	$107	$106.61	NA	#VALUE!	769	5.17	5.48	5.81	20.6	19.5	18.3	20.5	19.5	18.4
ED	Consolidated Edison	26.4	Neutral	$77	$74.85	NA	#VALUE!	353	4.25	4.42	4.63	17.6	16.9	16.2	17.6	16.6	15.8
EIX	Edison International	21.0	Buy	$79	$55.39	NA	NA	380	4.51	4.76	5.04	12.3	11.6	11.0	12.2	11.9	11.2
ES	Eversource Energy	30.1	Neutral	$87	$87.80	NA	#VALUE!	343	3.83	4.12	4.36	22.9	21.3	20.1	22.9	21.4	20.1
ETR	Entergy	20.9	Buy	$120	$103.97	NA	#VALUE!	201	6.01	6.33	6.79	17.3	16.4	15.3	17.4	16.5	15.5
EVRG	Evergy	15.2	Buy	$70	$66.38	NA	#VALUE!	229	3.29	3.43	3.71	20.2	19.4	17.9	19.9	19.0	17.6
FE	FirstEnergy	20.9	Neutral	NA	$38.54	NA	#VALUE!	544	2.53	2.60	2.71	15.2	14.8	14.2	15.2	14.9	14.3
HE	Hawaiian Electric	4.8	Sell	$37	$43.83	NA	#VALUE!	109	2.01	1.96	2.11	21.8	22.4	20.8	22.0	21.3	20.2
LNT	Alliant Energy	15.0	Buy	$64	$59.98	NA	#VALUE!	250	2.57	2.72	2.87	23.3	22.1	20.9	23.4	21.9	20.7
NWE	NorthWestern	3.2	Neutral	$62	$62.47	4.0%	71%	52	3.51	3.64	3.84	17.8	17.2	16.3	17.7	17.1	16.3
PCG	PG&E Corporation	17.8	Buy	$17	$8.99	NA	NA	1985	1.03	1.13	1.25	8.7	8.0	7.2	8.9	8.2	7.3
PNW	Pinnacle West	9.1	Buy	$97	$80.98	4.2%	68%	113	5.05	5.23	5.49	16.0	15.5	14.8	16.3	15.9	15.2
POR	Portland General Electric	4.5	Buy	$54	$50.22	3.3%	60%	89	2.78	2.75	2.84	18.1	18.3	17.7	18.3	18.0	17.3
PPL	PPL Corporation	21.8	Buy	$32	$28.56	5.4%	115%	769	1.34	1.65	1.84	21.3	17.3	15.5	12.6	17.0	15.3
SO	Southern Company	67.8	Neutral	$63	$64.13	4.1%	79%	1059	3.32	3.59	3.85	19.3	17.9	16.7	19.3	18.1	16.7
WEC	WEC Energy	30.3	Neutral	$92	$95.61	2.8%	67%	315	4.03	4.26	4.50	23.7	22.4	21.2	23.7	22.2	20.9
***Average (Excl. EIX, PCG, and PPL for P/E)**						**3.6%**	**#VALUE!**					**20.2**	**19.1**	**18.0**	**20.1**	**19.0**	**17.9**

Regulated Gas Utilities (2)		Market ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
CPK	Chesapeake Utilities	2.3	Neutral	$108	$128.55	1.3%	37%	18	4.59	4.98	5.35	28.0	25.8	24.0	28.0	26.1	24.1
NI	NiSource	9.9	Buy	$27	$25.31	3.6%	67%	392	1.35	1.43	1.53	18.7	17.7	16.5	18.8	17.9	16.5
NJR	New Jersey Resources	3.7	Neutral	$39	$39.24	3.4%	65%	96	2.09	2.28	2.35	18.8	17.2	16.7	18.5	17.4	16.2
NWN	NW Natural Gas	1.7	Sell	$38	$54.06	3.6%	77%	31	2.50	2.64	2.73	21.6	20.5	19.8	21.3	20.5	19.3
OGS	ONE Gas	4.0	Neutral	$80	$74.88	3.1%	61%	53	3.82	4.12	4.43	19.6	18.2	16.9	19.6	18.2	17.1
SJI	South Jersey Industries	2.9	Buy	$28	$25.67	4.6%	73%	112	1.61	1.71	1.85	15.9	15.0	13.9	15.8	15.1	14.4
SR	Spire	3.7	Buy	$84	$73.15	3.6%	60%	52	4.43	4.41	4.67	16.5	16.6	15.7	16.4	16.5	15.6
Average						**3.3%**	**62.7%**					**18.5**	**17.5**	**16.6**	**18.4**	**17.6**	**16.5**

Integrated Utilities (3)		Market ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
EXC	Exelon	46.3	Neutral	$45	$47.38	3.3%	56%	977	2.80	2.98	3.02	16.9	15.9	15.7	17.3	15.8	15.5
PEG	PSEG	32.0	Buy	$66	$63.51	3.2%	59%	505	3.52	3.51	3.61	18.0	18.1	17.6	18.2	18.3	17.9
Average						**3.3%**	**57%**					**17.5**	**17.0**	**16.6**	**17.8**	**17.1**	**16.7**

Independent Power Producers (IPPs) (4)		Market ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
NRG	NRG Energy	10.2	Neutral	NA	$41.64	3.1%	-	245	2,412	2,471	2,472	7.3	6.6	6.2	9.2	6.9	6.6
VST	Vistra Energy	9.1	Buy	$24	$18.95	3.2%	-	482	1,672	3,375	3,141	10.6	5.1	5.2	11.4	5.4	5.5
Average												**9.0**	**5.8**	**5.7**	**10.3**	**6.2**	**NA**

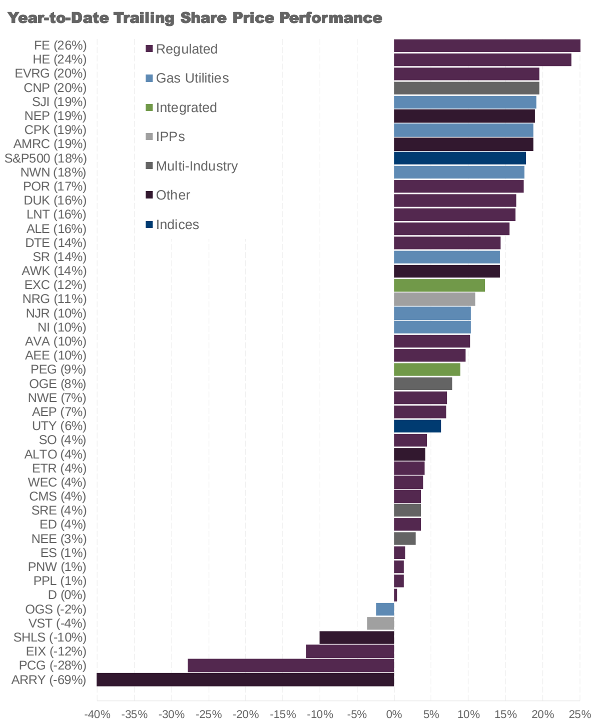
Multi-Industry Utilities (5)		Market ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
CNP	CenterPoint	14.9	Buy	$27	$25.87	2.4%	44%	580	1.41	1.50	1.62	18.3	17.2	16.0	18.4	18.1	16.8
NEE	NextEra	155.3	Buy	$90	$79.42	1.8%	56%	1962	2.56	2.77	2.95	31.0	28.7	26.9	31.5	29.2	27.2
OGE	OGE Energy	6.9	Buy	$39	$34.34	5.0%	78%	200	2.17	2.27	2.38	15.8	15.1	14.4	15.6	16.0	15.3
SRE	Sempra Energy	42.1	Buy	$167	$131.98	3.5%	57%	319	8.11	8.50	9.05	16.3	15.5	14.6	16.2	15.6	14.8
Average						**3.2%**	**58.8%**					**20.4**	**19.1**	**18.0**	**20.4**	**19.7**	**18.5**

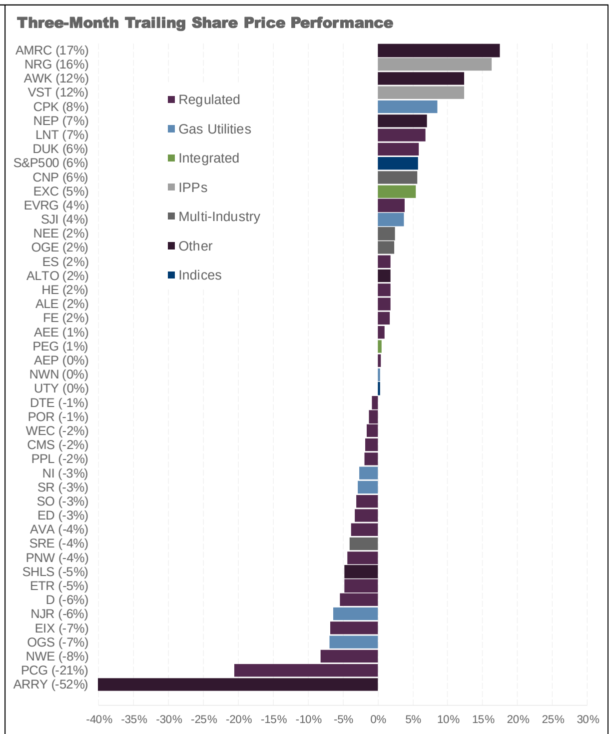
Other		Market ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
AWK	American Water Works	31.8	Neutral	$146	$175.30	1.2%	50%	181	4.24	4.63	4.99	41.3	37.9	35.1	41.3	38.1	35.2
ALTO	Alto Ingredients, Inc.	0.4	Buy	$9	$5.66	-	-	73	0.62	0.66	0.80	9.1	8.6	7.1	9.3	6.1	7.1

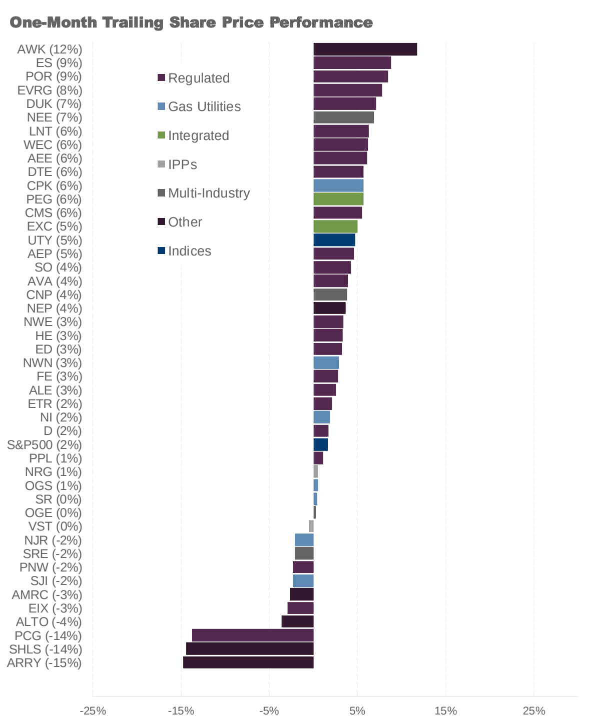
		Market ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
AMRC	Ameresco, Inc. Class A	3.2	Buy	$67	$62.02	-	-	53	146	163	184	NA	NA	NA	23.9	21.1	18.8
ARRY	Array Technologies	1.7	Buy	$51	$13.46	-	-	127	157	198	224	13.3	10.5	9.3	22.9	14.4	9.0
IEA	Infrastructure & Energy Alterna	0.6	Buy	$17	$12.13	NA	-	183	141	162	178	7.1	6.1	5.3	NA	NA	NA
NEP	NextEra Energy Partners	6.0	Buy	$88	$79.77	3.3%	-	77	1,532	1,660	1,775	7.8	7.4	6.9	12.1	11.1	10.7
SHLS	Shoals Technologies Group, I	5.3	Buy	$46	$30.51	-	-	175	77.2	125.8	195.7	70.6	42.7	26.9	70.1	44.0	27.5

(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
(3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.
(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
(5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).
Source: FactSet

Share Price Performance (Year-to-Date, Three-Month, & One-Month Trailing)







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utilities own and

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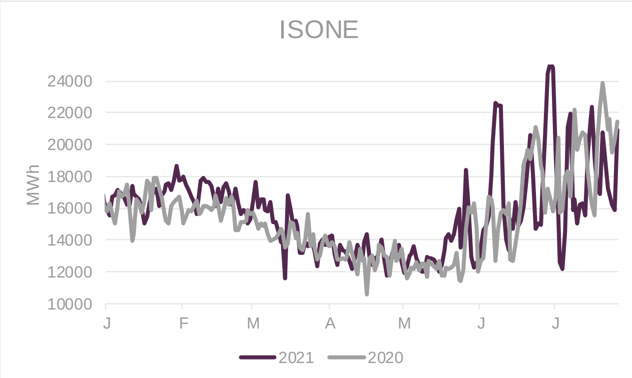
Source: Bloomberg, Guggenheim Securities, LLC estimates.

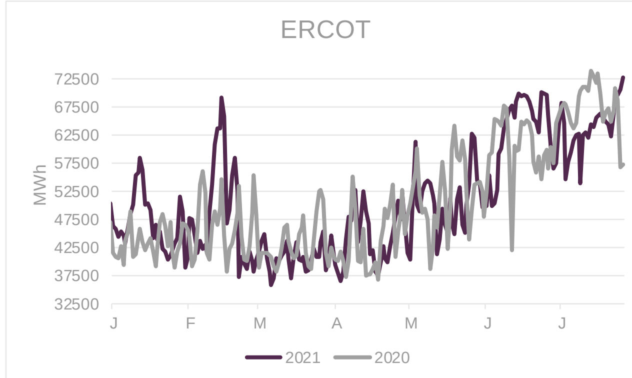
Guggenheim 2021 Client and Corporate Access Utility Events

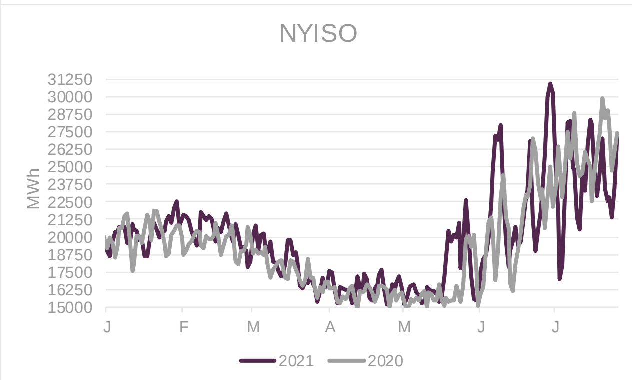
Ticker	Dates	Regions	Ticker	Dates	Regions
EIX	1/8	NYC	**ARRY**	5/14	Multiple
’21 Utilities Call	1/21 – 8:15AM ET	Call	**OGE**	5/24	Multiple
Investor Discussion	1/25 – 4:30PM ET	Virtual	**SHLS**	6/1	Multiple
PNW	1/26-1/27	Multiple	**LNT**	6/2-6/3	Multiple
SRE	1/27 – 4:30PM ET	Virtual	**EVRG**	6/10	Multiple
WEC	2/16-2/17	Multiple	**NWE**	6/16	Multiple
DUK	2/18	Multiple	**ALE**	6/17	Multiple
D	2/19	NYC	**DTE**	6/29	Multiple
AWK	3/10	Multiple	**PEG**	7/13-7/14	Multiple
PPL	3/23	West Coast	**SRE**	7/15	Multiple
AEP	3/30	Multiple	**Investor Dinner**	8/2	NYC
VST	3/31	Multiple	**EIX**	8/3	NYC
ETR	4/8	Multiple	**SO**	8/4	Multiple
SR	4/15	Multiple	**SO** (CEO Fireside)	8/13	Multiple
PCG	5/5	Multiple	**NEE**	9/13-14	West Coast
CNP	5/10	Multiple	**ES**	10/7	Multiple
CMS	5/12-5/13	Multiple	**ETR**	10/11-10/12	NYC/Boston
POR	5/12-5/13	Multiple	**EEI**	11/7-11/9	-

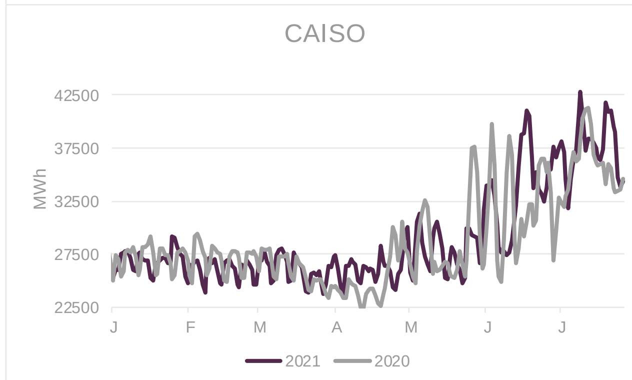
MORE TO BE ADDED…

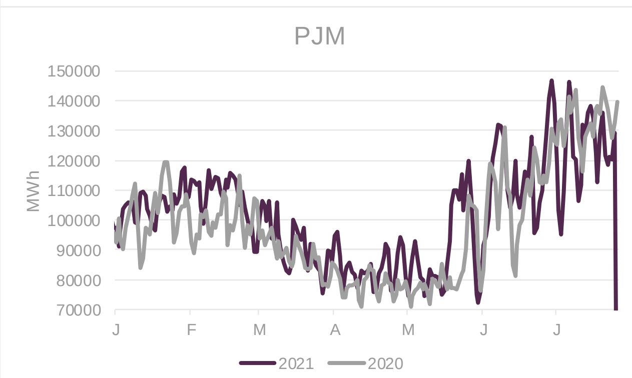
Peak Load

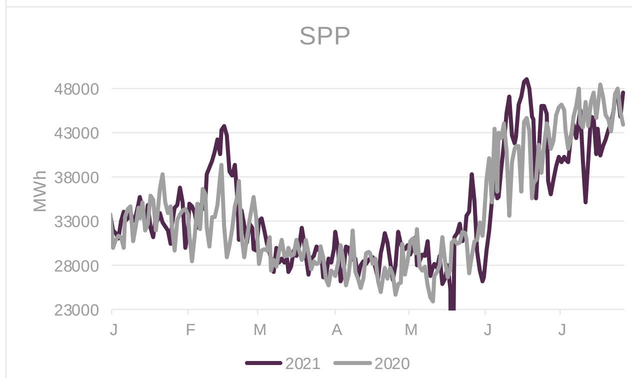


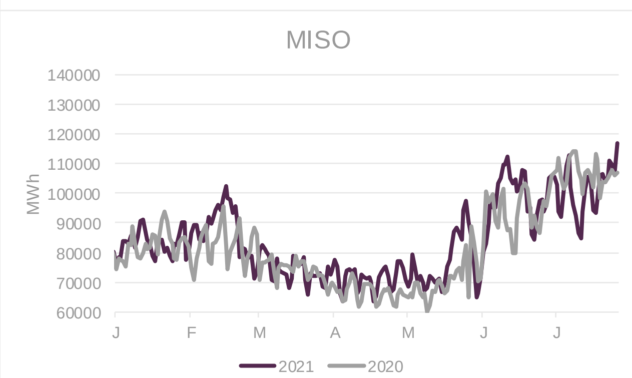










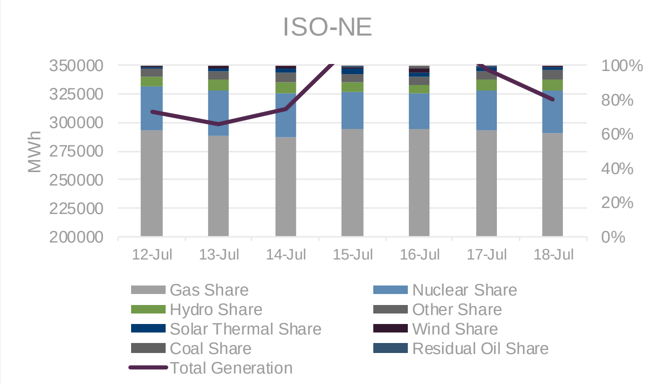


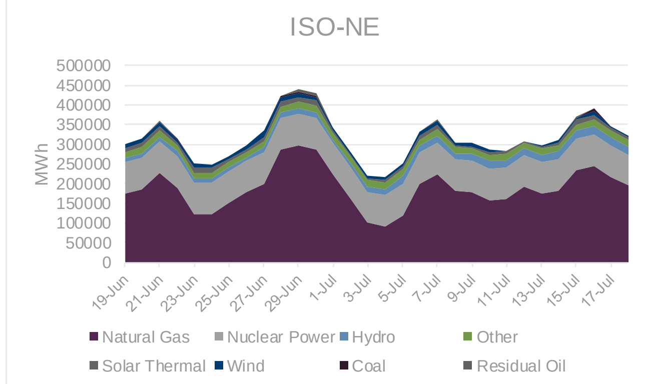
Average Deviation in Peak Load vs Prior Year

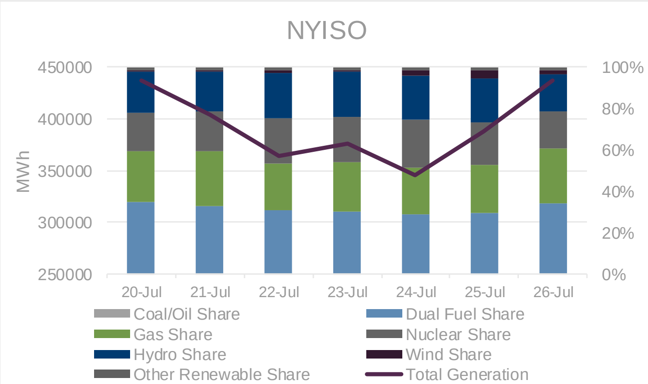
RTO/ISO	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
ISONE	-5.1%	0.1%	2.4%	2.4%	4.1%	6.2%
NYISO	-5.8%	-3.8%	0.0%	0.0%	2.5%	6.1%
PJM	-6.9%	-4.7%	-1.8%	-1.8%	5.0%	8%
MISO	-4.7%	-5.2%	-3.7%	-3.7%	3.6%	7.2%
CAISO	-1.7%	1.4%	3.2%	3.4%	2.0%	4.0%
ERCOT	2.7%	1.7%	-4.1%	3.0%	1.4%	1.9%
SPP	-4.6%	0.0%	-4.4%	-4.4%	2.2%	3.2%

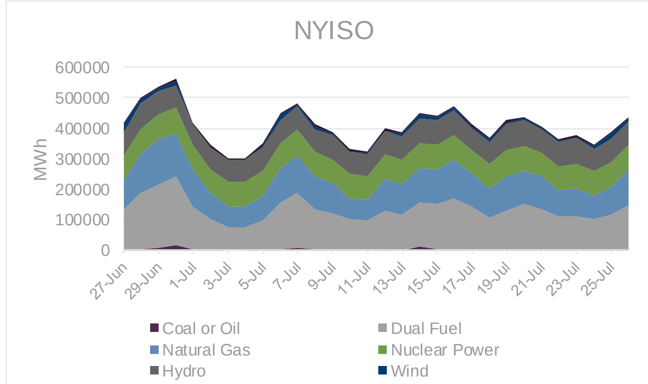
Source: S&P Global Platts, Guggenheim Securities, LLC.

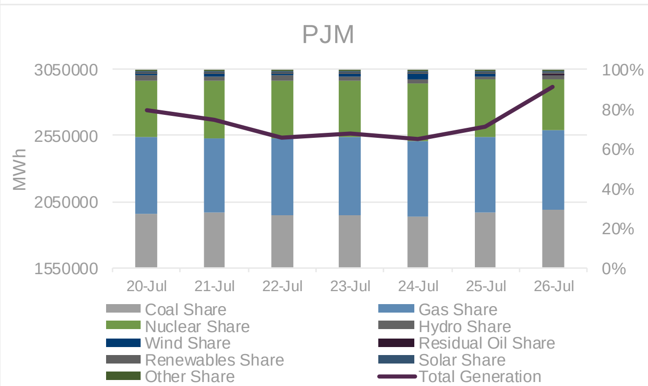
Generation and Mix

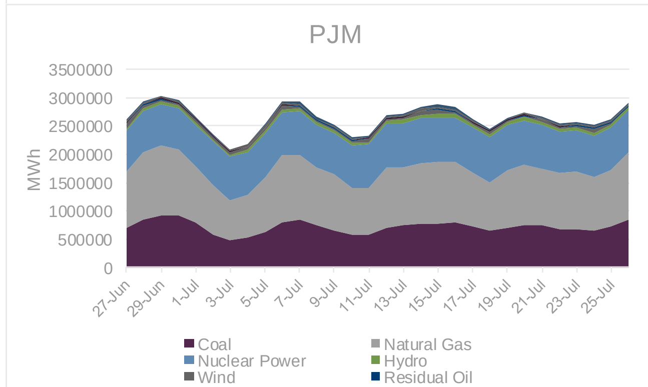


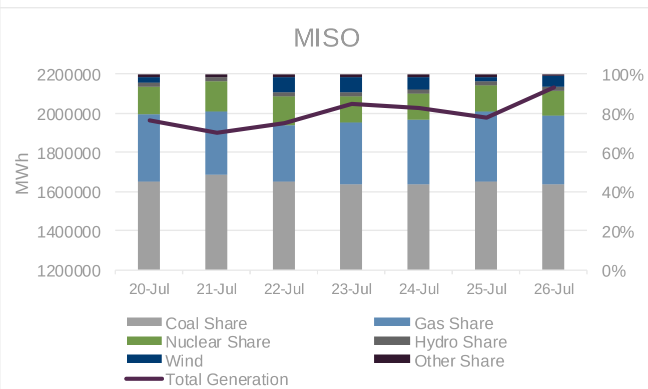


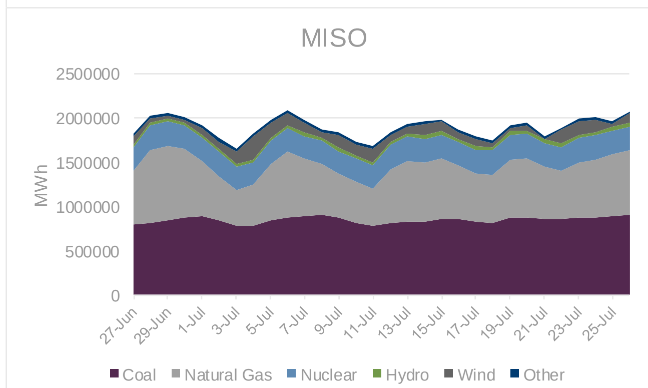




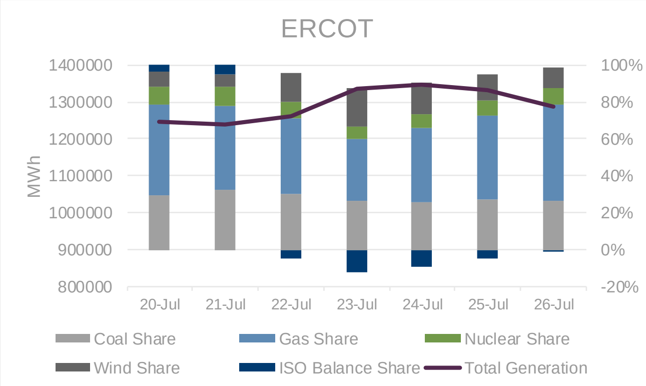


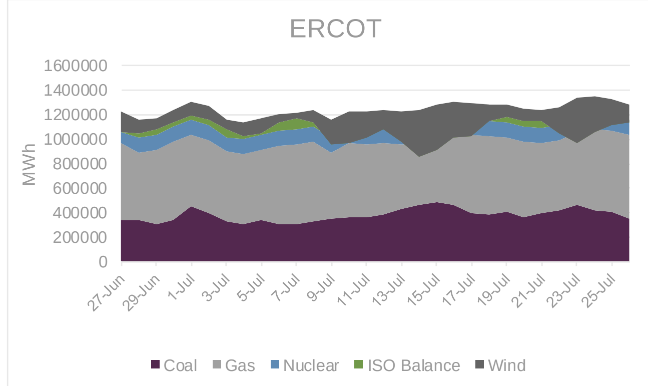


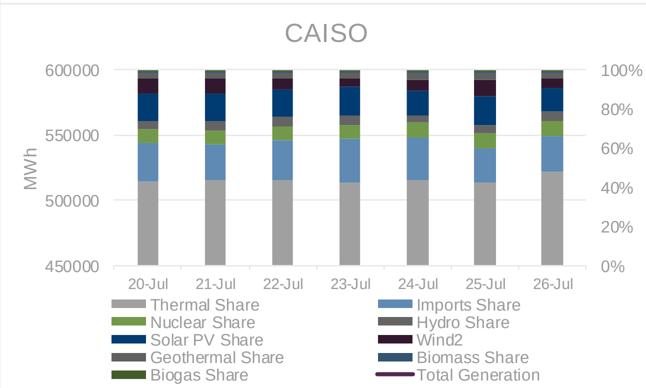


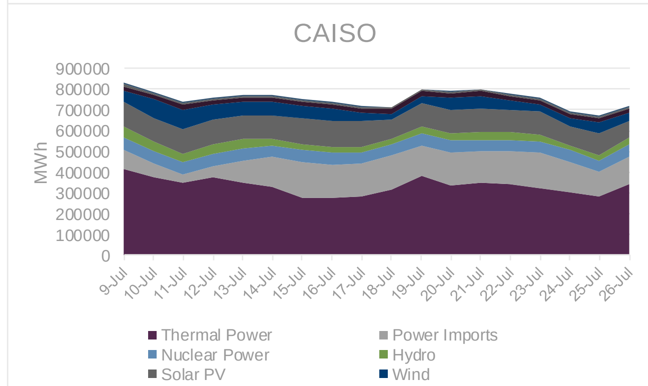


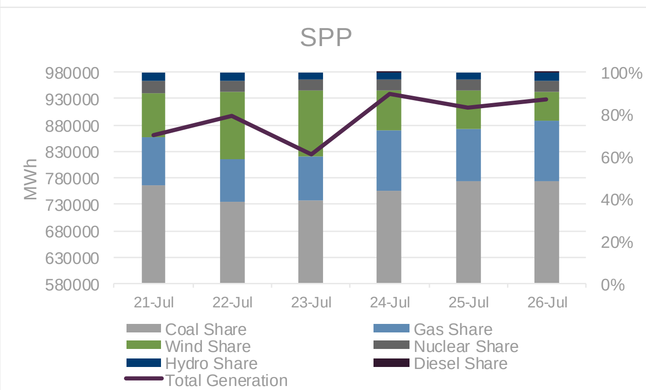
Source: S&P Global Platts, Guggenheim Securities, LLC.

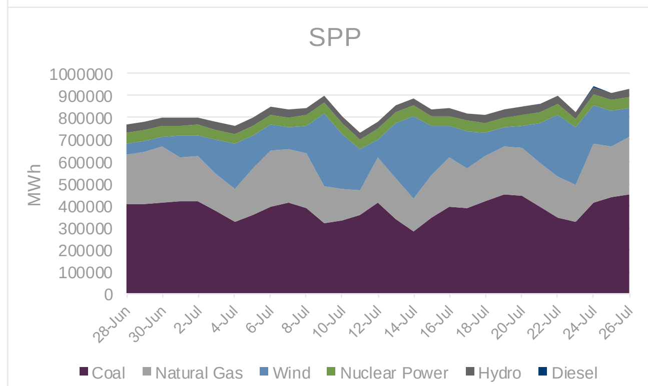






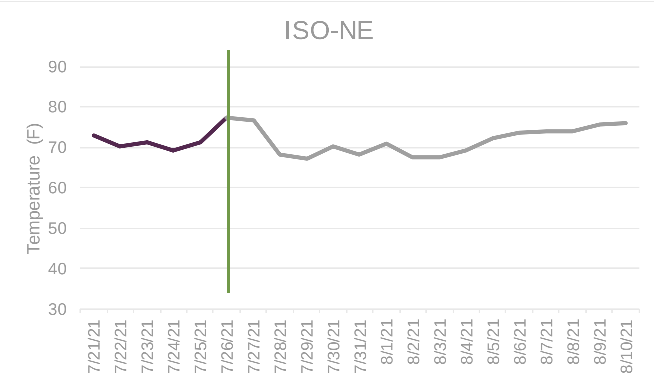


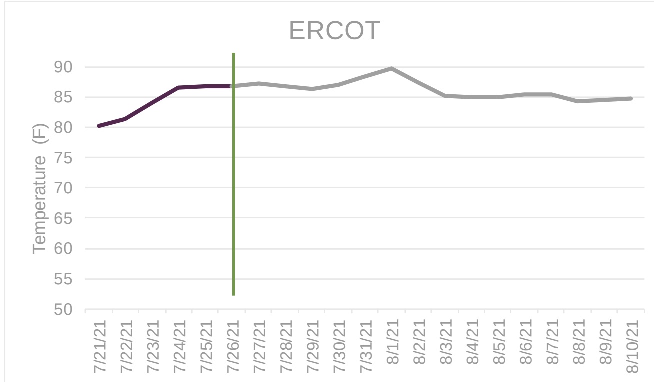


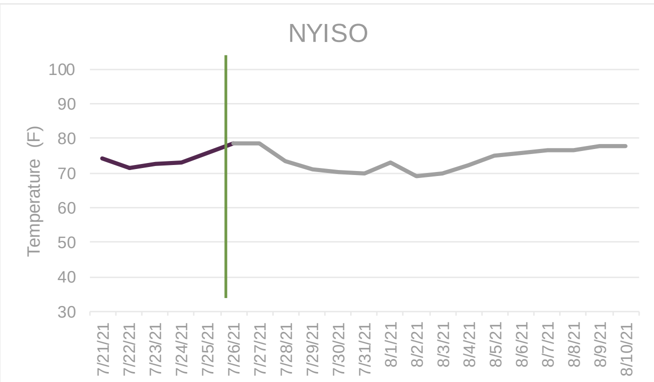


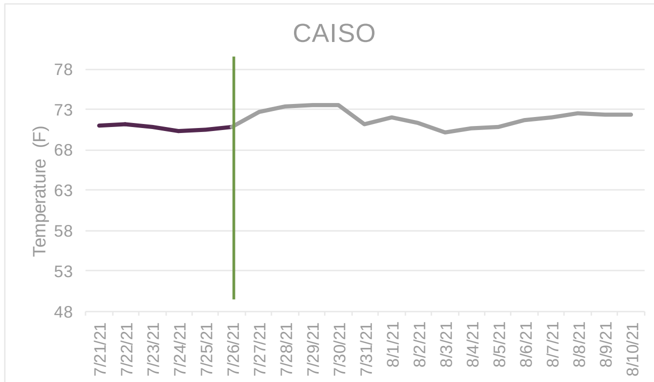
Source: S&P Global Platts, Guggenheim Securities, LLC.

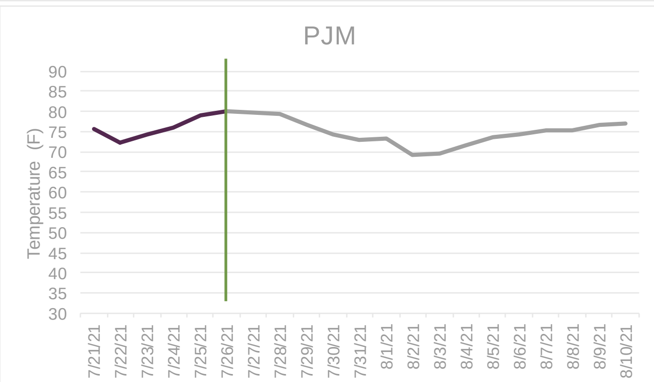
Weather

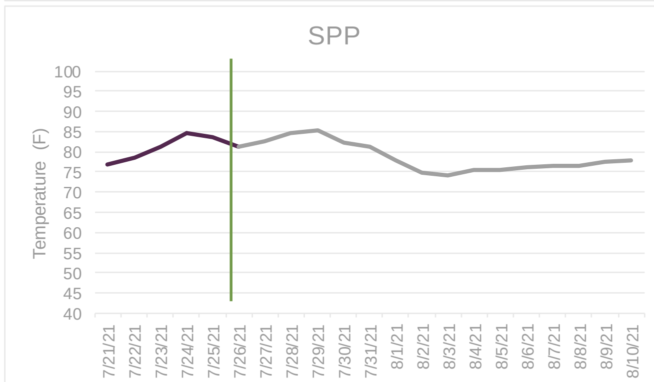


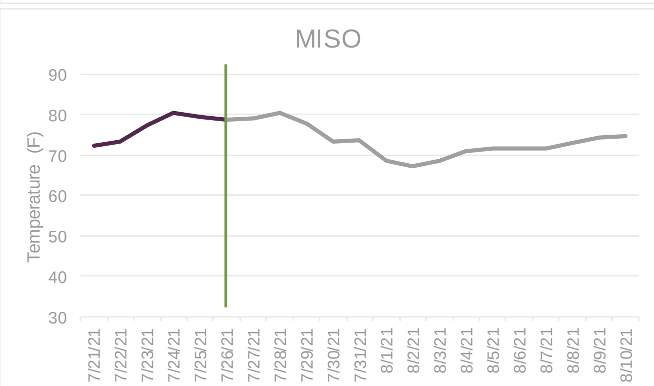












Source: S&P Global Platts, Guggenheim Securities, LLC.

Regulatory Calendar

Power and Utilities: Coverage Calendar (5/15/2021 - 8/15/2021)					
Date	**State**	**Ticker**	**Utility/Event**	**Docket**	**Description**
3/1/2021-6/30/2021	DC	EXC	Potomac Electric Power Co.	FC-1156	Commission decision may be issued in electric rate proceeding
4/15/2021-5/15/2021	PA	EXC	PECO Energy Co.	D-R-2020-3018929	ALJ recommendation expected in rate case in late April-early May
5/1/2021-6/30/2021	TX	SRE	Oncor Electric Delivery Co.		Rate case filing expected
5/17/2021	NJ	EXC	Atlantic City Electric Co.	D-ER20120746	Settlement meeting scheduled in rate case
5/18/2021-5/19/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Hearings scheduled in RAC-EE proceeding
5/19/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Settlement conference scheduled
5/19/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	PSC staff and intervenor testimony due
5/19/2021-5/28/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Hearings scheduled in rate case
5/19/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	PSC staff and intervenor testimony due
5/19/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Settlement conference scheduled
5/21/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Deadline for staff and intervenor opening testimony
5/21/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00258 (E-RAC)	Rebuttal testimony due in E-RAC proceeding
5/21/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00013 (Rider E)	Rebuttal testimony due in Rider E proceeding
5/21/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Initial briefs due in rate case
5/24/2021	IN	CNP	Indiana Gas Co.	Ca-45468	Hearing to begin in rate proceeding
5/26/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Intervenor testimony on class cost of service due in rate proceeding
5/28/2021	WA	AVA	Avista Corp.	D-UG-200901	Deadline for company reply testimony; staff and intervenor cross-answering testimony
5/28/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00259 (BC-RAC)	SCC staff testimony due in BC-RAC proceeding
5/28/2021	WA	AVA	Avista Corp.	D-UE-200900	Deadline for company reply testimony; staff and intervenor cross-answering testimony
6/1/2021-6/15/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Hearing examiner's report may be issued in RAC-EE proceeding
6/1/2021-6/30/2021	OK		Oklahoma Natural Gas Co		Rate case filing expected
6/1/2021-6/30/2021	KY	PPL	Louisville Gas & Electric Co.	C-2020-00350 (gas)	Decision possible in rate proceeding
6/1/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Reply briefs due in rate case
6/1/2021-6/30/2021	OH	AEP	Ohio Power Co.	C-20-0585-EL-AIR	Decision possible in rate proceeding
6/1/2021-6/30/2021	KY	PPL	Kentucky Utilities Co.	C-2020-00349	Decision possible in rate proceeding
6/1/2021-6/30/2021	VA		Virginia Natural Gas Inc.	C-PUR-2020-00095	Hearing Examiner's report may be issued in base rate case
6/1/2021-6/30/2021	OK		Oklahoma Natural Gas Co	Ca-PUD202100063	Rate case filing expected
6/1/2021-6/30/2021	KY	PPL	Louisville Gas & Electric Co.	C-2020-00350 (elec.)	Decision possible in rate proceeding
6/3/2021	MI	DTE	DTE Gas Co.	C-U-20940	Staff and intervenor testimony due
6/4/2021	NJ	EXC	Atlantic City Electric Co.	D-ER20120746	Intervening parties to file testimony in rate case
6/8/2021	IL	SO	Northern Illinois Gas Co.	D-21-0098	Company rebuttal testimony due in rate proceeding
6/9/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	Rebuttal testimony to be filed in rate case
6/9/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	Rebuttal testimony to be filed in rate case
6/17/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Rebuttal testimony due in rate proceeding
6/17/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Initial briefs due in rate case
6/17/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Intervening parties to file testimony in Rider CCR proceeding
6/21/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Intervenor testimony due
6/22/2021	MI	CMS	Consumers Energy Co.	C-U-20963	Staff, intervenor testimony due
6/22/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Staff to file testimony in Rider CCR proceeding
6/23/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Staff, intervenor testimony due
6/23/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00258 (E-RAC)	Hearing scheduled in E-RAC proceeding
6/23/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Settlement conference
6/23/2021	MI	DTE	DTE Gas Co.	C-U-20940	Rebuttal testimony due
6/23/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Staff, intervenor testimony due
6/25/2021	DE	EXC	Delmarva Power & Light Co.	D-20-0149	Hearing examiner report due in rate proceeding
6/28/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	Evidentiary hearings to commence in rate case
6/28/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	Evidentiary hearings to commence in rate case
6/30/2021	NH				Commissioner Kate Bailey — term expires
6/30/2021	KY				Commissioner Talina Rose Mathews — term expires
6/30/2021	MD				Commissioner Anthony J. O'Donnell — term expires
6/30/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Decision expected in muulti-year rate plan proceeding
6/30/2021	PA	EXC	PECO Energy Co.	D-R-2020-3018929	Decision likely in gas rate case
6/30/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00197 (Rider RBB)	Decision expected in rural broadband pilot proceeding (Rider RBB)
6/30/2021	WV				Commissioner Brooks McCabe — term expires
6/30/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Decision expected in RAC-EE proceeding
6/30/2021	NC				Commissioner Lyons Gray — term expires
7/1/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Reply briefs due in rate case
7/1/2021-7/31/2021	VA	D	Virginia Electric & Power Co.	PUR-2020-00231 (Rider US-2)	Decision expected in Rider US-2 update proceeding
7/1/2021	IL	SO	North Shore Gas Co.	D-20-0810	ALJ recommendation due in rate proceeding
7/1/2021-7/31/2021	OK	CNP	CenterPoint Energy Resources	Ca-PUD202100054	Decision expected in PBR proceeding
7/1/2021-7/31/2021	IN	CNP	Indiana Gas Co.	Ca-45468	Decision possible in rate proceeding
7/1/2021-7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00230 (Rider BW)	Decision expeced in Rider BW update proceeding
7/2/2021	MI				Commissioner Katherine Peretick — term expires
7/6/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Staff testimony due in electric rate case
7/7/2021-7/9/2021	WA	AVA	Avista Corp.	D-UG-200901	Hearing in rate case
7/7/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Rebuttal testimony due in Rider CCR proceeding
7/7/2021-7/9/2021	WA	AVA	Avista Corp.	D-UE-200900	Hearing in rate case
7/12/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Rebuttal testimony due in electric rate case
7/12/2021	MI	CMS	Consumers Energy Co.	C-U-20963	Rebuttal tesimony due
7/15/2021-8/15/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00013 (Rider E)	Hearing Examiner report may be issued in Rider E proceeding
7/16/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Deadline for company reply testimony; staff and intervenor cross-answering testimony
7/19/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Company rebuttal testimony due
7/19/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Company rebuttal testimony due
7/21/2021	IL	SO	Northern Illinois Gas Co.	D-21-0098	Hearing to begin in rate proceeding
7/26/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Hearing to begin in rate proceeding
7/27/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Public hearing scheduled on Rider CCR proceeding
7/30/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00058	Intervening parties to file testimony in triennial review proceeding
7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00274 (Rider DSM)	Decision expected in Rider DSM proceeding
7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00169 (Rider RGGI)	Decision expected in Rider RGGI proceeding
8/1/2021-8/31/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00259 (BC-RAC)	Hearing Examiner recommendation expected in BC-RAC proceeding
8/1/2021	MO	SR			Commissioner Maida Coleman — term expires
8/5/2021	DE	EXC	Delmarva Power & Light Co.	D-20-0149	Commission decision expected to be issued
8/5/2021	MI	DTE	DTE Gas Co.	C-U-20940	Briefs due in gas rate case
8/10/2021-8/17/2021	NJ	DTE	Atlantic City Electric Co.	D-ER20120746	Hearings scheduled in rate case
8/13/2021	TX	AEP	Southwestern Public Service Co	D-51802	Parties to file testimony in rate case

Source: SNL, Company Filings, Guggenheim Securities, LLC.

Key Research

Guggenheim's Forward Commodity Curves

- Forward Power Curves, GenCo MtM and Weekly Commentary

Key Company Research

1. DTE NDR: Post Spin DTE To Redouble MI Decarbonization Efforts – Value Remains To Be Unlocked
2. SRE: Show Me the Upside… Analyst Day Brings Guidance and Capex Raises, Tone Remains Disciplined and Conservative But In Line w/Guggenheim
3. ALE NDR: Deep in Execution Amid a Transitional Year
4. NWE NDR: Consistent Messaging as Potential Generation Needs Power the LT Growth Narrative
5. EVRG NDR: Familiar Faces at a New Place; Management Looks to Build on LT Growth Visibility
6. LNT NDR: Straightforward Update Underscores Consistent Execution
7. OGE NDR: Regulated Story Takes Center Stage, Balance Sheet Capacity and Reinvestment Point to Growth Upside
8. CMS NDR – Simple, Modular Growth Story Leaves Investors with No Surprises, Upcoming IRP Updates Already ESG Story
9. ARRY NDR: L-T Fundamentals Intact but Management Still Working Through N-T Impacts of COGS Shock…
10. POR NDR: 5-7% Growth in Stumptown? Not Yet, But Things Are Looking Up…
11. CNP NDR – CNP Leaning into Organic Capex and O&M Savings, with a Few Tweaks to Business Mix, ESG, and Tax Efficiency
12. PCG NDR: Finding Sure Footing in Familiar Places… Operational Improvement on Mgmt.'s Mind
13. SR NDR: Storage, Marketing Pay Off as SR Escapes February Relatively Unscathed; L-T Plans Unchanged
14. VST NDR: Past Is Prologue
15. SRE: SIP 20% Sale Announced at ~13x EV/EBITDA; Above Our Range, With Opportunity for Earnings Accretion
16. AEP – C-Suite NDR: On the Precipice of Change and It's a Wonderful View from Here
17. PPL NDR: Hard Part Is Done, Now the Real Work Begins – Transformation Path, Further Re-Rating Set
18. ETR – FERC ALJ Issues Initial Decision on SERI ROE and Cap Structure; 9.32% ROE; 48.15% ER
19. SRE – San Diego Opens Utility Franchise Bidding Under Expanded Criteria; Allow for Negotiated Outcome
20. PPL: WPD Sells at "Very" Healthy Multiple in Key First Step, Despite Previous Media Reports
21. NRG: Post-Call Management Catch Up
22. NRG/VST: Stepping to the Sidelines for Now as ERCOT's Collateral Damage Continues to Propagate
23. FE Reaches Agreement with Icahn
24. AWK NDR: "When the Levee Breaks" American Water Keeps Flowing
25. AEP – Healthy AEP Ohio Rate Case Settlement Supports Thesis; Construct Still Attractive
26. PCG: C-Suite Builds on Operational Improvement for Turnaround Success; Hands-on CEO Is a Tailwind
27. ARRY – 4Q Earnings; Investing Now for Wallet Share Later; FY21 Guidance Comes In Strong
28. WEC NDR: Cutting Through the Noise; Dependable Growth and LT Decarbonization Define Our Meetings
29. D – C-Suite NDR; Strategy Equals Execution; Execution Equals Decarbonization…
30. DUK – CEO NDR; NC Legislation Finally Has Momentum; Driving Decarbonization, Higher Growth
31. AMRC – 2020 Closes with a Beat as 2021 Guidance Points to Continued Growth
32. NRG – Surprise, Surprise: Guidance Intact After Strong Storm Performance; Transformation Continues
33. OGS – 4Q Earnings; Fundamentals Remain Stout Despite Old Man Winter's Best Efforts
34. PEG – 2020 FY In Line; Fossil Sale On Track; LT Business Mix Gains Traction
35. VST – Is the Integrated Model Broken? No, But the Sandbox Might Be
36. EVRG – Coming Out Swinging: EPS Beat, Healthy '21 Guide, Higher CapEx, New Mgmt. Bench & Key Investor Infusion
37. EIX: In-Line 2020; No Major Updates - Holding Pattern Ahead of GRC
38. AEP – Better Load Recovery and Cost Mitigation; Long Renewables Runway w/ Potential Financing From Asset Rotation
39. SRE: '21 Guide Reaffirmed w/Upside Post Transaction; Utility CapEx Increased – Focus Remains on SIP Transaction
40. OGE: No Surprises as 2020 Closes; 2021 Winter Storms Costs Large but Fundamentals Strong
41. CNP: We Aren't Sweating the Details; Managing Storm Event; LDC Sales on Track, Midstream Full Exit on the Forefront
42. PNW – In Line 2020 as Capex Gets a Shuffle – a Consistent Message Following Our NDR
43. EXC – End of an Era: Exelon Loses a Neutron
44. ETR – 2020FY EPS Beat; 2021 Guidance Reaffirmed, Biased to a Strong Midpoint; Arkansas Concerns? No Cracks Here
45. AVA – 4Q Earnings Not as Bad as Some Thought; Guidance Largely In Line With Our Expectations
46. LNT – Ol' Reliable: Inline 2020 as Focus Pivots to PSCW
47. AEE – 4Q Earnings; Callaway Cause For Concern? Not in Our View; Base Plan Remains Strong
48. POR – 2021 Kicks Off on the Right Foot
49. DTE – Continues Strong Execution; 4Q Earnings Beat, '21 Reaffirmed, GS&P Spin Is the Next Major Potential Catalyst
50. FE – Righting the Ship as the DOJ Overhang Persists; Icahn Makes a Splash and Shifts Investor Focus
51. ED – 4Q EPS in Line, 2021 a Reset Year; Capex Roll Points to Higher Quality L-T Recovery
52. SO – 4Q Earnings; Telegraphed LT Growth Rate Raise with Incremental Opportunities on the Horizon
53. PPL: Straightforward Update as WPD Process Forges On
54. ES – 4Q Earnings; Healthy Capex Raise Drives Guidance to the Top Half of Growth Range
55. NI – 4Q Earnings; Straightforward Update With Renewables Projects Continuing to Take Shape
56. ALE – A Transitional Year Comes with a Focus on Execution at ACE

57. DUK – 4Q20 Earnings; Foundation Set With Eye on NC Legislation – We See Pathway to Overachieve Expectations
58. AEP – Racine Hydro Sale; Very in Line with Our Thesis and Potentially More on the Horizon – Reiterate BUY
59. WEC – 2020 Closes with A Beat as Management Evaluates Case Optionality in WI
60. CMS – 4Q Earnings In-Line; Capex/Equity Increase, O&M Flex to Carry Into '21; We See Smooth Sailing to Firm "7%" Growth
61. NJR – F1Q21 Earnings; NJRES AMAs Drive FY22 Guidance Raise, Though Focus Remains on Core Utility and CEV Segments
62. SR – F1Q21 Earnings; Progressing on Regulatory Matters as Mgmt. Has Eyes Set on Sustainability
63. FE/OH: Yost Holds Press Conference on HB6; Reaches Agreement With FE on Decoupling
64. PNW NDR: All Quiet on the Southwestern Front…
65. DUK – Healthy Indiana Equity Sale Highlights Private Infrastructure Appetite for US Assets
66. AMRC: A Unique Blend of Familiar Businesses – Finding a Decarbonization Niche; Initiating Coverage at BUY, $63 PT
67. PEIX Initiation: A Rising Tide Lifts All Ships - Decoupling from Fuel Ethanol, '21 an Inflection Year for Strong CF Story
68. SRE: CEO Catch Up - Value Upside to SIP Deal; Constructive Guidance Forthcoming; Remains Distinctive on Catalysts
69. NEE/NEP: NEE EPS Beats, MVP Takes Write-Down; Organic Growth and FPL Rate Case Are the Next Leg of Growth
70. DUK – Settlement Reached on Coal Ash; Overhang Removed with Allowance for Return on Expenditures – Time to Move On
71. EIX – Another WF Settlement Bites the Dust; Total Expected Loss Unchanged
72. NEE: Starting 2021 with a Bang: FPL Files Rate Case – 11% Base ROE, 50bp Adder, and SOBRA Adds
73. FE/OH: Ohio Situation Continues to Deteriorate

Key Industry Research

1. AGA: Day 2 Flash Recap…
2. AGA: Day 1 Flash Recap…
3. IL: Second Opinion Confirms Grim Prognosis
4. IL: Groundhog Day for Energy Policy in Springfield?
5. ERCOT: PUCT Declines to Reprice Energy Market – Consistent with Our Expectations
6. ERCOT: Lone Star State Remains 'Out of Phase'
7. ERCOT: Who's Exposed? Generator-Owner Data Set
8. ERCOT: Deep Freeze Precipitates Rolling Blackouts in Heartland
9. IL: CEJA Re-emerges; Take with a Grain of Salt - More Iterations to Come
10. '21 Utilities Outlook: Getting Ready for Another Bumpy Ride
11. Congress Reaches Deal on Stimulus Package and Appropriations; Clean Energy Boosted With Tax Credit Extension
12. ERCOT CDR Preview: More Solar Points to Slightly Looser CDR; Caveats Remain the Same
13. EEI – An EEI Unlike Any Other...
14. Guggenheim EEI Takeaways - Day One
15. Guggenheim EEI Takeaways - Day Two
16. Guggenheim EEI Takeaways - Day Three
17. Li-Ion the End-All-Be-All Battery Storage Solution? Not in Our Book – Zinc-Based Battery Presents Compelling Alternative
18. Ohio Policy Call Part Two – Federal and Political, Not State and Regulatory
19. Ohio Policy Call Part One – Investigation Churns On
20. Guggenheim Call Series: Power Gen Economics Expert Confirms Robust Solar/Wind Demand as Tech Moves to Parity with Fossil
21. FERC - Life's Absolutes: Death, Taxes, and Transmission ROE Complaints
22. 2020 LCOE Update – Nothing Is Constant but Change: Renewable Economics Point to Persistent Disruptions
23. FERC: Commission Revisits Base ROE Methodology, Boosts MISO Allowed
24. ERCOT: Another CDR to Take with a Grain of Salt
25. PJM: Proposed Auction Timeline Features State Policy Accommodation

See pages 19 - 20 for analyst certification and important disclosures.

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NEUTRAL (N) - Describes stocks that we expect to provide a total return (price appreciation plus yield) of between plus 10% and minus 10% within a 12-month period.

SELL (S) - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more within a 12-month period.

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Power, Utilities & Alternative Energy

May 20, 2021

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Ticker	Price	Rating
CNP	24.48	Buy
D	76.98	Buy
DUK	101.16	Buy
ES	83.25	Neutral
LNT	57.70	Buy
NI	25.18	Buy
NWN	53.77	Sell
SJI	25.74	Buy
SO	63.98	Neutral
WEC	94.87	Neutral

AGA: Day 1 Flash Recap…

Key Message: Enclosed please find our brief AGA Day 1 recap, featuring updates from 9 utilities – DUK, ES, WEC, NI, D, SJI, NWN, SO, and CNP. Conversations have generally focused on iterative items from the 1Q21 calls, with several names focused on legislation legislative efforts (IL, NC, NJ) as summer quickly approaches. While some names were more focused on straightforward capex and regulatory execution (D, SO, WEC), others remain activist topics (DUK, NI). See below for our full schedule of Day 2 meetings.

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SAVE THE DATE

2021 AGA Virtual Financial Forum

The Guggenheim Utilities Research Team will be hosting virtual meetings with company management

Dates

May 19 – 20, 2021

Company Meetings

More companies to be added and meeting schedule to follow

- Ameren Corp. (AEE)
- Avista Corp. (AVA)
- CMS Energy Corp. (CMS)
- CenterPoint Energy, Inc. (CNP)
- Chesapeake Utilities Corp. (CPK)
- Dominion Energy, Inc. (D)
- DTE Energy Co. (DTE)
- Duke Energy Corp. (DUK)
- Eversource Energy (ES)
- NiSource, Inc. (NI)
- New Jersey Resources Corp. (NJR)
- NorthWestern Corp. (NWE)
- Northwest Natural Gas Company (NWN)
- ONE Gas, Inc. (OGS)
- Southern Company (SO)
- Spire Inc. (SR)
- WEC Energy Group, Inc. (WEC)

Wednesday, May 19th		Thursday, May 20th	
Time	*Co.*	*Time*	*Co.*
8:00AM	DUK	8:00AM	AEE
9:30AM	ES	9:30AM	OGS
10:15AM	WEC	10:15AM	DTE
11:00AM	NI	11:00AM	SR
11:45AM	D	11:45AM	CPK
3:00PM	NWN	12:45PM	CMS
3:45PM	SO	3:00PM	NWE
4:30PM	CNP	3:45PM	NJR
		4:30PM	AVA

Participating Guggenheim Analyst

Shar Pourreza, *Managing Director, Equity Research Analyst – Power, Utilities & Alternative Energy*

Continued on the next page…

DUKE: ACTIVIST AND LEGISLATION

Our conversations with DUK senior management (CFO, etc.) focused heavily on the recent activist headlines, with management again laying out in great detail its rationale for why a fracturing of the conglomerate is in their view, illogical. Chief among the reasons is the credit impact, with management highlighting its current ~12% FFO/Debt as in danger under a breakup scenario as smaller utilities demand better profiles. The holdco debt issue is intertwined with this in their view, with the combination of the credit issues requiring billions of equity to repair the balance sheets – before dissynergies. Management indicated, as it did previously, that it took ~$600mm out of Progress and $300mm from Piedmont, indicative of the kinds of costs that could flow back to each company in a split scenario. **The company also indicated to us that it had previously looked at the potential sale of Florida internally,** however there are several issues, including: 1) substantial tax leakage ($5bn+), 2) the need for a substantial (30x+) premium/multiple to keep the remainco whole under the ensuing credit metric impacts, and 3) Florida is the fastest growing and best credit of the utility groups. While management indicated that the Board is aware of the proposals and has been involved, our overall impression of the situation remains consistent – there are large gaps between the parties here, to say nothing of the regulatory challenges. The next proxy season is in the January/February time frame.

See our prior note on this HERE.

Turning to the utilities, our conversations generally focused on the legislative process in NC and the potential outcomes therein. **Management cautioned that legislators are generally in the sausage-making phase right now with limited external visibility for stakeholders (next data point likely draft legislation), but they remain optimistic on the prospects for the overall process.** The company continues to look for directional alignment between the parties on a coal exit pathway, renewables, and regulatory reform, with management speaking highly of both decoupling (the LDCs already do it) and MYPs (already used at DEF). With regards to timing of some of these initiatives and interaction with the current growth guide, management generally deferred on details, given where the process is, although they did note that coal retirement accelerations could begin to show towards the end of the current plan in the '24-25 timeframe. Legislation that could yield renewable rate base growth opportunities, multiyear rate plan yielding regulatory lag and acceleration of renewable spend etc. could be accretive to Mgmt's 5-7% growth guide. Finally, current customer/load growth trends are slightly outpacing internal planning assumptions.

EVERSOURCE: FENCE MENDING AND OSW

Our conversations with ES senior management (full C-Suite) generally focused on the fallout from the recent decisions by PURA in CT, with management laying out its ongoing and planned efforts to improve dialogue in the state. The company secured the AG's first in-person meeting in over a year to discuss its work to improve, supported by frequent lawmaker meetings and outreach. The company is looking forward to the impending start of the PBR discussions at PURA, with a docket expected by ~June. The company already operates under PBRs in other states, so the concepts are familiar – management expects the process to be collaborative and constructive. In line with the 1Q call, the company expects the 90bps ROE reduction to potentially come in 4Q21 with a low income/economic development docket already open. **While the reduction appears to be indefinite, management noted that it has not changed its growth outlook as a result.** Some investors also probed the team on their FERC ROE policy thoughts; however, the conversation was generally in line with prior/recent dialogues we have had with them. The balance of our meeting was focused on offshore wind updates, with status checks on South Fork, Revolution, and Sunrise largely unchanged from the 1Q21 call. **The company reiterated its intentions to remain a disciplined bidder in the numerous ongoing RFPs underway,** with a particular focus on the non-MA processes that have some additional weighting towards non-cost metrics (e.g., local dev). Finally, while the next capex roll remains very far off, we got the impression that the current plan retains ample opportunities for traditional utility spend, in addition to things like: 1) grid mod (AMI is a big thread in CT and MA, potentially $400mm in each), 2) ratebased solar in MA (current approval for 280MW), and 3) OSW interconnections among other drivers.

WEC: EXECUTION AS IL VIEWS SOFTEN

Our conversations with WEC senior management (Chair, COO, CFO, etc.) generally focused on economic development, regulatory activity, and Illinois policy perspectives, in addition to more straightforward execution updates. Management echoed its 1Q21 sentiment that the year is off to a good start, with robust economic activity and growth across the footprint, including a new relocation by Milwaukee Tools [SEHK: 669] and potential EV manufacturing opportunities. On the regulatory front, management highlighted its recent stay out agreement in WI. **We also asked for their views on LNT's recent settlement, including readthrough from the coal recovery plan to WEC's own units like Weston.** Management had two key takes on this: 1) the settlement is a testament to the quality of the regulatory and stakeholder environment as it was incredibly quick (as was WEC's), and 2) the recovery on coal is a very interesting approach that they are looking into further – a good marker for how intervenors feel about coal and recovery in their view, and slightly different than the small securitization tested in the Pleasant Prairie process. **On Illinois policy**

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prospects, management sounded marginally more optimistic, with the process coming down the wire in their view. The chances for a broad package remain challenged in their view given all of the moving pieces, **but there is potentially room for something skinnier to advance – perhaps nuclear subsidies + ethics/FRPs.** In their view, gas utilities and the QIP remain tertiary items in the overall process, which we generally agree with. The work at Peoples replacing bare steel and wooden Civil War era components still needs to get done. Finally, we note that the capex plan remains on track, with infrastructure still running ahead of schedule. Based on our conversation, we expect future roles to remain weighted towards storage and solar, with federal tax credits an unknown variable in the equation to monitor. Point Beach dialogue remains nascent but ongoing.

NISOURCE: STRATEGY AND THE INDIANA IRP

With MA sold, equity done, and the plan solidified, our update with NI senior management (CEO, CFO, etc.) was largely straightforward, with a strategic tone in light of recent activist actions and LDC sales. We and others asked management about potentially getting smaller or optimizing assets, with management highlighted the significant number of dissynergies involved in such processes. The company is eyeing 10% growth at each of its utilities and has gotten the equity out of the way, but management still noted that it is always exploring opportunities. The confidence in the current plan and portfolio comes from the constructive environments in its jurisdictions, with supportive mechanisms and policies (e.g., bans on gas bans). The IRP in Indiana was the other key point of discussion, with a meeting today (5/20) and the launch of the RFP process. Management sees ~3 channels, including solar/wind+storage and new technologies for Schaefer's replacement. The RFP does present the opportunity to a higher proportion of utility-owned projects, but management indicated it is far too early to think about the IRP opps and the growth rate. The IRP will also help illuminate the potential to accelerate the coal exit. With equity needs solved in the NT, any asset optimization opportunities on the gas LDC side could come in time with incremental spending arising from the new '21 IRP.

DOMINION: EXECUTION

Dominion's messaging was well defined; they're focused on the blockbuster renewables buildout underway and managing the associated regulatory processes. Senior management's (CFO, etc.) update was built around that narrative, with few incremental data points from the 1Q21 call. The Fast 41 schedule was reiterated, while management again sounded a positive tone on the underlying post-COVID growth trends. The company continues to work through the onshore wind and solar tranches (CE1/CE2), with 110k+ acres under option. Investors in our meeting

 See pages 8 - 9 for analyst certification and important disclosures.

queried on whether the ~$17bn in planned offshore wind investment could see some shrinkage based on bids in the northeast; however, management noted that the comparison is not direct given some key differences (some projects don't have transmission included, different capacity factors, etc.). The company remains active on the RNG front and looking at agriculture opportunities. To the south, the settlement process remains ongoing in South Carolina during the pause, **with management sounding a positive tone on the prospects for a settlement.** While we asked on Santee Cooper, there were no new thoughts. Finally, we asked about the noncore nature of assets like Millstone, however management noted that it is comfortable with such a small non-regulated portion of the business (<10%), which will only shrink further as the regulated side continues to grow. No material updates around the VA triennial review though, we continue to believe the process should run smoothly given the construct and legislative mandates in place.

SJI: GROWTH AND NJ LEGISLATION IN FOCUS

Coming off its recent analyst day, SJI's senior management (CEO,CFO, etc.) update was generally focused on execution and ongoing legislative conversations. The company continues to see solid growth as the state recovers from COVID, with ETG a particular area of strength. Management struck a very comfortable tone with the current ~1.5% customer growth guide. The company also continues to navigate legislative opportunities around rate treatment of RNG investments (e.g., ratebasing RNG projects, link HERE). We asked about ratebasing projects vs. keeping them non-regulated, with management acknowledging that current returns are quite healthy on the nonreg side—they continue to evaluate all options. We also asked about the drivers of management's slightly wider 5-8% EPS growth rate guidance, with the company pointing to some flexibility on regulatory items (it has multiple cases built in to the current plan) and the potential investment opportunities. Management did note that a federal biogas ITC could be an earnings game changer if some iteration of it were to come to pass. The company also continues to work through its current ~$743mm infrastructure ask, with discovery expected to finish within a week and potential settlement discussion thereafter. The plan does not assume the whole ~$743 ask. Finally, our conversation also touched on PennEast, with management largely reiterating the process data points and timelines.

NW NATURAL: RNG AND EXECUTION

Our conversations with NWN senior management (CEO, CFO, etc.) largely centered on execution and decarbonization, with the company working through its first tranche of RNG procurements and looking ahead to meeting the aggressive goals under SB98. While the company has already made strong progress on decarbonization to date (no bare steel left in system and a strong visibility on EE), there remains ample opportunity to add RNG under the existing constructs. The current ~$38mm in spend will help meet roughly 1.6% of NWN's OR sales volume and represents only projects with a clear line of sight. Under the SB98 caps, the company could approach another $162mm in spend over the 5 year period, however the procurement process remains in its early days. With regard to policy, the company continues to work with stakeholders in somewhat hostile localities like Eugene to educate on the value of gas and the company's decarbonization plans, however some noise may continue in our view given the regional dynamics. Based on our conversations, we expect the water business to continue its expansion, with management pointing to a pickup in overall activity post-COVID. Finally, we note that the WA MYP case remains ongoing, with management pointing to the potential for some resolution in the coming month or two based on current conversations.

SOUTHERN COMPANY: VOGTLE, VOGTLE, VOGTLE

Hot off Tuesday's construction news, our conversations with SO senior management (CFO, etc.) were decidedly focused on the HFT process and the prospects for schedule slippage. Management provided additional color on the process and what had been seen to date, with the pressurize bracket alignment the chief bottleneck in the process. The support for the pressurizer wasn't perfectly centered, leading to some misaligned thermal expansion. This and other thermal expansion items were somewhat expected (the Chinese also dealt with them), however the pressurizer situation required cooling the system given the limited clearances for worker access, adding ~2-3 weeks to the process. The schedule shift will cost a little bit of the contingency, however management continued to strike an upbeat tone on the prospects for the Unit 4 schedule once 3 is complete. Remaining items post-HFT at unit 3 are largely minor mechanical systems (emergency lighting, potable water, etc.). With regard to prudency, the company reiterated it expects to pursue all ~$700mm, but it is also cognizant of other processes in the state that will be ongoing by that time (rate case, IRP). We asked about LDC M&A and other noncore assets at the company given the recent Sequent sale, with management acknowledging healthy multiples while simultaneously re-emphasizing its own lack of equity needs in the NT.

CENTERPOINT: LONGER DATED UPDATES

We sat down with CNP's CFO and other senior leaders for the latest updates on a story we have been *very* close to for several quarters, with most data points focused on longer-term items like outer year capex and decarbonization opportunities. The company is taking a closer look at its decarbonization narrative and how it will fit into future net zero economies, **including the potential for a longer term 10-year capex outlook and**

See pages 8 - 9 for analyst certification and important disclosures.

conversations on longer-dated asset replacements (e.g., coal transitions). For example, at the moment the company has no EV infrastructure in its current plan despite nascent favorable policy positioning in places like Houston. Management is also looking at potential opportunities for limited rate base storage in Texas on the distribution system (~25MW). We asked about potential disclosures around such a long-dated outlook, with management reiterating no block equity. What about RNG? Opportunities remain pretty nascent based on our conversation, with Minnesota presenting the most immediate application as the state takes an interest in the resource. **We note that the team also recently sat down with the newly constituted PUCT** to reestablish the relationships that had been severed after the February storms prompted a bench-clearing, with management noting a concerted interest in reliability during the dialogue. **Finally, we also touched on the ongoing IN IRP, with hearings on the first tranche coming in June and a filing for a gas peaker in the same time frame.** The balance of the filings and processes will run through next year. Note – when Mgmt. discloses their longer-term CapEx update around decarbonization in Q3, they continue to believe they will not need block equity, with funding in time being sourced from OCF, O&M levers and further asset optimization opportunities.

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Power, Utilities & Alternative Energy

May 21, 2021

The Guggenheim Daily Transmission: AGA, EXC, IL, POR, RGGI, PA, PNW, PJM

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Ticker	Price	Rating
EXC	45.74	Neutral
PNW	85.37	Buy
POR	48.89	Buy

For details on our Guggenheim Hosted Client Utility Events, including our OGE Virtual NDR, ALE Virtual NDR, SHLS Virtual NDR, LNT Virtual NDR, EVRG Virtual NDR, SO Virtual NDR, and more, scroll down…

AGA: Day 2 Flash Recap… (see our note HERE)

EXC/IL – Details on IL report redactions and process emerge

POR – OPUC adopts temporary rules on PSPS

RGGI/PA – DEP releases data on consumer cost modeling

PNW – Bright Canyon inks 25MW Navy microgrid contract

PJM – Summer outlook points to plentiful supply

EXC/IL – Details on IL report redactions and process emerge

- Byron and Dresden employed ~1,300 people in 2020 according to a review of the unredacted report, as EXC continues to push its case for subsidies higher than the consultant's recommendations
- More from Crain's HERE

Guggenheim takeaway: *For your awareness. The process is frustratingly opaque at this point, and while we remain of the view that a comprehensive package could be an uphill lift in the remaining week of the session, we note that some of our AGA conversations were slightly more open to the potential for a slimmer 'subisidy+ethics' package to emerge. Stay tuned… As a reminder, we hosted two different experts recently for their views on the situation in Springfield – see our note on the first conversation HERE and the second HERE.* ***We also discussed the issue in our AGA meetings – see above for AEE and HERE for WEC's updated thoughts.***

POR – OPUC adopts temporary rules on PSPS

- Docket and OPUC Staff presentation on the PSPS HERE

Guggenheim takeaway: *Zero surprise given the wildfire docket process we have been tracking for some time, and something POR has already been a leader on in the state.*

RGGI/PA – DEP releases data on consumer cost modeling

- "Residential electricity bills are slightly higher with RGGI participation with bill impacts declining to just $.84- $1.19 per month by 2030" - DEP
- Presentation HERE, more HERE

Guggenheim takeaway: *Minor FYI.*

NOAA – NOAA predicts another active hurricane season

- "For 2021, a likely range of 13 to 20 named storms (winds of 39 mph or higher), of which 6 to 10 could become hurricanes (winds of 74 mph or higher), including 3 to 5 major hurricanes (category 3, 4 or 5; with winds of 111 mph or higher) is expected. NOAA provides these ranges with a 70% confidence. The Atlantic hurricane season extends from June 1 through November 30." - NOAA
- More HERE

Guggenheim takeaway: *Heads up.*

PNW – Bright Canyon inks 25MW Navy microgrid contract

- More HERE

Guggenheim takeaway: *Interesting heads up, and exactly the kind of project management has indicated in the past the nascent segment was targeting.*

PJM – Summer outlook points to plentiful supply

- "PJM power system operators have forecasted a peak demand for electricity this summer at approximately 149,000 MW but have performed reliability studies at even higher loads – in excess of 155,000 MW – for the region that includes 13 states and the District of Columbia. PJM has over 185,000 MW of installed generating capacity available to meet customer needs, with sufficient resources available in reserve to cover generation that is unexpectedly unavailable, or for other unanticipated changes in demand." - PJM
- More HERE

Guggenheim takeaway: *Zero surprise - PJM remains oversupplied.*

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OGE Energy Corp. (OGE)

Bryan Buckler, *Chief Financial Officer*
Jason Bailey, *Director, Investor Relations*
Casey Strange, *Manager, Investor Relations*

Date
Monday, May 24, 2021

Meeting Format
Virtual NDR - 1:1 Meetings & Group Meeting

Company Information
Market Cap: $6.7bn
OGE Energy Corp. (OGE) is a holding company, which engages in the provision of physical delivery and related services for both electricity and natural gas. It operates through the Electric Utility and Natural Gas Midstream Operations segments. The Electric Utility segment generates, transmits, distributes, and sells electric energy in Oklahoma and Western Arkansas. The Natural Gas Midstream Operations segment involves gathering, processing, transporting, storing, and marketing of natural gas. The company was founded in August 1995 and is headquartered in Oklahoma City, OK. (Source: FactSet)

Participating Guggenheim Analyst
Shar Pourreza, *Senior Managing Director, Equity Research Analyst – Power, Utilities & Alternative Energy*

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ALLETE, Inc. (ALE)

Bethany Owen, *President & Chief Executive Officer*
Bob Adams, *Chief Financial Officer*
Steven Morris, *Controller & Chief Accounting Officer*

Date

Thursday, May 27, 2021

Meeting Format

Virtual NDR - 1:1 Meetings & Group Meeting

Company Information

Market Cap: $3.67bn

ALLETE, Inc. (ALE) engages in the provision of electric and natural gas utility services. It operates through the following business segments: Regulated Operations, ALLETE Clean Energy, and U.S. Water Services. The Regulated Operations segment includes regulated utilities; Minnesota Power; SWL&P; and investment in ATC, which regulates utilities that owns and maintains electric transmission assets. The ALLETE Clean Energy segment develops, acquires, and operates clean and renewable energy projects. The U.S. Water Services segment provides integrated water management for industry by combining chemical, equipment, engineering, and service for customized solutions to reduce water and energy usage and improve efficiency. The company was founded in 1906 and is headquartered in Duluth, MN. (Source: FactSet)

Participating Guggenheim Analyst

Shar Pourreza, *Senior Managing Director, Equity Research Analyst – Power, Utilities & Alternative Energy*

Equity Research | Corporate Access

Shoals Technologies Group, Inc. (SHLS)

Jason Whitaker, *President & Chief Executive Officer*
Philip Garton, *Chief Financial Officer*

Date

Tuesday, June 1, 2021

Meeting Format

Virtual NDR - 1:1 Meetings & Group Meeting

Company Information

Market Cap: $4.75bn

Shoals Technologies (SHLS) provides electrical balance of system solutions for solar energy projects. Its EBOS components include cable assemblies, inline fuses, combiners, disconnects, recombiners, wireless monitoring systems, junction boxes, transition enclosures and splice boxes. The company was founded by Dean Solon in November 1996 and is headquartered in Portland, TN. (Source: FactSet)

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Alliant Energy Corp (LNT)

John Larsen, *Chair, President & Chief Executive Officer*
Robert Durian, *EVP & Chief Financial Officer*

Date
June 2 - 3, 2021

Meeting Format
Virtual NDR - 1:1 Meetings & Group Meeting

Company Information
Market Cap: $14.31bn
Alliant Energy Corp (LNT) is a regulated investor-owned public utility holding company that engages in the provision of regulated electricity and natural gas service to natural gas customers in the Midwest through its two public utility subsidiaries. It operates its business through following segments: utility electric operations, utility gas operations; and utility other. The company was founded in 1981 and is headquartered in Madison, WI. (Source: FactSet)

Participating Guggenheim Analyst
Shar Pourreza, *Senior Managing Director, Equity Research Analyst – Power, Utilities & Alternative Energy*

Guggenheim's Power & Utility Comp Sheet

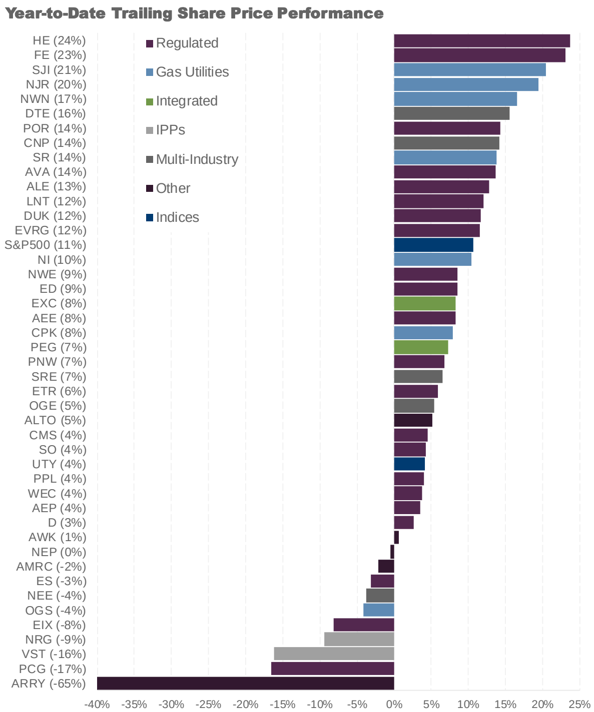
Updated as of 5/20/2021

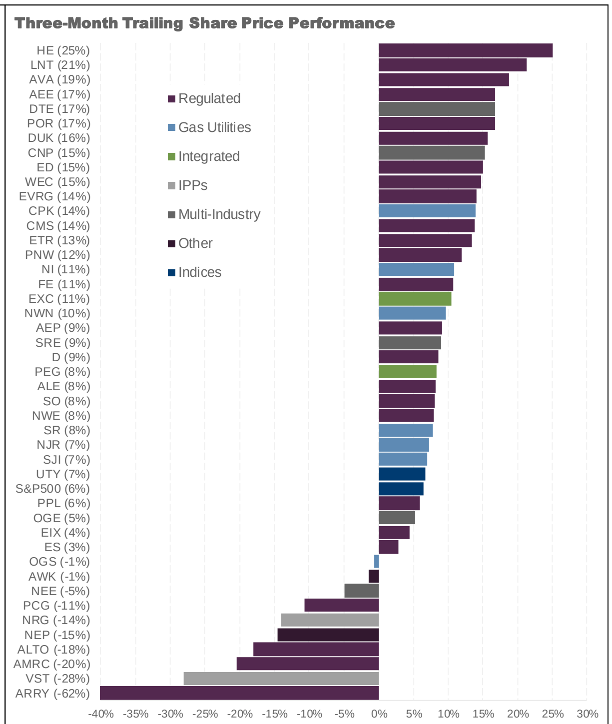
									Guggenheim						Consensus		
Regulated Electric Utilities[(1)]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	Earnings Per Share '21E	'22E	'23E	Price / Earnings '21E	'22E	'23E	Price / Earnings '21E	'22E	'23E
AEE	Ameren	21.6	Buy	$90	$84.50	2.6%	59%	256	3.73	4.02	4.30	22.7	21.0	19.7	22.5	21.0	19.5
AEP	American Electric Power	43.1	Buy	$98	$86.26	3.5%	65%	500	4.65	5.03	5.30	18.6	17.1	16.3	18.5	17.3	16.4
ALE	ALLETE	3.6	Neutral	$65	$69.85	3.7%	81%	52	3.18	3.85	3.98	22.0	18.1	17.6	21.9	18.1	17.4
AVA	Avista	3.2	Sell	$32	$45.62	3.7%	82%	69	2.06	2.26	2.47	22.1	20.2	18.5	21.6	19.8	18.3
CMS	CMS Energy	18.5	Neutral	$63	$63.74	2.7%	61%	289	2.86	3.06	3.26	22.3	20.8	19.6	22.3	20.8	19.5
D	Dominion	62.4	Buy	$89	$77.24	3.2%	65%	807	3.86	4.15	4.44	20.0	18.6	17.4	19.9	18.7	17.7
DUK	Duke Energy	78.7	Buy	$107	$102.27	3.9%	77%	769	5.17	5.48	5.81	19.8	18.7	17.6	19.7	18.8	17.8
ED	Consolidated Edison	26.9	Neutral	$77	$78.42	4.0%	73%	343	4.25	4.42	4.63	18.5	17.7	16.9	18.4	17.4	16.6
EIX	Edison International	21.9	Buy	$79	$57.68	4.7%	60%	379	4.51	4.76	5.04	12.8	12.1	11.4	12.7	12.2	11.5
ES	Eversource Energy	28.8	Neutral	$87	$83.76	2.9%	63%	343	3.83	4.12	4.36	21.9	20.3	19.2	21.8	20.4	19.1
ETR	Entergy	21.2	Buy	$120	$105.74	3.7%	65%	201	6.01	6.33	6.79	17.6	16.7	15.6	17.7	16.8	15.8
EVRG	Evergy	14.2	Buy	$70	$61.90	3.5%	66%	229	3.29	3.43	3.71	18.8	18.0	16.7	18.7	17.8	16.5
FE	FirstEnergy	20.5	Neutral	NA	$37.69	4.1%	62%	544	2.50	2.60	2.71	15.1	14.5	13.9	15.0	14.5	14.1
HE	Hawaiian Electric	4.8	Sell	$37	$43.80	3.2%	69%	109	2.01	1.96	2.11	21.8	22.3	20.8	22.4	21.7	20.2
LNT	Alliant Energy	14.5	Buy	$64	$57.76	2.8%	63%	250	2.57	2.72	2.87	22.5	21.2	20.1	22.5	21.1	20.0
NWE	NorthWestern	3.2	Neutral	$62	$63.31	3.9%	72%	51	3.46	3.64	3.84	18.3	17.4	16.5	18.1	17.2	16.3
PCG	PG&E Corporation	20.6	Buy	$17	$10.40	NA	NA	1985	1.03	1.13	1.25	10.1	9.2	8.3	10.3	9.3	8.4
PNW	Pinnacle West	9.7	Buy	$97	$85.37	4.0%	68%	113	5.05	5.23	5.49	16.9	16.3	15.6	17.1	16.6	15.9
POR	Portland General Electric	4.4	Buy	$54	$48.89	3.4%	62%	90	2.71	2.75	2.84	18.0	17.8	17.2	18.4	17.8	17.0
PPL	PPL Corporation	22.6	Buy	$32	$29.34	5.2%	115%	769	1.34	1.65	1.84	21.9	17.8	15.9	12.2	11.8	11.1
SO	Southern Company	67.7	Neutral	$63	$64.06	4.1%	79%	1059	3.32	3.59	3.85	19.3	17.8	16.6	19.3	18.0	16.6
WEC	WEC Energy	30.2	Neutral	$92	$95.52	2.8%	67%	315	4.03	4.26	4.50	23.7	22.4	21.2	23.7	22.3	20.9
****Average (Excl. EIX, PCG, and PPL for P/E)***						**3.5%**	**68.3%**					**20.0**	**18.8**	**17.7**	**20.0**	**18.7**	**17.7**
Regulated Gas Utilities[(2)]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
CPK	Chesapeake Utilities	2.0	Neutral	$108	$116.82	1.5%	37%	18	4.59	4.98	5.35	25.5	23.5	21.8	25.5	23.7	22.0
NI	NiSource	9.9	Buy	$27	$25.32	3.6%	67%	392	1.35	1.43	1.53	18.8	17.7	16.5	18.8	17.9	16.7
NJR	New Jersey Resources	4.1	Neutral	$39	$42.49	3.2%	65%	96	2.09	2.28	2.35	20.3	18.6	18.1	20.5	18.7	17.6
NWN	NW Natural Gas	1.6	Sell	$38	$53.64	3.6%	77%	31	2.50	2.64	2.73	21.5	20.3	19.6	21.2	20.4	19.3
OGS	ONE Gas	3.9	Neutral	$80	$73.61	3.2%	61%	53	3.82	4.12	4.43	19.3	17.9	16.6	19.4	17.9	16.9
SJI	South Jersey Industries	2.9	Buy	$28	$25.97	4.5%	73%	112	1.61	1.71	1.85	16.1	15.2	14.0	16.1	15.6	15.0
SR	Spire	3.8	Buy	$84	$72.92	3.6%	60%	52	4.43	4.41	4.67	16.5	16.5	15.6	16.7	16.5	15.7
Average						**3.3%**	**62.7%**					**18.7**	**17.7**	**16.8**	**18.8**	**17.9**	**16.9**
Integrated Utilities[(3)]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
EXC	Exelon	44.7	Neutral	$45	$45.74	3.4%	56%	977	2.80	2.98	3.02	16.3	15.3	15.1	16.6	15.5	14.9
PEG	PSEG	31.6	Buy	$67	$62.58	3.3%	59%	505	3.52	3.51	3.61	17.8	17.8	17.3	18.1	17.9	17.3
Average						**3.4%**	**57%**					**17.1**	**16.6**	**16.2**	**17.3**	**16.7**	**16.1**
Independent Power Producers (IPPs)[(4)]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
NRG	NRG Energy	8.3	Neutral	NA	$34.04	3.8%	-	245	2,412	2,471	2,472	6.6	5.8	5.4	9.2	6.3	6.0
VST	Vistra Energy	7.9	Neutral	NA	$16.48	3.6%	-	482	1,678	3,230	3,107	9.9	5.0	4.9	10.8	5.3	5.0
Average												**8.2**	**5.4**	**5.2**	**10.0**	**5.8**	**NA**
Multi-Industry Utilities[(5)]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
CNP	CenterPoint	14.2	Buy	$27	$24.70	2.5%	44%	580	1.41	1.50	1.62	17.5	16.5	15.2	17.8	17.1	15.9
DTE	DTE Energy	27.2	Buy	$148	$140.36	3.1%	60%	194	7.20	7.62	7.84	19.5	18.4	17.9	19.5	18.9	18.0
NEE	NextEra	145.7	Buy	$90	$74.29	1.9%	56%	1961	2.56	2.77	2.95	29.0	26.8	25.2	29.5	27.2	25.4
OGE	OGE Energy	6.7	Buy	$39	$33.58	5.1%	78%	200	2.17	2.27	2.38	15.5	14.8	14.1	15.3	15.7	15.1
SRE	Sempra Energy	41.1	Buy	$167	$135.74	3.4%	56%	303	8.16	8.58	9.21	16.6	15.8	14.7	16.7	15.9	15.1
Average						**3.2%**	**58.9%**					**19.6**	**18.5**	**17.4**	**19.8**	**18.9**	**17.9**
Other		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
AWK	American Water Works	28.0	Neutral	$146	$154.42	1.4%	50%	181	4.24	4.63	4.99	36.4	33.4	30.9	36.4	33.5	31.0
ALTO	Alto Ingredients, Inc.	0.4	Buy	$9	$5.71	-	-	73	0.62	0.66	0.80	9.2	8.7	7.1	9.4	6.1	7.1
		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
AMRC	Ameresco, Inc. Class A	2.6	Buy	$67	$51.12	-	-	50	146	163	184	NA	NA	NA	NA	NA	NA
ARRY	Array Technologies	1.9	Buy	$51	$15.24	-	-	127	174	198	224	13.2	11.6	10.3	20.9	12.9	10.0
CWEN	Clearway Energy	6.1	Suspended	NA	$26.35	NA	-	183	NA	NA	NA	NA	NA	NA	10.5	9.7	9.7
NEP	NextEra Energy Partners	5.1	Buy	$88	$66.75	4.0%	-	76	1,532	1,660	1,775	7.2	6.8	6.3	10.3	9.6	9.3
SHLS	Shoals Technologies Group, Inc	3.9	Buy	$46	$23.45	-	-	167	77.2	125.8	195.7	52.0	31.3	19.6	52.0	31.8	20.2

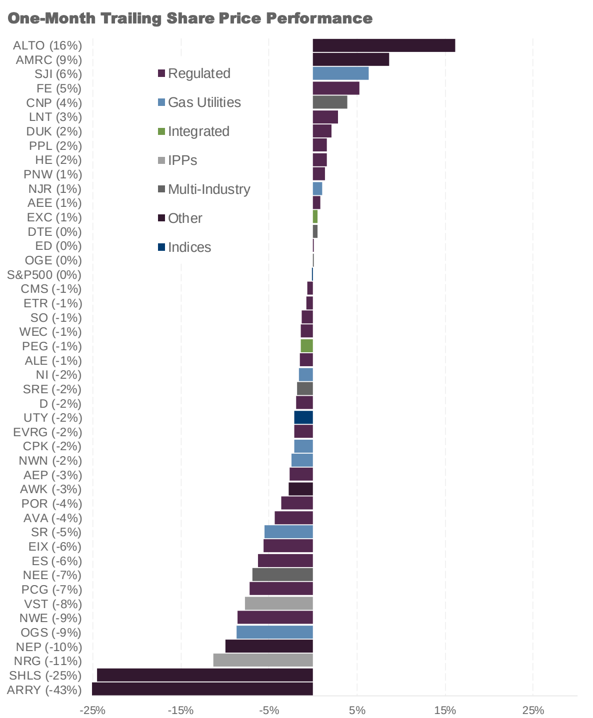
(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
(3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.
(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
(5) Mult-Industry Utilities operate some comibination of regulated electric and/or gas utilities, in addtion to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: Bloomberg, FactSet, Guggenheim Securities, LLC estimates.

Share Price Performance (Year-to-Date, Three-Month, & One-Month Trailing)







(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

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(3) Integrated

(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

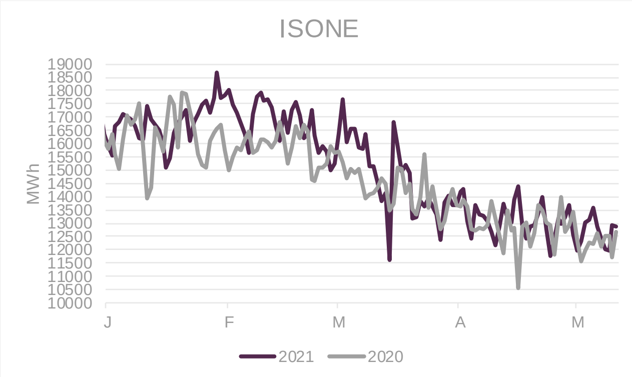
Source: Bloomberg, Guggenheim Securities, LLC estimates.

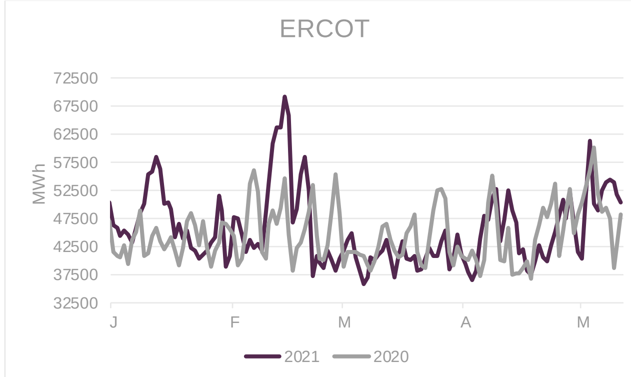
Guggenheim 2021 Client and Corporate Access Utility Events

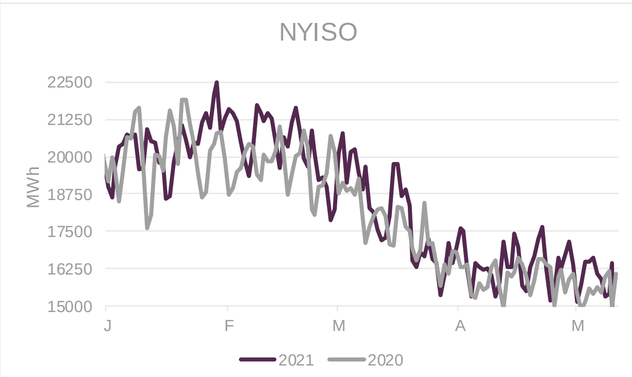
Ticker	Dates	Regions	Ticker	Dates	Regions
EIX	1/8	NYC	**CMS**	5/12-5/13	Multiple
'21 Utilities Call	1/21 – 8:15AM ET	Call	**POR**	5/12-5/13	Multiple
Investor Discussion	1/25 – 4:30PM ET	Virtual	**ARRY**	5/14	Multiple
PNW	1/26-1/27	Multiple	**OGE**	5/25-5/26	Multiple
SRE	1/27 – 4:30PM ET	Virtual	**ALE**	5/27	Multiple
WEC	2/16-2/17	Multiple	**SHLS**	6/1	Multiple
DUK	2/18	Multiple	**LNT**	6/2-6/3	Multiple
D	2/19	NYC	**PEG**	6/8-6/9	Multiple
AWK	3/10	Multiple	**EVRG**	6/10	Multiple
PPL	3/23	West Coast	**NWE**	6/16	Multiple
AEP	3/30	Multiple	**DTE**	6/29	Multiple
VST	3/31	Multiple	**ES**	TBD	Multiple
ETR	4/8	Multiple	**SO**	8/9-8/10	Multiple
SR	4/15	Multiple	**SO** (CEO Fireside)	8/10	Multiple
PCG	5/5	Multiple	**NEE**	8/30-9/2	West Coast
CNP	5/10	Multiple			

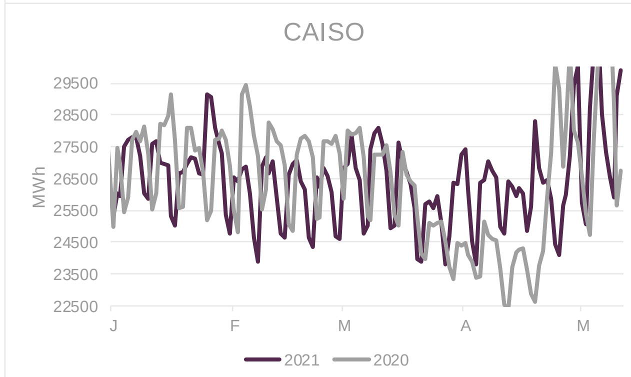
MORE TO BE ADDED…

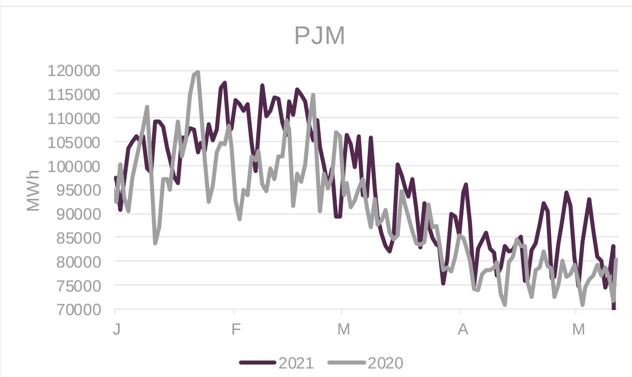
Peak Load

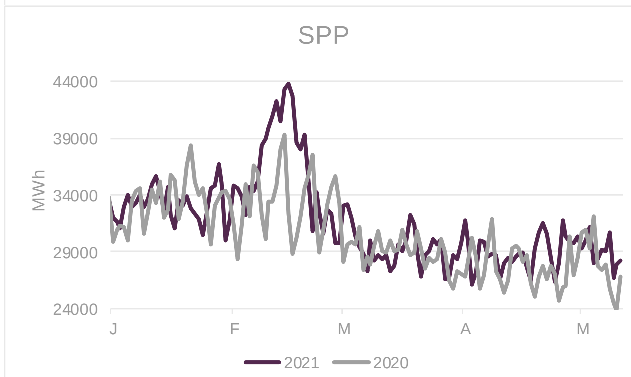


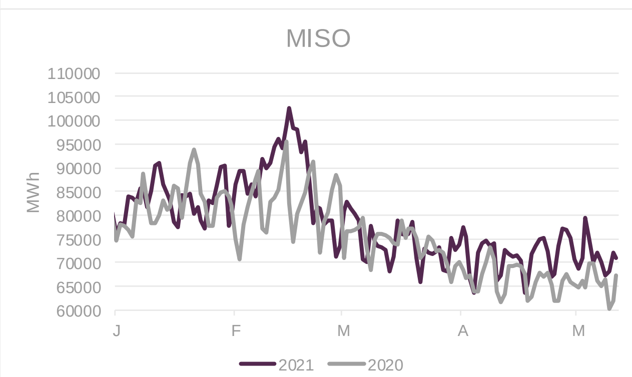










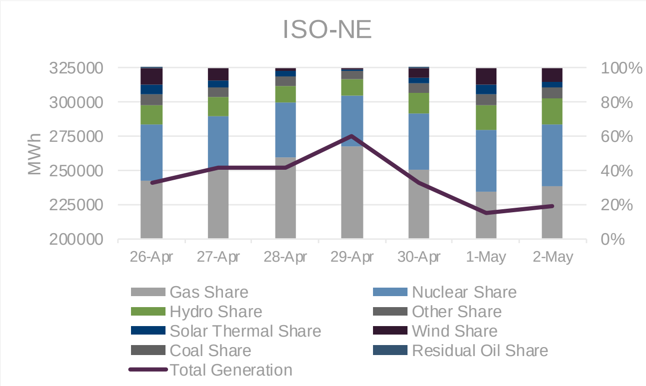


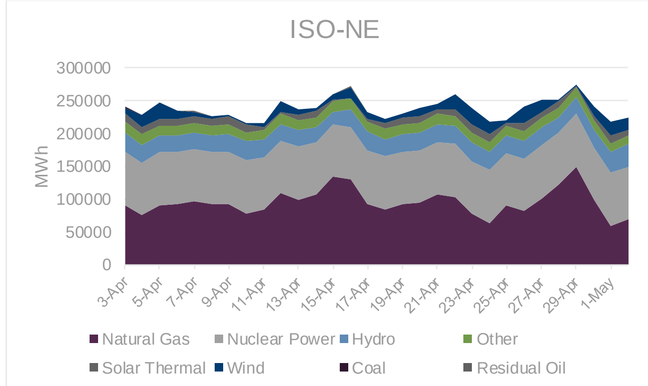
Average Deviation in Peak Load vs Prior Year

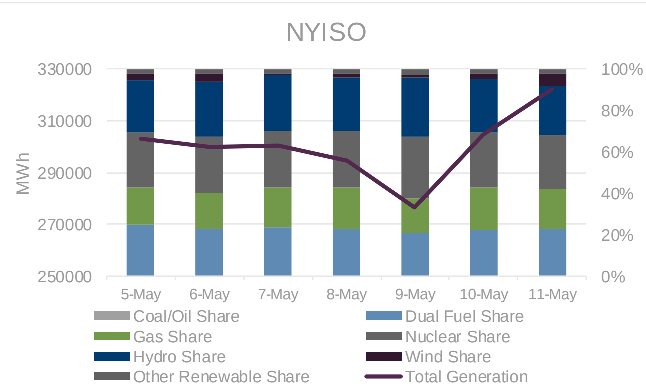
RTO/ISO	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
ISONE	-5.1%	0.1%	2.4%	2.4%	4.1%	2.5%
NYISO	-5.8%	-3.8%	0.0%	0.0%	2.5%	3.0%
PJM	-6.9%	-4.7%	-1.8%	-1.8%	6.1%	8%
MISO	-4.7%	-5.2%	-3.7%	-3.7%	4.3%	8.1%
CAISO	-1.7%	1.4%	3.2%	3.4%	0.4%	3.6%
ERCOT	2.7%	1.7%	-4.1%	3.0%	2.8%	2.8%
SPP	-4.6%	0.0%	-4.4%	-4.4%	4.1%	5.3%

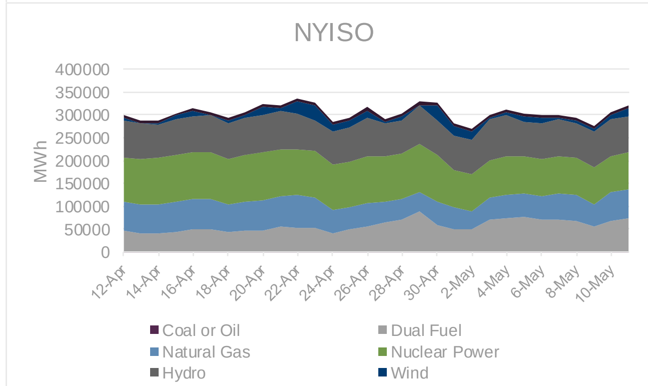
Source: S&P Global Platts, Guggenheim Securities, LLC.

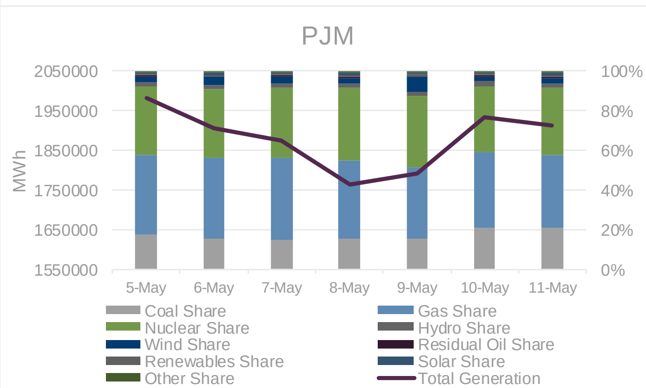
Generation and Mix

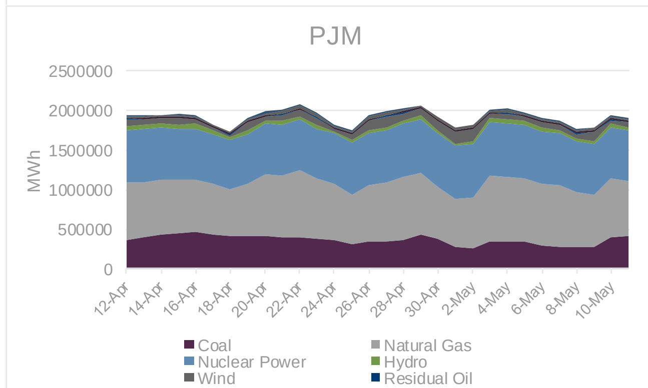


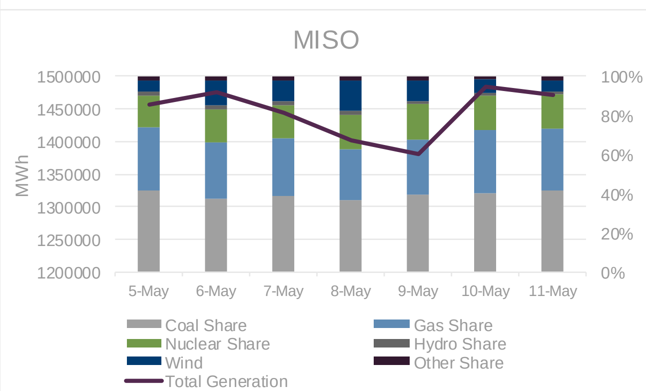


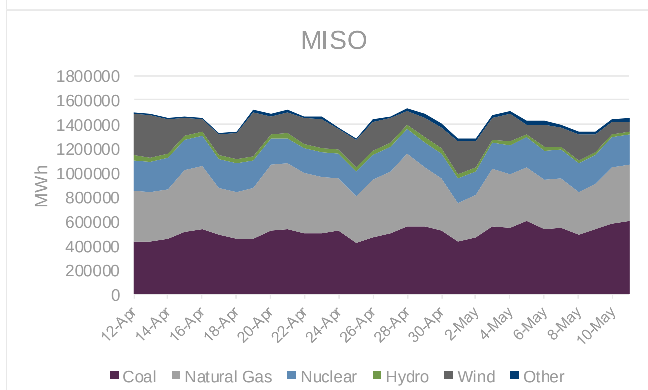




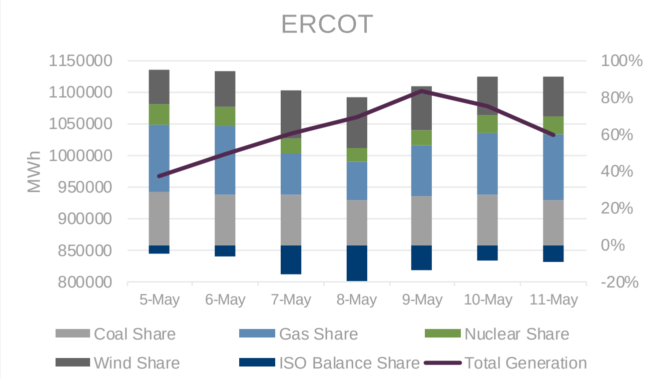


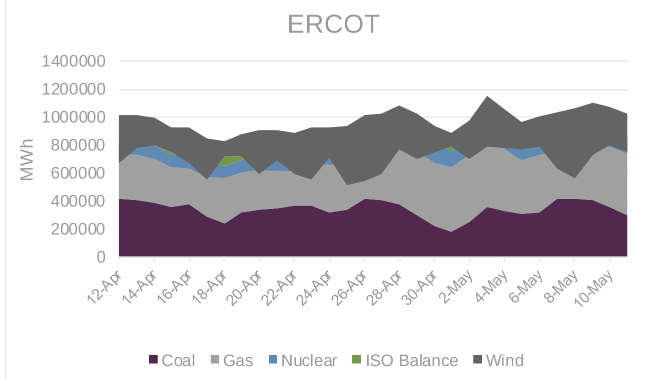


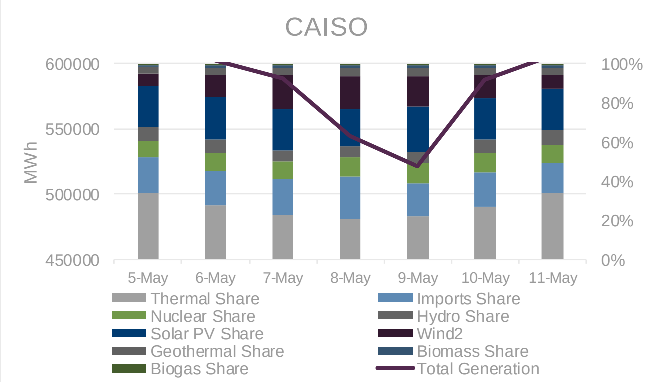


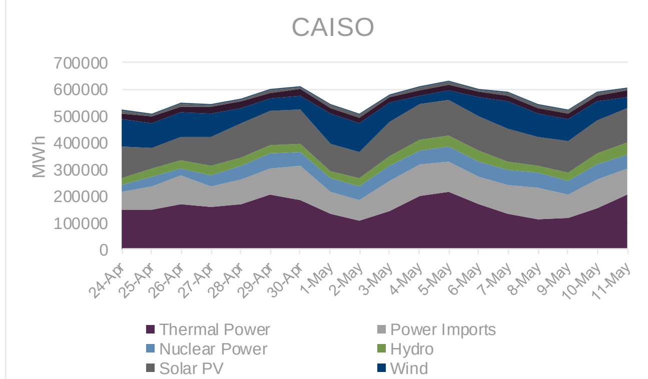


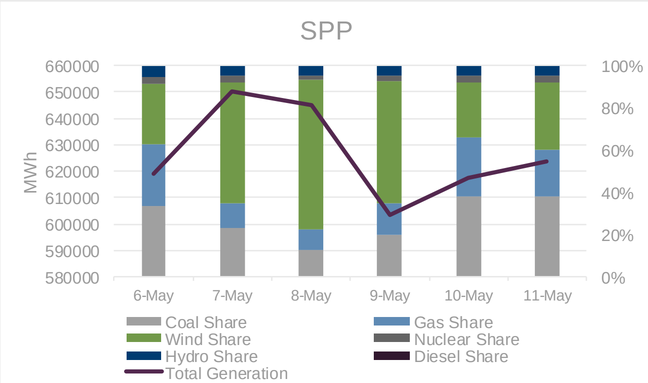
Source: S&P Global Platts, Guggenheim Securities, LLC.

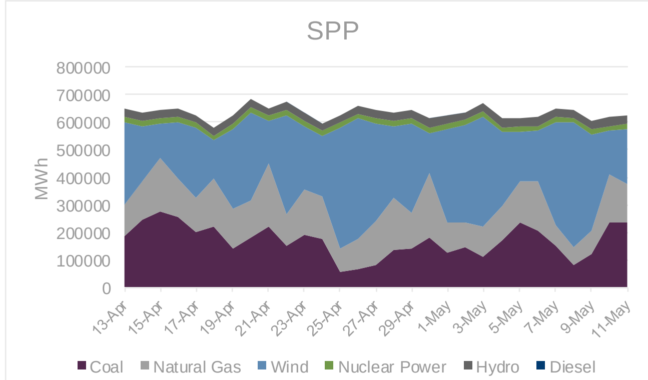






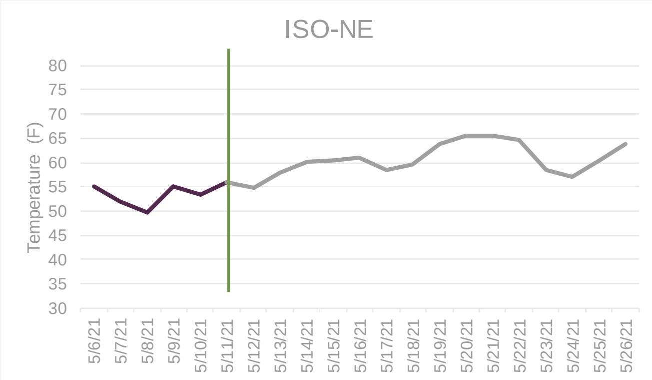


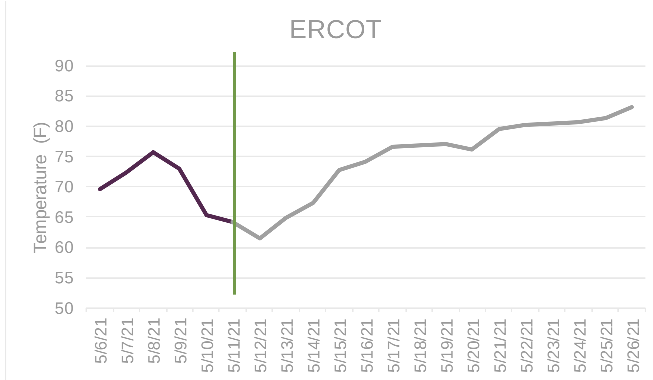


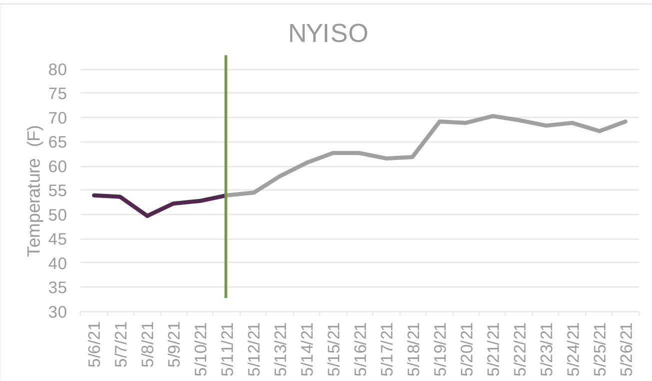


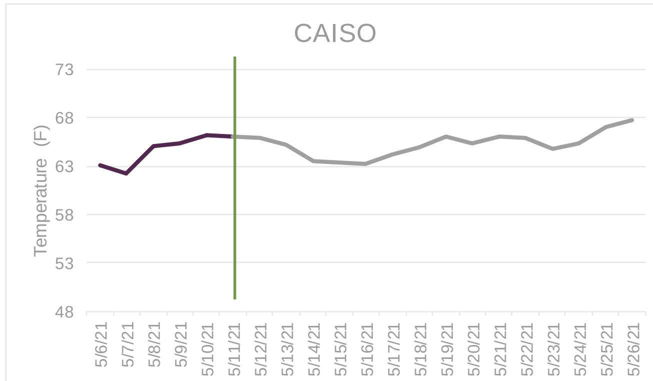
Source: S&P Global Platts, Guggenheim Securities, LLC.

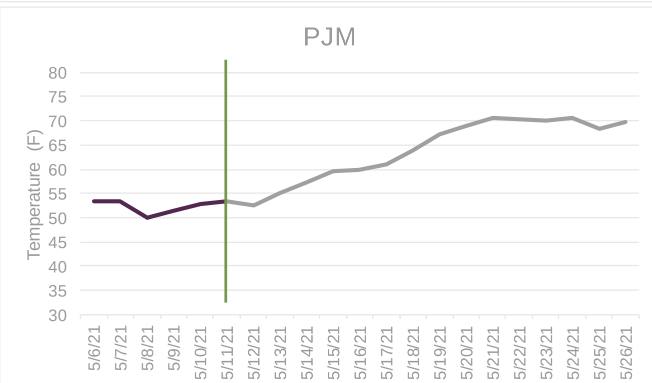
Weather

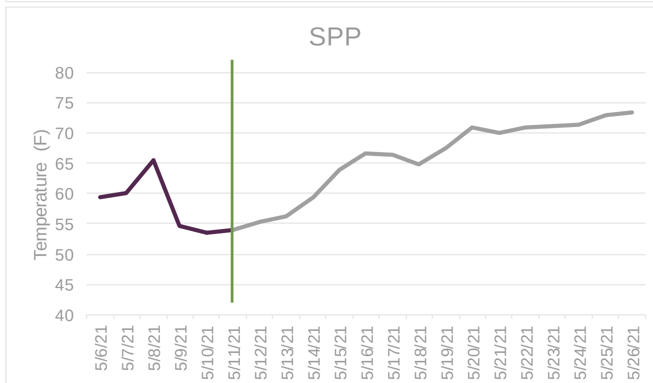


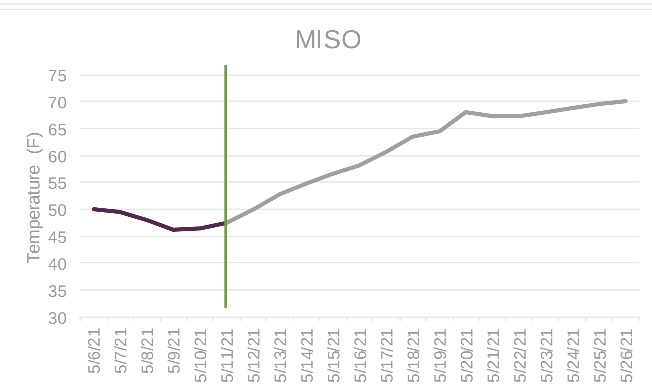












Source: S&P Global Platts, Guggenheim Securities, LLC.

Regulatory Calendar

Power and Utilities: Coverage Calendar (5/15/2021 - 8/15/2021)

Date	State	Ticker	Utility/Event	Docket	Description
3/1/2021-6/30/2021	DC	EXC	Potomac Electric Power Co.	FC-1156	Commission decision may be issued in electric rate proceeding
4/15/2021-5/15/2021	PA	EXC	PECO Energy Co.	D-R-2020-3018929	ALJ recommendation expected in rate case in late April-early May
5/1/2021-6/30/2021	TX	SRE	Oncor Electric Delivery Co.		Rate case filing expected
5/17/2021	NJ	EXC	Atlantic City Electric Co.	D-ER20120746	Settlement meeting scheduled in rate case
5/18/2021-5/19/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Hearings scheduled in RAC-EE proceeding
5/19/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Settlement conference scheduled
5/19/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	PSC staff and intervenor testimony due
5/19/2021-5/28/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Hearings scheduled in rate case
5/19/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	PSC staff and intervenor testimony due
5/19/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Settlement conference scheduled
5/21/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Deadline for staff and intervenor opening testimony
5/21/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00258 (E-RAC)	Rebuttal testimony due in E-RAC proceeding
5/21/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00013 (Rider E)	Rebuttal testimony due in Rider E proceeding
5/21/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Initial briefs due in rate case
5/24/2021	IN	CNP	Indiana Gas Co.	Ca-45468	Hearing to begin in rate proceeding
5/26/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Intervenor testimony on class cost of service due in rate proceeding
5/28/2021	WA	AVA	Avista Corp.	D-UG-200901	Deadline for company reply testimony; staff and intervenor cross-answering testimony
5/28/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00259 (BC-RAC)	SCC staff testimony due in BC-RAC proceeding
5/28/2021	WA	AVA	Avista Corp.	D-UE-200900	Deadline for company reply testimony; staff and intervenor cross-answering testimony
6/1/2021-6/15/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Hearing examiner's report may be issued in RAC-EE proceeding
6/1/2021-6/30/2021	OK		Oklahoma Natural Gas Co		Rate case filing expected
6/1/2021-6/30/2021	KY	PPL	Louisville Gas & Electric Co.	C-2020-00350 (gas)	Decision possible in rate proceeding
6/1/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Reply briefs due in rate case
6/1/2021-6/30/2021	OH	AEP	Ohio Power Co.	C-20-0585-EL-AIR	Decision possible in rate proceeding
6/1/2021-6/30/2021	KY	PPL	Kentucky Utilities Co.	C-2020-00349	Decision possible in rate proceeding
6/1/2021-6/30/2021	VA		Virginia Natural Gas Inc.	C-PUR-2020-00095	Hearing Examiner's report may be issued in base rate case
6/1/2021-6/30/2021	OK		Oklahoma Natural Gas Co	Ca-PUD202100063	Rate case filing expected
6/1/2021-6/30/2021	KY	PPL	Louisville Gas & Electric Co.	C-2020-00350 (elec.)	Decision possible in rate proceeding
6/3/2021	MI	DTE	DTE Gas Co.	C-U-20940	Staff and intervenor testimony due
6/4/2021	NJ	EXC	Atlantic City Electric Co.	D-ER20120746	Intervening parties to file testimony in rate case
6/8/2021	IL	SO	Northern Illinois Gas Co.	D-21-0098	Company rebuttal testimony due in rate proceeding
6/9/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	Rebuttal testimony to be filed in rate case
6/9/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	Rebuttal testimony to be filed in rate case
6/17/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Rebuttal testimony due in rate proceeding
6/17/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Initial briefs due in rate case
6/17/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Intervening parties to file testimony in Rider CCR proceeding
6/21/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Intervenor testimony due
6/22/2021	MI	CMS	Consumers Energy Co.	C-U-20963	Staff, intervenor testimony due
6/22/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Staff to file testimony in Rider CCR proceeding
6/23/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Staff, intervenor testimony due
6/23/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00258 (E-RAC)	Hearing scheduled in E-RAC proceeding
6/23/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Settlement conference
6/23/2021	MI	DTE	DTE Gas Co.	C-U-20940	Rebuttal testimony due
6/23/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Staff, intervenor testimony due
6/25/2021	DE	EXC	Delmarva Power & Light Co.	D-20-0149	Hearing examiner report due in rate proceeding
6/28/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	Evidentiary hearings to commence in rate case
6/28/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	Evidentiary hearings to commence in rate case
6/30/2021	NH				Commissioner Kate Bailey — term expires
6/30/2021	KY				Commissioner Talina Rose Mathews — term expires
6/30/2021	MD				Commissioner Anthony J. O'Donnell — term expires
6/30/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Decision expected in muulti-year rate plan proceeding
6/30/2021	PA	EXC	PECO Energy Co.	D-R-2020-3018929	Decision likely in gas rate case
6/30/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00197 (Rider RBB)	Decision expected in rural broadband pilot proceeding (Rider RBB)
6/30/2021	WV				Commissioner Brooks McCabe — term expires
6/30/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Decision expected in RAC-EE proceeding
6/30/2021	NC				Commissioner Lyons Gray — term expires
7/1/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Reply briefs due in rate case
7/1/2021-7/31/2021	VA	D	Virginia Electric & Power Co.	PUR-2020-00231 (Rider US-2)	Decision expected in Rider US-2 update proceeding
7/1/2021	IL	SO	North Shore Gas Co.	D-20-0810	ALJ recommendation due in rate proceeding
7/1/2021-7/31/2021	OK	CNP	CenterPoint Energy Resources	Ca-PUD202100054	Decision expected in PBR proceeding
7/1/2021-7/31/2021	IN	CNP	Indiana Gas Co.	Ca-45468	Decision possible in rate proceeding
7/1/2021-7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00230 (Rider BW)	Decision expeced in Rider BW update proceeding
7/2/2021	MI				Commissioner Katherine Peretick — term expires
7/6/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Staff testimony due in electric rate case
7/7/2021-7/9/2021	WA	AVA	Avista Corp.	D-UG-200901	Hearing in rate case
7/7/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Rebuttal testimony due in Rider CCR proceeding
7/7/2021-7/9/2021	WA	AVA	Avista Corp.	D-UE-200900	Hearing in rate case
7/12/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Rebuttal testimony due in electric rate case
7/12/2021	MI	CMS	Consumers Energy Co.	C-U-20963	Rebuttal tesimony due
7/15/2021-8/15/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00013 (Rider E)	Hearing Examiner report may be issued in Rider E proceeding
7/16/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Deadline for company reply testimony; staff and intervenor cross-answering testimony
7/19/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Company rebuttal testimony due
7/19/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Company rebuttal testimony due
7/21/2021	IL	SO	Northern Illinois Gas Co.	D-21-0098	Hearing to begin in rate proceeding
7/26/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Hearing to begin in rate proceeding
7/27/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Public hearing scheduled on Rider CCR proceeding
7/30/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00058	Intervening parties to file testimony in triennial review proceeding
7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00274 (Rider DSM)	Decision expected in Rider DSM proceeding
7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00169 (Rider RGGI)	Decision expected in Rider RGGI proceeding
8/1/2021-8/31/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00259 (BC-RAC)	Hearing Examiner recommendation expected in BC-RAC proceeding
8/1/2021	MO	SR			Commissioner Maida Coleman — term expires
8/5/2021	DE	EXC	Delmarva Power & Light Co.	D-20-0149	Commission decision expected to be issued
8/5/2021	MI	DTE	DTE Gas Co.	C-U-20940	Briefs due in gas rate case
8/10/2021-8/17/2021	NJ	DTE	Atlantic City Electric Co.	D-ER20120746	Hearings scheduled in rate case
8/13/2021	TX	AEP	Southwestern Public Service Co	D-51802	Parties to file testimony in rate case

Source: SNL, Company Filings, Guggenheim Securities, LLC.

Key Research

Guggenheim's Forward Commodity Curves

- Forward Power Curves, GenCo MtM and Weekly Commentary

Key Company Research

1. VST NDR: Past Is Prologue
2. SRE: SIP 20% Sale Announced at ~13x EV/EBITDA; Above Our Range, With Opportunity for Earnings Accretion
3. AEP – C-Suite NDR: On the Precipice of Change and It's a Wonderful View from Here
4. PPL NDR: Hard Part Is Done, Now the Real Work Begins – Transformation Path, Further Re-Rating Set
5. ETR – FERC ALJ Issues Initial Decision on SERI ROE and Cap Structure; 9.32% ROE; 48.15% ER
6. SRE – San Diego Opens Utility Franchise Bidding Under Expanded Criteria; Allow for Negotiated Outcome
7. PPL: WPD Sells at "Very" Healthy Multiple in Key First Step, Despite Previous Media Reports
8. NRG: Post-Call Management Catch Up
9. NRG/VST: Stepping to the Sidelines for Now as ERCOT's Collateral Damage Continues to Propagate
10. FE Reaches Agreement with Icahn
11. SHLS – 4Q Earnings; Category Killer Makes Public Market Debut; Tees Up Conservative Guide and Accelerates EV Infrastructure Development
12. AWK NDR: "When the Levee Breaks" American Water Keeps Flowing
13. AEP – Healthy AEP Ohio Rate Case Settlement Supports Thesis; Construct Still Attractive
14. PCG: C-Suite Builds on Operational Improvement for Turnaround Success; Hands-on CEO Is a Tailwind
15. ARRY – 4Q Earnings; Investing Now for Wallet Share Later; FY21 Guidance Comes In Strong
16. WEC NDR: Cutting Through the Noise; Dependable Growth and LT Decarbonization Define Our Meetings
17. D – C-Suite NDR; Strategy Equals Execution; Execution Equals Decarbonization…
18. DUK – CEO NDR; NC Legislation Finally Has Momentum; Driving Decarbonization, Higher Growth
19. AMRC – 2020 Closes with a Beat as 2021 Guidance Points to Continued Growth
20. NRG – Surprise, Surprise: Guidance Intact After Strong Storm Performance; Transformation Continues
21. OGS – 4Q Earnings; Fundamentals Remain Stout Despite Old Man Winter's Best Efforts
22. PEG – 2020 FY In Line; Fossil Sale On Track; LT Business Mix Gains Traction
23. VST – Is the Integrated Model Broken? No, But the Sandbox Might Be
24. EVRG – Coming Out Swinging: EPS Beat, Healthy '21 Guide, Higher CapEx, New Mgmt. Bench & Key Investor Infusion
25. EIX: In-Line 2020; No Major Updates - Holding Pattern Ahead of GRC
26. AEP – Better Load Recovery and Cost Mitigation; Long Renewables Runway w/ Potential Financing From Asset Rotation
27. SRE: '21 Guide Reaffirmed w/Upside Post Transaction; Utility CapEx Increased – Focus Remains on SIP Transaction
28. OGE: No Surprises as 2020 Closes; 2021 Winter Storms Costs Large but Fundamentals Strong
29. CNP: We Aren't Sweating the Details; Managing Storm Event; LDC Sales on Track, Midstream Full Exit on the Forefront
30. PNW – In Line 2020 as Capex Gets a Shuffle – a Consistent Message Following Our NDR
31. EXC – End of an Era: Exelon Loses a Neutron
32. ETR – 2020FY EPS Beat; 2021 Guidance Reaffirmed, Biased to a Strong Midpoint; Arkansas Concerns? No Cracks Here
33. AVA – 4Q Earnings Not as Bad as Some Thought; Guidance Largely In Line With Our Expectations
34. LNT – Ol' Reliable: Inline 2020 as Focus Pivots to PSCW
35. SHLS: Plug-n-"Growth"; Initiating Coverage with a Buy Rating and $48 PT
36. AEE – 4Q Earnings; Callaway Cause For Concern? Not in Our View; Base Plan Remains Strong
37. POR – 2021 Kicks Off on the Right Foot
38. DTE – Continues Strong Execution; 4Q Earnings Beat, '21 Reaffirmed, GS&P Spin Is the Next Major Potential Catalyst
39. FE – Righting the Ship as the DOJ Overhang Persists; Icahn Makes a Splash and Shifts Investor Focus
40. ED – 4Q EPS in Line, 2021 a Reset Year; Capex Roll Points to Higher Quality L-T Recovery
41. SO – 4Q Earnings; Telegraphed LT Growth Rate Raise with Incremental Opportunities on the Horizon
42. PPL: Straightforward Update as WPD Process Forges On
43. ES – 4Q Earnings; Healthy Capex Raise Drives Guidance to the Top Half of Growth Range
44. NI – 4Q Earnings; Straightforward Update With Renewables Projects Continuing to Take Shape
45. ALE – A Transitional Year Comes with a Focus on Execution at ACE
46. DUK – 4Q20 Earnings; Foundation Set With Eye on NC Legislation – We See Pathway to Overachieve Expectations
47. AEP – Racine Hydro Sale; Very in Line with Our Thesis and Potentially More on the Horizon – Reiterate BUY
48. WEC – 2020 Closes with A Beat as Management Evaluates Case Optionality in WI
49. CMS – 4Q Earnings In-Line; Capex/Equity Increase, O&M Flex to Carry Into '21; We See Smooth Sailing to Firm "7%" Growth
50. NJR – F1Q21 Earnings; NJRES AMAs Drive FY22 Guidance Raise, Though Focus Remains on Core Utility and CEV Segments
51. SR – F1Q21 Earnings; Progressing on Regulatory Matters as Mgmt. Has Eyes Set on Sustainability
52. FE/OH: Yost Holds Press Conference on HB6; Reaches Agreement With FE on Decoupling
53. PNW NDR: All Quiet on the Southwestern Front…
54. DUK – Healthy Indiana Equity Sale Highlights Private Infrastructure Appetite for US Assets
55. AMRC: A Unique Blend of Familiar Businesses – Finding a Decarbonization Niche; Initiating Coverage at BUY, $63 PT
56. PEIX Initiation: A Rising Tide Lifts All Ships - Decoupling from Fuel Ethanol, '21 an Inflection Year for Strong CF Story

57. SRE: CEO Catch Up - Value Upside to SIP Deal; Constructive Guidance Forthcoming; Remains Distinctive on Catalysts
58. NEE/NEP: NEE EPS Beats, MVP Takes Write-Down; Organic Growth and FPL Rate Case Are the Next Leg of Growth
59. DUK – Settlement Reached on Coal Ash; Overhang Removed with Allowance for Return on Expenditures – Time to Move On
60. EIX – Another WF Settlement Bites the Dust; Total Expected Loss Unchanged
61. NEE: Starting 2021 with a Bang: FPL Files Rate Case – 11% Base ROE, 50bp Adder, and SOBRA Adds
62. FE/OH: Ohio Situation Continues to Deteriorate
63. DUK – Coal Ash Thoughts Post Our Call With Duke C-Suite This AM
64. FE: JCP&L Creditworthiness Hearing Recap
65. PCG-EIX: Cali Dreamin' on a Winter Day – We're Back and Under a New Utility Construct: Resuming EIX, PCG w/ BUY Ratings
66. EXC: Exelon Divests Distributed Solar Assets
67. CNP: Analyst Day Sets New 6-8% EPS Plan; AR/OK LDC Sale Announced, ENBL Advisor, OGE on Board; Keep the Hits Coming
68. PNW: Staff/Intervenor Surrebuttal Testimony Lands
69. SRE: IENOVA Buyout, Combination with LNG for an SRE Infrastructure Offering – Favorable Setup for Next Steps
70. FE: Payment Fallout Continues – Revolver Draw Potentially Hedges Against New DOJ Outcomes
71. AEP – Upgrading to NEUTRAL from SELL; Risk/Reward Finds Balance Post Our Original Thesis
72. FE: 10-Q and Amended K May Point to Potential PUCO Linkages; Possible Connection to Randazzo Search
73. FE: PUCO Chair Has Home Searched by FBI
74. SRE NDR: Catch Up With SRE Mgmt. Puts Light on Commitment to Value and NorAm Strategy
75. EXC – Integrated Platform Increasingly Endangered as Exelon "Formally" Announces Strategic Review
76. NEP: 2020 KKR Deal; New Assets Accretive to Growth, Cheap Financing Deal Sets Up 4x Investment Capacity
77. FE – Darkest Before the Dawn? A New Day Will Come…
78. PNW – No Surprises as Summer Heat Drives Beat
79. POR – Putting a Rough Quarter to Rest – Update Checks Most Boxes
80. PEG – 3Q In-line; PSE&G Growth Set to 7-8%; Strategic Shuffle Continues on Fossil, Offshore Wind
81. POR – Putting a Rough Quarter to Rest – Update Checks Most Boxes
82. PNW – No Surprises as Summer Heat Drives Beat
83. FE: CEO and Two Other Executives Terminated over Internal Investigation
84. NWE – Colstrip Transaction Terminated; What's Next? NWE Is Left Severely Short of Peak
85. EXC: Downgrading to Neutral, Lowering PT – Taking the Spring out of Springfield
86. SRE– Franchise "Sale" Saga Next Step? San Diego Releases ITB Q&A, City Maintains Strict Tone, No Upsets Yet, in Our View
87. ETR NDR – C Suite Event Highlights Conservative Planning & Incremental Opportunities; "Premium" View Reinforced
88. DUK – CEO Group Call; Alignment with Stakeholders Driving Capital Growth While Setting Manageable Expectations
89. FE: Incremental Details on DOJ Probe Emerge; Energy Harbor Executives in Focus
90. AEE – CEO Client Event; Environmental Stewardship in MO; Navigating the Policy Environment in IL
91. FE: Incremental Details on DOJ Probe Emerge; Energy Harbor Executives in Focus
92. DUK – ESG Investor Day; A Win-Win for ESG and Fundamental Investors
93. NEE-DUK: "Spreadsheet Exercises" Aside – Easily EPS Accretive, But Value/Credit Risk, Regulatory Hurdles Are High Risk
94. ES - CT House Passes Bill in Special Session to Reform Utilities' Construct
95. OGS NDR – Simple Story, Covid Recovery, Supportive Jurisdictions and Capex Ahead of Plan; RNG, Hydrogen on the Radar
96. NI Investor Day – Robust Update, Though Mostly In Line with Expectations
97. VST: A Platform Evolves, a Platform Matures
98. EVRG NDR: Smooth Sailing to 2024? Standalone Course to Top Tier Growth Follows Well-Worn Routes
99. AEE – MO IRP Brings Step Function Increase in Renewable Energy Investments
100. ETR Analyst Day– Expanding Capex with Equity Needs; EPS Growth Remains 5-7%, but ETR May Become a "Premium" Utility
101. SRE – Cat Out of the Bag: San Diego Issues ITB, Minimum Fee, Balanced by City's Right to Reject; No Upsets at This Point
102. SRE – San Diego Franchise Deep Dive; Competitive Process? Yes; Benefits to Transfer? No! Downside Risk Appears Minimal
103. POR NDR: Upgrading to BUY on CEO Conversations; Clarity on Wildfires Implies Sound Entry Point
104. ED – Upgrade to NEUTRAL; COVID Bites a Hole in the Big Apple; ED's Return to Normal Limits Downside From Here
105. POR: Where There Is Smoke, There Is Fire, But Not Likely in This Case – Additional Fire Details
106. EVRG: KCC Staff file Report and Recommendation Regarding Evergy's Pre-STP Capital Plan
107. AWK NDR: Thirst Quencher - Top Tier Growth Platform Built to Last
108. EXC: No Pressure, No Diamonds…
109. POR: CAISO's Collateral Damage - Losses Contained, L-T Fundamentals Intact Post Mgmt. Call
110. ES – Downgrading to NEUTRAL on Valuation; Want Offshore Wind Exposure? Try Dominion…
111. EXC: Neutrons Starting to Flow in Springfield; Criticality Still Far from Certain
112. OGE – Anticipated Alignment of Views on ENBL Causes Us to Upgrade; Strategic Optionality Becoming More Apparent
113. PPL: The Long Goodbye – PPL Initiates WPD Sale Process

Key Industry Research

1. ERCOT: PUCT Declines to Reprice Energy Market – Consistent with Our Expectations
2. ERCOT: Lone Star State Remains 'Out of Phase'
3. ERCOT: Who's Exposed? Generator-Owner Data Set
4. ERCOT: Deep Freeze Precipitates Rolling Blackouts in Heartland
5. IL: CEJA Re-emerges; Take with a Grain of Salt - More Iterations to Come
6. '21 Utilities Outlook: Getting Ready for Another Bumpy Ride

7. Congress Reaches Deal on Stimulus Package and Appropriations; Clean Energy Boosted With Tax Credit Extension
8. ERCOT CDR Preview: More Solar Points to Slightly Looser CDR; Caveats Remain the Same
9. EEI – An EEI Unlike Any Other...
10. Guggenheim EEI Takeaways - Day One
11. Guggenheim EEI Takeaways - Day Two
12. Guggenheim EEI Takeaways - Day Three
13. Li-Ion the End-All-Be-All Battery Storage Solution? Not in Our Book – Zinc-Based Battery Presents Compelling Alternative
14. Ohio Policy Call Part Two – Federal and Political, Not State and Regulatory
15. Ohio Policy Call Part One – Investigation Churns On
16. Guggenheim Call Series: Power Gen Economics Expert Confirms Robust Solar/Wind Demand as Tech Moves to Parity with Fossil
17. FERC - Life's Absolutes: Death, Taxes, and Transmission ROE Complaints
18. 2020 LCOE Update – Nothing Is Constant but Change: Renewable Economics Point to Persistent Disruptions
19. FERC: Commission Revisits Base ROE Methodology, Boosts MISO Allowed
20. ERCOT: Another CDR to Take with a Grain of Salt
21. PJM: Proposed Auction Timeline Features State Policy Accommodation
22. FERC ROE Policy Call: Different Commissioner, Similar Expectations
23. FERC ROEs: Former Commissioner Policy Call Points to No Easy Answers
24. Illinois Policy Call: Too Clean to Drain the Swamp? Will Springfield Lawmakers Reach Criticality? Still Too Early to Say…
25. PJM: As Fluid as It Gets - Expert Call Highlights Still-Challenging Auction Dynamics

ANALYST CERTIFICATION

By issuing this research report, each Guggenheim Securities, LLC ("Guggenheim Securities") research analyst whose name appears in this report hereby certifies that (i) all of the views expressed in this report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers discussed herein and (ii) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst.

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Guggenheim Securities, LLC makes a market in the securities of Pinnacle West Capital Corporation and Portland General Electric Company.

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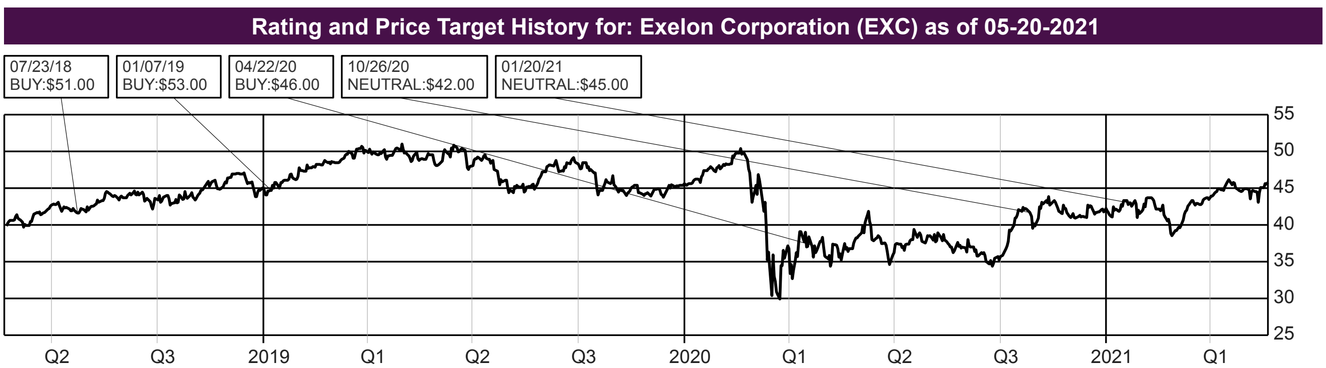

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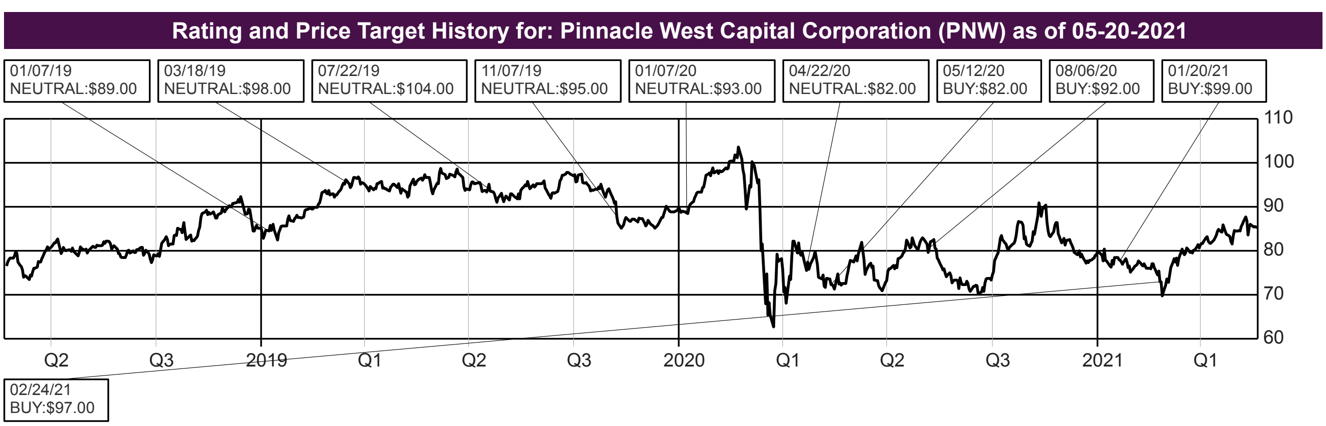

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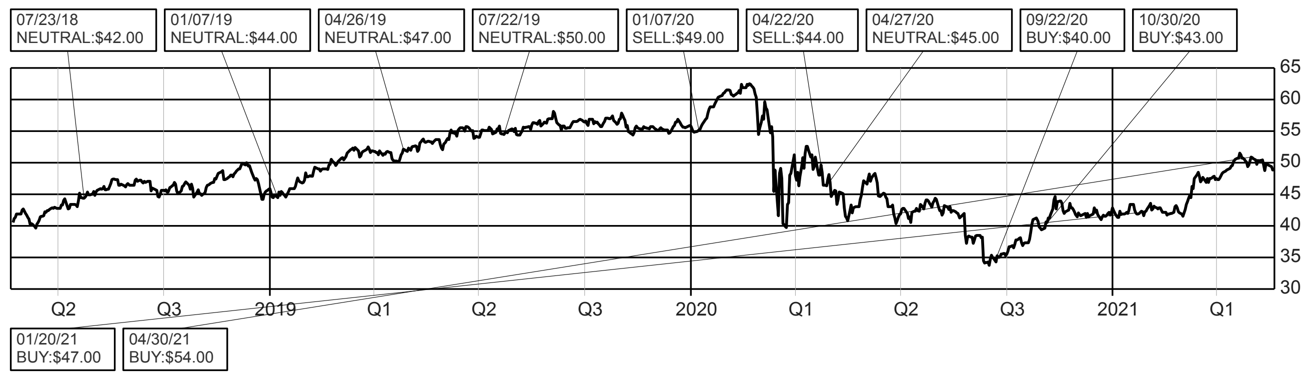
Rating and Price Target History for: Portland General Electric Company (POR) as of 05-20-2021



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RATINGS EXPLANATION AND GUIDELINES

BUY (B) - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 10% or more within a 12-month period.

NEUTRAL (N) - Describes stocks that we expect to provide a total return (price appreciation plus yield) of between plus 10% and minus 10% within a 12-month period.

SELL (S) - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Guggenheim Securities, LLC policies.

CS - Coverage Suspended. Guggenheim Securities, LLC has suspended coverage of this company.

NC - Not covered. Guggenheim Securities, LLC does not cover this company.

Monitor - Describes stocks whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

Under Review (UR) - Following the release of significant news from this company, the rating has been temporarily placed under review until sufficient information has been obtained and assessed by the analyst.

Guggenheim Securities, LLC methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

Price targets are assigned for Buy- and Sell-rated stocks. Price targets for Neutral-rated stocks are provided at the discretion of the analyst.

Equity Valuation and Risks: For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at https://guggenheimlibrary.bluematrix.com/client/library.jsp, contact the primary analyst or your Guggenheim Securities, LLC representative, or email GSResearchDisclosures@guggenheimpartners.com.

RATINGS DISTRIBUTIONS FOR GUGGENHEIM SECURITIES:

			IB Serv./ Past 12Mos.	
Rating Category	**Count**	**Percent**	**Count**	**Percent**
BUY	267	66.25%	59	22.10%
NEUTRAL	131	32.51%	8	6.11%
SELL	5	1.24%	1	20.00%

OTHER DISCLOSURES

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Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-011:

If applicable, please supply a listing of all common equity infusions from the parent to the Company over the past five years. In each case, identify date and dollar amount.

Response:

Attachment A shows Columbia Gas of Pennsylvania received equity infusions of $45,000,000 in June 2018, $55,000,000 in March 2020, $60,000,000 in June 2021, and $25,000,000 in December 2021.

RECEIPT OF CAPITAL CONTRIBUTION

Columbia Gas of Pennsylvania, Inc. hereby acknowledges receipt of an equity capital contribution in the amount of $45,000,000 from its sole stockholder, NiSource Gas Distribution Group, Inc.

Dated: June 29, 2018

COLUMBIA GAS OF PENNSYLVANIA, INC.

Symma D. Simmons

Symma D. Simmons, Assistant Treasurer

RECEIPT OF CAPITAL CONTRIBUTION

Columbia Gas of Pennsylvania, Inc. hereby acknowledges receipt of an equity capital contribution in the amount of $55,000,000 from its sole stockholder NiSource Gas Distribution Group, INC.

Dated: March 31, 2020

COLUMBIA GAS OF PENNSYLVANIA, INC.

Summa D Simmons

Summa D. Simmons, Assistant Treasurer

RECEIPT OF CAPITAL CONTRIBUTION

Columbia Gas of Pennsylvania, Inc. hereby acknowledges receipt of an equity capital contribution in the amount of $60,000,000 from its sole stockholder, NiSource Gas Distribution Group, Inc.

Dated: June 30, 2021

COLUMBIA GAS OF PENNSYLVANIA, INC.

Randy G. Hulen, Treasurer

RECEIPT OF CAPITAL CONTRIBUTION

Columbia Gas of Pennsylvania, Inc. hereby acknowledges receipt of an equity capital contribution in the amount of $25,000,000 from its sole stockholder, NiSource Gas Distribution Group, Inc.

Dated: December 31, 2021

COLUMBIA GAS OF PENNSYLVANIA, INC.

Randy G. Hulen, Treasurer

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-012:

If applicable, please identify the Company's common dividend payments to its parent for each of the last five years.

Response:

Common Dividend payments to the Parent Company for the last 5 years were as follows:

2017 - $0
2018 - $0
2019 - $0
2020 - $0
2021 - $0

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-013:

Please provide the latest year-by-year financial projections for the Company for the next five years. Also, please indicate the date these projections were prepared; whether approved by management; and whether the projections have been submitted to bond rating agencies. (Information should be treated in a confidential manner.)

Response:

The financial projections of the Company are confidential and will be made available upon request, subject to an appropriate confidentiality agreement or protective order.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-014:

Please provide the Company's five-year construction budget.

Response:

GAS-ROR-014 Attachment A provides Columbia Gas of Pennsylvania's current five year Capital Program (2022-2026) broken down by Business Class, summarized by Gross Capital Expenditures, Net Capital Expenditures, and Contributions and Reimbursements.

Columbia Gas of Pennsylvania
Capital Program
($000)

Budgeted Capital Expenditures

Class	2022	2023	2024	2025	2026
Growth	$43,580	$43,041	$44,893	$48,904	$61,358
Betterment	$15,603	$6,825	$15,125	$9,780	$10,069
Public Improvement	$14,550	$7,900	$8,000	$7,500	$8,000
Replacement	$275,831	$342,392	$341,438	$371,463	$384,945
Support Services	$10,431	$3,085	$4,013	$3,800	$3,699
Total Gross Capital					
Shared Services Allocation	$19,871	$21,934	$20,375	$20,375	$20,375
Total Gross Capital Including Shared Services	**$19,871**	**$21,934**	**$20,375**	**$20,375**	**$20,375**

	2022	2023	2024	2025	2026
Contributions - Growth		($1,249)	($603)		
Reimbursement - Betterment					
Reimbursement - Public Improvement	($800)	($800)	($500)	($500)	($500)
Reimbursement - Replacement					
Total Contributions & Reimbursements	**($800)**	**($2,049)**	**($1,103)**	**($500)**	**($500)**

Capital Expenditures Net Reimbursements

Class	2022	2023	2024	2025	2026
Growth	$43,580	$41,793	$44,290	$48,904	$61,358
Betterment	$15,603	$6,825	$15,125	$9,780	$10,069
Public Improvement	$13,750	$7,100	$7,500	$7,000	$7,500
Replacement	$275,831	$342,392	$341,438	$371,463	$384,945
Support Services	$10,431	$3,085	$4,013	$3,800	$3,699
Total Net Capital	**$359,195**	**$401,195**	**$412,366**	**$440,948**	**$467,571**
Shared Services Allocation	$19,871	$21,934	$20,375	$20,375	$20,375
Total Net Capital Including Shared Services	**$379,065**	**$423,129**	**$432,740**	**$461,322**	**$487,946**

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-015:

Please identify the Company's and, if applicable, its parent's capital structure targets (percentages of capital types). Provide the complete basis for the capital structure targets.

Response: Columbia Gas of Pennsylvania, Inc.

The Company targets an equity ratio of between 53-55% and a debt ratio, including short term debt, of between 45-47%. These ranges have been acceptable in Pennsylvania in the past. They also fall within the ranges of the Gas Group as described in Paul Moul's direct testimony, Columbia Statement No. 8.

Response: NiSource Inc.

NiSource Inc. does not formally publish a capital structure target, but it implements its financial strategy with the goal of maintaining an investment grade bond rating.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-016:

For each month, of the most recent 24 months, please supply the Company's

a. short-term debt balance;

b. short-term debt interest rate;

c. balance of construction work in progress; and

d. balance of construction work in progress which is eligible for AFUDC accrual.

Response:

Please see GAS-ROR-016 Attachment A.

COLUMBIA GAS OF PENNSYLVANIA, INC.

	Part A	Part B	Part C	Part D
	Short Term Debt		Construction Work in Progress	
	Balance ($000)	Rate %	CWIP Balance (Dollars$)	CWIP Eligible for AFUDC (Dollars$)
January 2020	109,822	2.05%	52,901,455	36,566,219
February	97,355	1.81%	45,527,031	41,122,602
March	0	1.88%	45,748,245	38,336,778
April	0	1.32%	54,626,030	39,253,371
May	0	0.41%	57,480,882	45,926,715
June	0	0.16%	59,862,442	46,803,716
July	6,012	0.13%	76,783,353	51,534,331
August	36,026	0.13%	50,866,819	52,696,463
September	68,331	0.13%	55,366,327	46,727,146
October	108,922	0.15%	54,286,873	45,353,111
November	131,914	0.22%	46,888,433	49,536,066
December 2020	168,183	0.23%	43,992,078	41,038,546
January 2021	157,731	0.20%	43,611,515	31,521,378
February	144,381	0.17%	48,225,888	34,264,544
March	0	0.16%	58,950,197	43,221,185
April	0	0.13%	66,506,257	48,948,783
May	0	0.02%	71,274,085	54,177,792
June	0	0.02%	80,418,132	58,974,449
July	1,661	0.04%	87,529,722	61,054,072
August	40,283	0.13%	96,479,402	69,974,885
September	82,023	0.16%	98,701,792	73,692,570
October	116,411	0.16%	102,099,802	82,547,819
November	170,860	0.16%	103,631,256	80,174,295
December 2021	165,691	0.20%	67,521,691	80,098,440

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-017:

If applicable, please provide the currently authorized returns on equity for each of the parent's utility subsidiaries of the same industry type as the Company. In each case identify the approximate date when the current return on equity was approved by the state commission.

Response:

Company		Date		ROE
Columbia Gas of Kentucky		December 28, 2021		9.35%*
Columbia Gas of Ohio		December 3, 2008		10.39%
Columbia Gas of Maryland		December 3, 2021		9.65%**
Columbia Gas of Virginia		June 12, 2019		9.70%***
NIPSCO - Gas		September 19, 2018		9.85%

*Columbia Gas of Kentucky received a Final Order on December 28, 2021 in Case No. 2021-00183 approving a 9.35% ROE applied to the approved rate base (13 month average for rate year/calendar year 2022). Additionally, the Order approved a 9.275% ROE for SMRP (Safety Modification and Replacement Program) investments included in future capital infrastructure filings.

**On December 3, 2021, the Public Utility Law Judge’s October 29, 2021 Proposed Order in Columbia Gas of Maryland's 2021 Rate Case, Case Number 9664, (recommending approval of the Settlement without modification) became the Final Order of the Maryland Public Service Commission.

***Columbia Gas of Virginia received a final order June 12, 2019 approving a settlement in a base rate proceeding. While the settlement indicated no specific ROE used to establish base rates, it did establish a ROE of 9.7% to be used in any application or filing other than a base rate filing. Additionally, it established an ROE range of 9.2% to 10.2% with a midpoint of 9.7% for use in Earnings Tests filings.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-018:

Has the Utility reacquired or repurchased any debt within the last five years? If so, provide a summary of each gain or loss on reacquired debt, the date on which the utility commenced amortization of such a gain or loss, the regulatory commission decision addressing the treatment of such gain or loss on reacquired debt, if any, on interest expense.

Response:

Columbia has not reacquired or repurchased any debt within the last five years.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-019:

Fully identify all debt (other than instruments traded in public markets) owed to all shareholders, corporate officers, or members of the board of directors, its affiliates, parent company, or subsidiaries.

Response:

Columbia Gas of Pennsylvania, Inc. (the Company) is a wholly owned subsidiary of NiSource Gas Distribution, Inc., which is a subsidiary of NiSource Inc. (the Parent). All debt of the Company is held by the Parent and is not publicly traded.

Please see GAS-ROR-019 Attachment A to this Response.

COLUMBIA GAS OF PENNSYLVANIA, INC.

STATEMENT OF OUTSTANDING LONG TERM NOTES AT DECEMBER 31, 2021

Line No.	Description	Date of Issue (1)	Date of Maturity (2)	Principal Amount Issued (3) $		Amount Paid (4) $	Amount Outstanding (5) $	Coupon Interest Rate (6)	Annualized Cost (7) $
	Columbia Gas of Pennsylvania, Inc.								
	LONG TERM DEBT								
1	Debentures	11/28/2005	11/28/2025	54,515,000	$	-	54,515,000	5.9200%	3,227,288
2	Debentures	12/14/2007	12/14/2027	58,000,000	$	-	58,000,000	6.8650%	3,981,700
3	Debentures	12/16/2010	12/16/2030	28,000,000	$	-	28,000,000	6.0200%	1,685,600
4	Debentures	3/28/2012	3/26/2032	30,000,000	$	-	30,000,000	5.3550%	1,606,500
5	Debentures	3/28/2012	3/26/2042	35,000,000	$	-	35,000,000	5.8900%	2,061,500
6	Debentures	11/28/2012	11/28/2042	65,000,000	$	-	65,000,000	5.2600%	3,419,000
7	Debentures	6/19/2013	06/19/2043	23,000,000	$	-	23,000,000	5.5300%	1,271,900
8	Debentures	12/18/2013	12/18/2043	32,000,000	$	-	32,000,000	6.2900%	2,012,800
9	Debentures	12/18/2014	12/16/2044	30,000,000	$	-	30,000,000	4.4300%	1,329,000
10	Debentures	3/24/2015	3/24/2045	60,000,000	$	-	60,000,000	4.1500%	2,490,000
11	Debentures	9/28/2015	9/28/2035	60,000,000	$	-	60,000,000	4.5051%	2,703,060
12	Debentures	3/31/2016	3/30/2046	45,000,000	$	-	45,000,000	4.1858%	1,883,610
13	Debentures	1/31/2017	1/31/2047	85,000,000	$	-	85,000,000	4.4386%	3,772,810
14	Debentures	6/29/2018	6/29/2048	80,000,000	$	-	80,000,000	4.5279%	3,622,320
15	Debentures	11/22/2019	11/22/2049	80,000,000	$	-	80,000,000	3.6870%	2,949,600
16	Debentures	3/31/2020	3/31/2050	110,000,000			110,000,000	3.8716%	4,258,760
17	Debentures	3/31/2021	3/31/2051	110,000,000			110,000,000	3.6521%	4,017,310
18	Debentures	12/31/2021	12/31/2051	50,000,000			50,000,000	3.2671%	1,633,550
19	TOTAL INSTALLMENT FROM NOTES PAYABLE			1,035,515,000	$	-	1,035,515,000		47,926,308
20	TOTAL AVERAGE WEIGHTED EFFECTIVE COST RATE [Col. 7/Col. 5]								4.628%

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-20:

Provide a summary statement of all stock dividends, splits, or par value changes during the two (2) year calendar period preceding the rate case filing.

Response:

Columbia Gas of Pennsylvania paid no dividends during the two year calendar period preceding the rate case.

Cash dividends on NiSource Inc. stock during the two year calendar period preceding the rate case were as follows:

Date Declared		Record Date		Date of Payment		Dividend Per share
10-Aug-21		29-Oct-21		19-Nov-21		$0.2200
25-May-21		30-Jul-21		20-Aug-21		$0.2200
16-Mar-21		30-Apr-21		20-May-21		$0.2200
27-Jan-21		9-Feb-21		19-Feb-21		$0.2200
11-Aug-20		30-Oct-20		20-Nov-20		$0.2100
19-May-20		31-Jul-20		20-Aug-20		$0.2100
17-Mar-20		30-Apr-20		20-May-20		$0.2100
31-Jan-20		11-Feb-20		20-Feb-20		$0.2100

NiSource Inc. also had two classes of outstanding preferred stock that paid out dividends during the past two years. This is detailed below:

Series A:

Date Declared		Record Date		Date of Payment		Dividend Per share
10-Aug-21		23-Nov-21		15-Dec-21		$25.25 per share equal to 0.02825 per $1 of its liquidation preference

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

16-Mar-21		24-May-21		13-June-21		$25.25 per share equal to 0.02825 per $1 of its liquidation preference
11-Aug-20		23-Nov-20		15-Dec-20		$25.25 per share equal to 0.02825 per $1 of its liquidation preference
17-Mar-20		22-May-20		15-Jun-20		25.25 per share equal to 0.02825 per $1 of its liquidation preference

Series B:

Date Declared		Record Date		Date of Payment		Dividend Per share
10-Aug-21		23-Nov-21		15-Dec-21		$406.25 per share equal to 0.4559 per depositary share
25-May-21		24-Aug-21		15-Sep-21		$406.25 per share equal to 0.4559 per depositary share
16-Mar-21		24-May-21		15-Jun-21		$406.25 per share equal to 0.4559 per depositary share
29-Jan-21		22-Feb-21		15-Mar-21		$406.25 per share equal to 0.4559 per depositary share
11-Aug-20		23-Nov-20		15-Dec-20		$406.25 per share equal to 0.4559 per depositary share

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

19-May-20		24-Aug-20		15-Sep-20		$406.25 per share equal to 0.4559 per depositary share
17-Mar-20		22-May-20		15-Jun-20		$406.25 per share equal to 0.4559 per depositary share
31-Jan-20		24-Feb-20		16-Mar-20		$406.25 per share equal to 0.4559 per depositary share

NiSource Inc. did not have any stock splits or par value changes during the two year calendar period preceding the rate case.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-021:

If a claim of the filing utility is based on utilization of the capital structure or capital costs of the parent company and system--consolidated, the reasons for this claim must be fully stated and supported.

Response:

The filing utility, Columbia Gas of Pennsylvania, Inc., is not utilizing the capital structure of the parent company (NiSource Gas Distribution, Inc.), or the system consolidated (NiSource Inc.) in its claim.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-022:

To the extent not provided in SDR III-A.13, supply projected capital requirements and sources of the filing utility, its parent and system--consolidated--for the test year and each of three (3) comparable future years.

Response:

Please see GAS-ROR-022 Attachment A, page 1, which provides Columbia Gas of Pennsylvania's capital requirements and sources for the test year (November 30, 2021). See GAS-ROR-022 Attachment A, page 2, which provides NiSource capital requirements and sources for November 30, 2021.

Please refer to Exhibit No. 405 concerning the three future years.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL Utilities

USES OF FUNDS	**`November 2021 000's**
Constructions	$352,574
Allowance for Funds Used During Contruction	1,335
Debt Retirement and Redemption	21,077
Other Investing Activities	5,969
Common Dividends	-
Total Funds Required	380,956

SOURCES OF FUNDS	
Internal Sources	
Net Income	$106,253
Depreciation	87,224
Deferred Taxes	10,757
Other Cash Flow from Operations	(4,793)
Working Capital	(14,177)
Total Internal Sources	185,264
External Sources	
Common Stock/Additional Paid in Capital	60,000
Net Increase(Decrease) in Short-Term Borrowings	25,693
Issuance of Long-Term debt	110,000
Total External Sources	195,693
Total Sources of Funds	380,956

NiSource
53.53 II. RATE OF RETURN
A. ALL Utilities

USES OF FUNDS	**`November 2021** 000's
Constructions	$1,816,722
Allowance for Funds Used During Contruction	12,875
Debt Retirement and Redemption	25,322
Other Investing Activities	222,940
Dividends / Distributions	401,044
Total Funds Required	2,478,902

SOURCES OF FUNDS	
Internal Sources	
Net Income	$563,892
Depreciation	752,857
Deferred Taxes	106,470
Other Cash Flow from Operations	3,704
Working Capital	(211,471)
Total Internal Sources	1,215,451
External Sources	
Common & Preferred Stock/Additional Paid in Capital	1,003,451
Net Increase(Decrease) in Short-Term Borrowings	260,000
Issuance of Long-Term debt	-
Total External Sources	1,263,451
Total Sources of Funds	2,478,902

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-023:

To the extent not provided elsewhere, supply financial data of Company and/or parent for the last five (5) years.

a. Times interest earned ratio – pre and post tax basis.

b. Preferred stock dividend coverage ratio – post tax basis.

c. Times fixed charges earned ratio – pre tax basis.

d. Dividend payout ratio.

e. AFUDC as a percent of earnings available for common equity.

f. Construction work in progress as a percent of net utility plant.

g. Effective income tax rate.

h. Internal cash generations as a percent of total capital requirements.

Response:

Please see GAS-ROR-023 Attachment A, page 1 for Company financial data and page 2 for parent financial data.

COLUMBIA GAS OF PENNSYLVANIA, INC.
Standard Data Request - Rate of Return
SDR No. 23 - Exhibit

a. Times Interest earned ratio -- pre and post tax basis.

	2017	2018	2019	2020	2021
Pre-tax	4.05	4.12	4.09	3.55	4.07
Post-tax	2.92	3.66	3.41	3.03	3.40

b. Preferred stock dividend coverage ratio -- post tax basis.

2017	2018	2019	2020	2021
N/A	N/A	N/A	N/A	N/A

c. Time fixed charges earned ratio -- pre tax basis.

2017	2018	2019	2020	2021
4.36	4.57	4.55	3.70	4.22

d. Dividend payout ratio.

2017	2018	2019	2020	2021
0.00	0.00	0.00	0.00	0.00

e. AFUDC as earnings available for common equity.

2017	2018	2019	2020	2021
1.59%	0.46%	0.63%	1.00%	1.27%

f. Construction work in progress as a percent of net utility plant.

2017	2018	2019	2020	2021
1.37%	2.31%	1.98%	1.80%	1.52%

g. Effective income tax rate

2017	2018	2019	2020	2021
37.20%	14.87%	21.98%	20.53%	21.77%

h. Internal cash generations as a percent of total capital requirements.

2017	2018	2019	2020	2021
59.51%	62.57%	56.14%	56.70%	57.96%

NiSource Inc.
Standard Data Request - Rate of Return
SDR No. 23 - Exhibit

a. Times Interest earned ratio -- pre and post tax basis.

	2017	2018	2019	2020	2021
Pre-tax	2.25	0.36	2.48	0.92	3.07
Post-tax	1.36	0.86	2.15	0.96	2.73

b. Preferred stock dividend coverage ratio -- post tax basis.

2017	2018	2019	2020	2021
N/A	(3.37)	7.92	(0.26)	10.69

c. Time fixed charges earned ratio -- pre tax basis.

2017	2018	2019	2020	2021
2.24	0.39	2.86	0.96	3.11

d. Dividend payout ratio.

2017	2018	2019	2020	2021
1.78	(5.70)	0.81	(26.56)	0.68

e. AFUDC as earnings available for common equity.

2017	2018	2019	2020	2021
9.81%	-21.65%	2.10%	-13.62%	2.47%

f. Construction work in progress as a percent of net utility plant.

2017	2018	2019	2020	2021
6.75%	3.06%	2.70%	3.75%	4.52%

g. Effective income tax rate.

2017	2018	2019	2020	2021
70.99%	78.06%	24.38%	54.63%	16.67%

h. Internal cash generations as a percent of total capital requirements.

2017	2018	2019	2020	2021
45.38%	3.42%	47.71%	18.56%	56.75%