



Edison Electric
INSTITUTE

Stock Performance

Q1 2021
FINANCIAL UPDATE

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

About EEI

EEI is the association that represents all U.S. investor-owned electric companies. Our members provide electricity for 220 million Americans, and operate in all 50 states and the District of Columbia. As a whole, the electric power industry supports more than 7 million jobs in communities across the United States. In addition to our U.S. members, EEI has more than 60 international electric companies, with operations in more than 90 countries, as International Members, and hundreds of industry suppliers and related organizations as Associate Members. Organized in 1933, EEI provides public policy leadership, strategic business intelligence, and essential conferences and forums.

About EEI's Quarterly Financial Updates

EEI's quarterly financial updates present industry trend analyses and financial data covering 44 U.S. investor-owned electric utility companies. These 44 companies include 39 electric utility holding companies whose stocks are traded on major U.S. stock exchanges and five electric utilities who are subsidiaries of non-utility or foreign companies. Financial updates are published for the following topics:

- Stock Performance
- Dividends
- Credit Ratings
- Rate Review

EEI Finance Department material can be found online at www.eei.org/QFU.

For EEI Member Companies

The EEI Finance and Accounting Division maintains current year and historical data sets that cover a wide range of industry financial and operating metrics. We look forward to serving as a resource for member companies who wish to produce customized industry financial data and trend analyses for use in:

- Investor relations studies and presentations
- Internal company presentations
- Performance benchmarking
- Peer group analyses
- Annual and quarterly reports to shareholders

We Welcome Your Feedback

EEI is interested in ensuring that our publications and industry data sets best address the needs of member companies and the regulatory and financial communities. We welcome your comments, suggestions and inquiries.

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Future EEI Finance Meetings

EEI Financial Conference
November 7-9, 2021
Diplomat Resort & Spa
Hollywood, Florida

For more information about future EEI Finance Meetings, please contact Aaron Cope, Jr. at (202) 508-5128 or acope@eei.org.

The 44 U.S. Investor-Owned Electric Utilities

The companies listed below all serve a regulated distribution territory. Other utilities, such as transmission provider ITC Holdings, are not shown below because they do not serve a regulated distribution territory. However, their financial information is included in relevant EE data sets, such as transmission-related construction spending.

ALLETE, Inc. (ALE)
Alliant Energy Corporation (LNT)
Ameren Corporation (AEE)
American Electric Power Company, Inc. (AEP)
AVANGRID, Inc. (AGR)
Avista Corporation (AVA)
Berkshire Hathaway Energy
Black Hills Corporation (BKH)
CenterPoint Energy, Inc. (CNP)
Cleco Corporation
CMS Energy Corporation (CMS)
Consolidated Edison, Inc. (ED)
Dominion Energy, Inc. (D)
DPL, Inc.
DTE Energy Company (DTE)
Duke Energy Corporation (DUK)
Edison International (EIX)
Entergy Corporation (ETR)
Eversource Energy (ES)
Exelon Corporation (EXC)
FirstEnergy Corp. (FE)
Hawaiian Electric Industries, Inc. (HE)
IDACORP, Inc. (IDA)
IPALCO Enterprises, Inc.

MDU Resources Group, Inc. (MDU)
MGE Energy, Inc. (MGEE)
NextEra Energy, Inc. (NEE)
NiSource Inc. (NI)
NorthWestern Corporation (NWE)
OGE Energy Corp. (OGE)
Otter Tail Corporation (OTTR)
PG&E Corporation (PCG)
Pinnacle West Capital Corporation (PNW)
PNM Resources, Inc. (PNM)
Portland General Electric Company (POR)
PPL Corporation (PPL)
Public Service Enterprise Group Inc. (PEG)
Puget Energy, Inc.
Sempra Energy (SRE)
Souther Company (SO)
Unitil Corporation (UTL)
WEC Energy Group, Inc. (WEC)
Xcel Energy, Inc. (XEL)

Note: Companies shown in italics are not listed on U.S. stock exchanges for one of the following reasons — they are subsidiaries of an independent power producer; they are subsidiaries of foreign-owned companies; or they were acquired by other investment firms.

Companies Listed by Category

(Based on Business Segmentation Data as of 12/31/2020)

Please refer to the Quarterly Financial Updates webpage for previous years' lists.

Given the diversity of utility holding company corporate strategies, no single company categorization approach will be useful for all EEI members and utility industry analysts. Nevertheless, we believe the following classification provides an informative framework for tracking financial trends and the capital markets' response to business strategies as companies depart from the traditional regulated utility model.

Regulated
Mostly Regulated

80% or more of total assets are regulated
Less than 80% of total assets are regulated

Categorization is based on year-end business segmentation data presented in SEC 10-K filings, supplemented by discussions with and information provided by parent company IR departments.

The EEI Finance and Accounting Division continues to evaluate our approach to company categorization and business segmentation. In addition, we can produce customized categorization and peer group analyses in response to member company requests. We welcome comments, suggestions and feedback from EEI member companies and the financial community.

Regulated (35 of 44)

Alliant Energy Corporation
Ameren Corporation
American Electric Power Company, Inc.
Avista Corporation
Black Hills Corporation
CenterPoint Energy, Inc.
Cleco Corporation
CMS Energy Corporation
Consolidated Edison, Inc.
Dominion Energy, Inc.
DPL Inc.
Duke Energy Corporation
Edison International
Entergy Corporation
Eversource Energy
FirstEnergy Corp.

IDACORP, Inc.
IPALCO Enterprises, Inc.
MGE Energy, Inc.
NiSource Inc.
NorthWestern Corporation
OGE Energy Corp.
Otter Tail Corporation
PG&E Corporation
Pinnacle West Capital Corporation
PNM Resources, Inc.
Portland General Electric Company
PPL Corporation
Puget Energy, Inc.
Semptra Energy
Southern Company
Unitil Corporation
WEC Energy Group, Inc.
Xcel Energy Inc.

Mostly Regulated (9 of 44)

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

Note: Companies shown in italics are not listed on U.S. stock exchanges for one of the following reasons — they are subsidiaries of an independent power producer; they are subsidiaries of foreign-owned companies; or they were acquired by other investment firms.

Stock Performance

HIGHLIGHTS

■ The EEI Index returned 3.0% in Q1, slightly behind the S&P 500's 6.2% and Dow Jones Industrial's 8.3%. Utility benchmarks were off 5% by late February but recovered in March to produce the quarter's gain.

■ Analysts noted utilities' earnings calls during Q1 showed the industry managed the 2020 pandemic in relatively good shape. Strong residential sales from travel restrictions and work-at-home arrangements combined with control of operations and maintenance (O&M) expenses to help many utilities mute the impact on 2020 earnings.

■ Much of Wall Street's analytical attention in Q1 was focused on the new Biden administration's clean energy agenda. Emerging details left industry analysts more bullish on prospects for long-term utility industry capex and rate base growth.

■ Absent macro shocks, such as sharply higher inflation and interest rates, utility investors have good reason to be optimistic. But if economic strength disappoints and incomes stagnate, the "S" in ESG will continue to receive heightened attention with respect to consumer finances.

COMMENTARY

Utility stocks trailed major market averages in Q1 as 2020's broad rally extended into the new year. The EEI Index returned 3.0%, slightly behind the S&P 500's 6.2% return and the Dow Jones Industrial's 8.3% gain. The tech-heavy Nasdaq returned a more subdued 2.8% after rising almost 44% in 2020. Market gains were sparked last year by the unprecedented fiscal and monetary support used to steer the nation through COVID-19 lockdowns and forced business

I. Index Comparison (% Return)

Index	2015	2016	2017	2018	2019	2020	2021*
EEI Index	-3.9	17.4	11.7	3.7	25.8	-1.2	3.0
Dow Jones Inds.	0.2	16.5	28.1	-3.5	25.3	9.7	8.3
S&P 500	1.4	12.0	21.8	-4.4	31.5	18.4	6.2
Nasdaq Comp.^	5.7	7.5	28.2	-3.9	35.2	43.6	2.8

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

*3 mo. through Mar 31.

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

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

II. Category Comparison (% Return)

U.S. Investor-Owned Electric Utilities

Index	2015	2016	2017	2018	2019	2020	2021*
All Companies	-2.0	22.2	11.6	4.3	23.1	-8.1	6.0
Regulated	-0.7	21.2	11.7	4.5	24.6	-9.0	4.8
Mostly Regulated	-3.7	24.6	11.3	3.6	17.9	-4.9	10.6
Diversified	-14.4	25.6	n/a**	n/a**	n/a**	n/a**	n/a**

Calendar year returns shown for all periods except where noted.

Returns shown here are unweighted averages of constituent company returns.

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

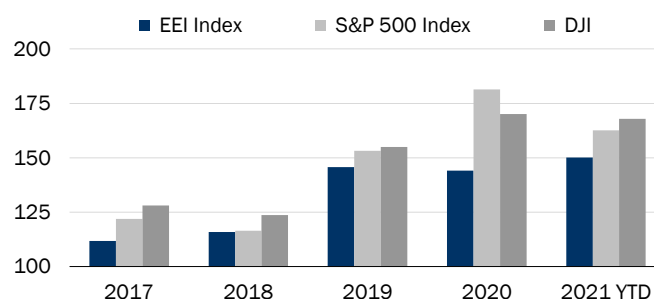
*3 mo. through Mar 31.

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

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

III. Total Return Comparison

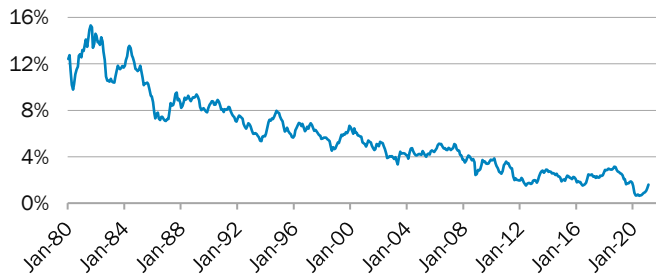
Value of \$100 invested at close on 12/31/2016



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

IV. 10-Year Treasury Yield — Monthly

Average Monthly Yield, 1/1/1980 through 3/31/2021



Source: U.S. Federal Reserve

V. 10-Year Treasury Yield — Weekly

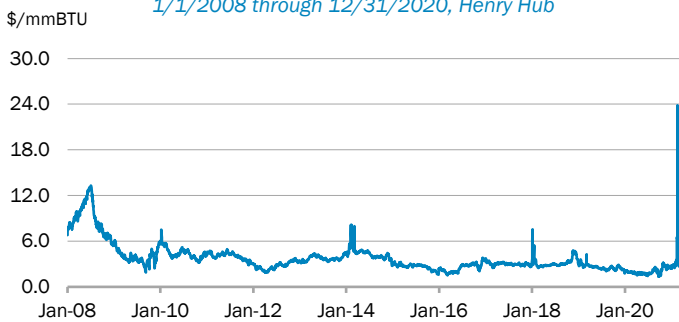
Daily Yield, 1/1/2008 through 3/31/2021



Source: U.S. Federal Reserve

VI. Natural Gas Spot Prices

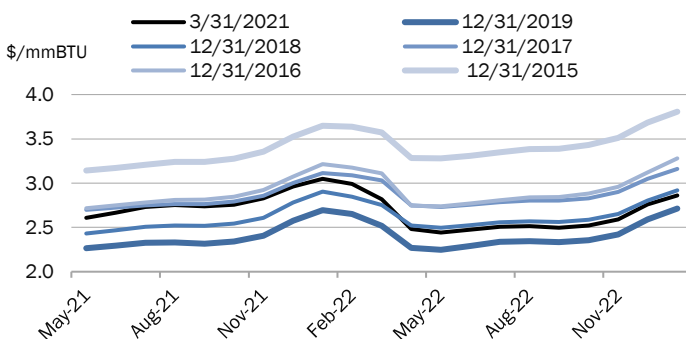
1/1/2008 through 12/31/2020, Henry Hub



Source: S&P Global Market Intelligence

VII. NYMEX Natural Gas Futures

February 2021 through January 2023, Henry Hub



Source: S&P Global Market Intelligence

VIII. Returns by Quarter

U.S. Investor-Owned Electric Utilities

Index	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1
EEl Index	3.8	2.0	1.3	11.1	4.1	8.2	0.4	-13.6	1.8	5.6	6.5	3.0
Dow Jones Industrials	1.3	9.6	-11.3	11.8	3.2	1.8	6.7	-22.7	18.5	8.2	10.7	8.3
S&P 500	3.4	7.7	-13.5	13.7	4.3	1.7	9.1	-19.6	20.5	8.9	12.2	6.2
Nasdaq Comp. [^]	6.3	7.1	-17.5	16.5	3.6	-0.1	12.2	-14.2	30.6	11.0	15.4	2.8

Category*	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1
All Companies	5.3	1.4	0.8	10.6	4.9	6.5	-0.4	-15.8	-1.0	1.3	8.8	6.0
Regulated	5.4	2.0	0.7	10.6	5.9	6.5	-0.1	-15.0	-1.3	-0.1	8.6	4.8
Mostly Regulated	5.0	-0.3	0.9	10.5	1.3	6.6	-1.2	-18.3	0.2	6.2	9.3	10.6

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

IX. Sector Comparison, Trailing 3 mo. Total Return

For the three-month period ending 3/31/2021

Sector	Total Return
Oil & Gas	30.2%
Financials	12.3%
Basic Materials	11.1%
Industrials	9.0%
Consumer Services	3.8%
Technology	3.5%
Utilities	3.1%
EEl Index	3.0%
Healthcare	2.9%
Consumer Goods	2.3%
Telecommunications	1.7%

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

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

X. Sector Comparison, Trailing 12 mo. Total Return

For the twelve-month period ending 3/31/2021

Sector	Total Return
Basic Materials	85.0%
Oil & Gas	78.7%
Technology	72.7%
Industrials	72.4%
Consumer Goods	66.7%
Consumer Services	65.9%
Financials	57.0%
Healthcare	36.6%
Utilities	19.3%
EEl Index	18.1%
Telecommunications	15.1%

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

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

XI. Market Capitalization at March 31, 2021 (in \$ Millions)

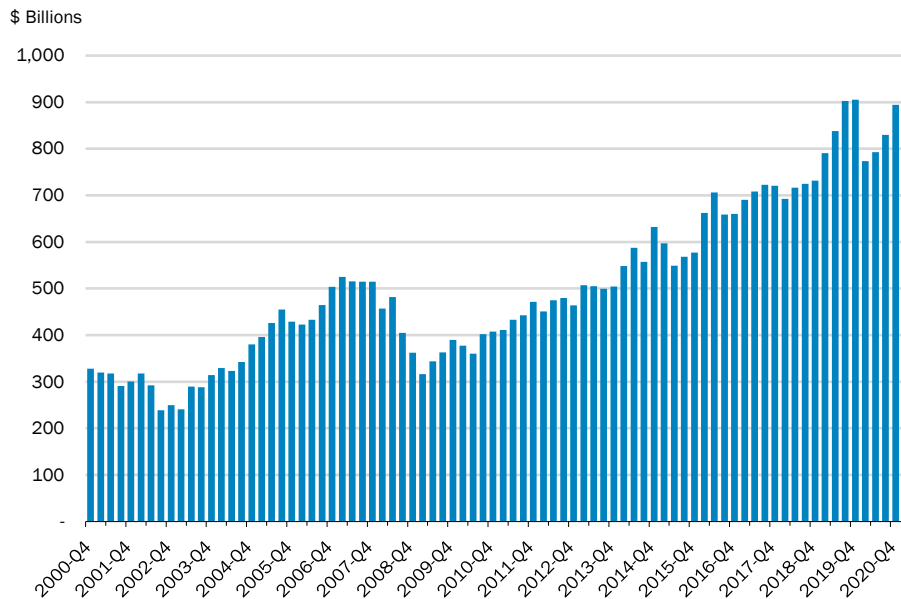
U.S. Investor-Owned Electric Utilities

Company	Stock Symbol	\$ Market Cap	% Total	Company	Stock Symbol	\$ Market Cap	% Total
NextEra Energy, Inc.	NEE	148,120	16.38%	PG&E Corporation	PCG	14,719	1.63%
Duke Energy Corporation	DUK	71,143	7.87%	Eergy, Inc.	EVRG	13,525	1.50%
Southern Company	SO	65,765	7.27%	Alliant Energy Corporation	LNT	13,453	1.49%
Dominion Energy, Inc.	D	63,123	6.98%	CenterPoint Energy, Inc.	CNP	12,028	1.33%
Exelon Corporation	EXC	42,690	4.72%	NiSource Inc.	NI	9,267	1.02%
American Electric Power Co., Inc.	AEP	41,987	4.64%	Pinnacle West Capital Corp.	PNW	9,165	1.01%
Sempra Energy	SRE	38,591	4.27%	OGE Energy Corp.	OGE	6,475	0.72%
Xcel Energy Inc.	XEL	35,051	3.88%	MDU Resources Group, Inc.	MDU	6,338	0.70%
Public Service Enter. Group Inc.	PEG	30,346	3.36%	IDACORP, Inc.	IDA	5,052	0.56%
WEC Energy Group, Inc.	WEC	29,518	3.26%	Hawaiian Electric Industries, Inc.	HE	4,849	0.54%
Eversource Energy	ES	29,340	3.24%	Portland General Electric Co.	POR	4,248	0.47%
DTE Energy Company	DTE	25,696	2.84%	Black Hills Corporation	BKH	4,165	0.46%
Consolidated Edison, Inc.	ED	25,043	2.77%	PNM Resources, Inc.	PNM	3,932	0.43%
PPL Corporation	PPL	22,166	2.45%	ALLETE, Inc.	ALE	3,487	0.39%
Edison International	EIX	21,858	2.42%	NorthWestern Corporation	NWE	3,296	0.36%
Ameren Corporation	AEE	20,096	2.22%	Avista Corporation	AVA	3,245	0.36%
Entergy Corporation	ETR	19,905	2.20%	MGE Energy, Inc.	MGEE	2,542	0.28%
FirstEnergy Corp.	FE	18,802	2.08%	Otter Tail Corporation	OTTR	1,880	0.21%
CMS Energy Corporation	CMS	17,448	1.93%	Unitil Corporation	UTL	683	0.08%
AVANGRID, Inc.	AGR	15,416	1.70%	Total Industry		904,454	100.00%

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

XII. EEI Index Market Capitalization (at Period End)

U.S. Investor-Owned Electric Utilities



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

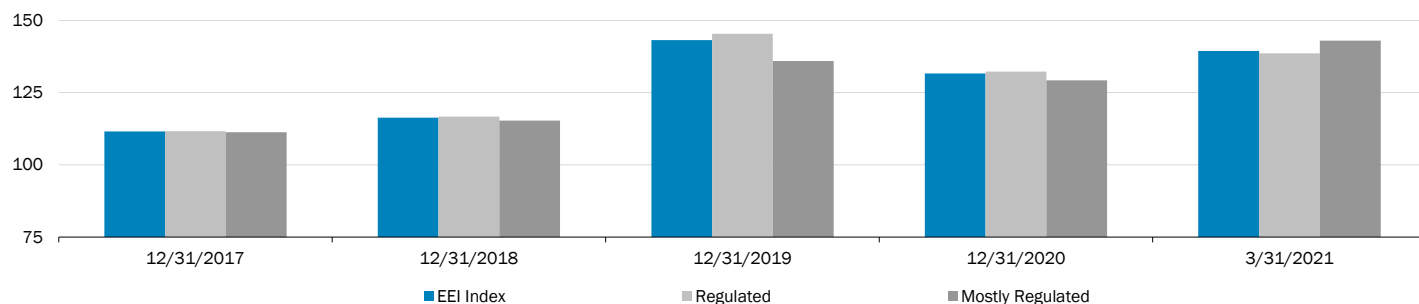
Source: EEI Finance Dept., S&P Global Market Intelligence

EEI Index Market Cap (in \$ Billions)

2005-Q2	426	2013-Q2	505
2005-Q3	455	2013-Q3	500
2005-Q4	429	2013-Q4	504
2006-Q1	423	2014-Q1	548
2006-Q2	433	2014-Q2	588
2006-Q3	464	2014-Q3	557
2006-Q4	504	2014-Q4	632
2007-Q1	525	2015-Q1	597
2007-Q2	516	2015-Q2	549
2007-Q3	515	2015-Q3	568
2007-Q4	514	2015-Q4	577
2008-Q1	457	2016-Q1	663
2008-Q2	482	2016-Q2	706
2008-Q3	404	2016-Q3	659
2008-Q4	362	2016-Q4	660
2009-Q1	316	2017-Q1	690
2009-Q2	344	2017-Q2	708
2009-Q3	363	2017-Q3	722
2009-Q4	390	2017-Q4	720
2010-Q1	377	2018-Q1	692
2010-Q2	360	2018-Q2	716
2010-Q3	402	2018-Q3	725
2010-Q4	407	2018-Q4	731
2011-Q1	411	2019-Q1	790
2011-Q2	433	2019-Q2	838
2011-Q3	442	2019-Q3	902
2011-Q4	472	2019-Q4	905
2012-Q1	451	2020-Q1	773
2012-Q2	475	2020-Q2	792
2012-Q3	480	2020-Q3	830
2012-Q4	464	2020-Q4	894
2013-Q1	507	2021-Q1	905

XIII. Comparative Category Total Annual Returns

U.S. Investor-Owned Electric Utilities, Value of \$100 invested at close on 12/31/2016



	2016	2017	2018	2019	2020	Q1 2021
EEI Index Annual Return (%)		11.56	4.28	23.06	-8.07	5.96
EEI Index Cumulative Return (\$)	100.00	111.56	116.34	143.16	131.60	139.45
Regulated EEI Index Annual Return		11.66	4.55	24.56	-9.01	4.76
Regulated EEI Index Cumulative Return	100.00	111.66	116.74	145.41	132.30	138.60
Mostly Regulated EEI Index Annual Return		11.32	3.62	17.87	-4.95	10.64
Mostly Regulated EEI Index Cumulative Return	100.00	111.32	115.35	135.97	129.24	142.99

Calendar year returns shown, except where noted.
 Diversified category eliminated in 2017 due to lack of constituent companies.
 Returns are unweighted averages of constituent company returns.
 Source: EEI Finance Dept., S&P Global Market Intelligence

closures. Gains in Q1 resulted from evidence of an economic rebound as the grip of the pandemic slowly loosened, offering prospects for a strong jump in corporate profits in 2021's first half.

In late February, the Bureau of Economic Analysis (BEA) reported Q4 2020 real gross domestic product (GDP) rose 4.1% from its level in Q3, which in turn rose 33.4% from Q2, when pandemic stress was at its worst. Signs of the growth seen this quarter produced a BEA advanced estimate for Q1 real GDP growth of 6.4% (released April 29). By early March 2021, Wall Street was expecting an 18% year-to-year jump in S&P 500 corporate earnings for Q1, up from a predicted gain of 12% in early December. And full-year 2021 earnings were expected to rise 23% on an 8% jump in revenue. This bullish economic outlook lifted economically sensitive sectors above utilities, with Oil & Gas (+30.2%), Financials (+12.3%), Basic Materials (+11.1%) and Industrials (+9.0%) leading Q1's market's advance.

Utility Shares See March Jump

Utility shares were down more than 5% on the year in late February but recovered strongly in March to produce the quarter's 3.0% gain. The March rally came despite higher Treasury yields; the 10-Year Treasury started the quarter at 0.9%, rising to 1.5% by late February and 1.8% at quarter-end on steady economic optimism. Analysts noted utility shares would have been stronger in Q1 absent a broad pull

XIV. EEI Index Top Ten Performers

For the three-month period ending 3/31/2021

Company	% Return	Category
Hawaiian Electric Industries, Inc.	26.5	MR
MDU Resources Group, Inc.	20.8	MR
Avista Corporation	20.0	R
FirstEnergy Corp.	14.6	R
NorthWestern Corporation	12.9	R
Portland General Electric Company	11.9	R
AVANGRID, Inc.	10.6	MR
DTE Energy Company	10.6	MR
Black Hills Corporation	9.6	R
ALLETE, Inc.	9.5	MR

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

back in renewables-focused companies that were strong in 2020. Renewables leader NextEra Energy (NEE), which accounts for over 15% of the EEI Index market cap, was flat for the quarter after ranking as the top utility gainer (+30.2%) in 2020. Analysts also noted the quarter favored small-cap utilities; Hawaiian Electric (+26.5%, nearly all in March), was the strongest gainer in the EEI Index. It received a credit ratings upgrade from S&P Global Ratings in March and was selected for inclusion in the iShares Global

Clean Energy (ICLN) ETF. Small-cap utilities MDU (+20.8%) and Avista (+20.0%), another ICLN constituent, were Q1's second and third strongest gainers in the EEI Index.

Looking Past the Pandemic

Analysts noted utilities' Q4 earnings calls during Q1 showed the industry managed through 2020 in relatively good shape. Strong residential sales from travel restrictions and work-at-home arrangements combined with control of operations and maintenance (O&M) expenses to help many utilities mute the pandemic's impact on 2020 earnings, although several noted modest earnings hits from reduced demand. A lift in power demand in Q1 (+3.0% nationwide) from cold winter weather also contributed to recovery optimism. Analysts noted earnings calls focused mostly on big picture growth themes and implications of Biden administration policies until winter storm Uri hit, after which calls focused on storm impacts.

National attention was focused for several days on news coverage of power outages, frozen wind farms and frozen gas pipelines in Texas. Utility shares were broadly weak on the news, which put the group in the red for the year, with initial speculation questioning renewable energy's role in the crisis. But the focus quickly shifted to technical fixes for the region's power market structure. By quarter-end, stock market confidence seemed restored in the nation's ambitious clean energy plans.

Biden Administration Advances Clean Energy Agenda

Much of Wall Street's analytical attention in Q1 was focused on tracking and interpreting the new Biden administration's many moves to advance a clean energy agenda.

- On his first day in office, the new president brought the U.S. back into the Paris climate agreement, a broad accord among nations to reduce greenhouse gas emissions, reversing President Trump's 2017 decision to withdraw.

- On January 27, President Biden issued an "Executive Order on Tackling the Climate Crisis at Home and Abroad" which established a sweeping vision for a net-zero carbon emissions economy by 2050, a carbon-free electricity sector by 2035, and strong support for electric vehicle adoption. The president also established a goal to double off-shore wind production by 2030.

- In February, Treasury secretary Janet Yellen said the Treasury Department would address risks to the financial system posed by climate change. The move was formalized April 19 when Treasury announced it would "bring to bear the full force of the Treasury Department on domestic and international policymaking, leveraging finance and financial risk mitigation to confront the threat of climate change."

- On March 31, the Biden Administration released "The American Jobs Plan", a broad vision for supporting the nation's economic recovery. Analysts noted the plan includes goals for a carbon free power sector with strong economic incentives for electric grid investment, high-voltage power lines, energy storage, offshore wind, electric vehicles and related infrastructure, and financial support for innovation in energy storage, hydrogen and carbon capture technologies.

While a stronger federal focus on climate change was widely expected after Biden's 2020 election victory, the details that emerged in Q1 left industry analysts more bullish on prospects for long-term utility industry capex and rate base growth.

"Simplification" Trend Extends into 2021

Utility industry business strategies had already coalesced in 2020 around ambitious environmental, social and governance (ESG) agendas centered on improving carbon profiles and ESG metrics, in many cases tied to a focus on regulated rate base. Numerous companies in 2020 — including NiSource, Dominion, PPL, PSE&G, Exelon, DTE and Centerpoint — announced moves to restructure and focus on developing state-regulated, clean energy infrastructure as their primary path to shareholder value creation. These moves continued into 2021.

- In January, Public Service Enterprise Group (PSE&G) told reporters it was on track to sell its fossil fleet by year-end as it transitions to a 100% clean energy company.

- On January 28, Duke Energy said it agreed to sell a 20% stake in subsidiary Duke Energy Indiana, which emphasizes coal and gas generation, to Singapore's sovereign wealth fund for \$2 billion. Duke said the move would eliminate the need for an equity offering and help accelerate its regulated, clean energy rate base growth.

- On February 24, Exelon announced plans for a tax-free separation of its regulated utilities and its competitive generating business into two independent companies. Exelon said the move would give each entity better flexibility to focus on its core strategy and better address customer and shareholder goals. It hopes to complete the separation by Q1 2022.

- On March 18, Pennsylvania headquartered PPL announced it would sell its U.K. utility business to Britain's National Grid and acquire National Grid's Rhode Island utility Narragansett Electric, repositioning PPL as a high-growth, U.S.-focused energy company. PPL said the move would simplify its business mix and support long-term earnings growth. It said \$6.4 billion of residual cash proceeds from the combined sale and purchase would be used to enhance its credit profile.

■ Two related post-Q1 moves were: 1) AEP's late April disclosure that it would evaluate ownership of gas- and coal-powered subsidiary Kentucky Power as AEP seeks to finance growth of its regulated renewable assets and 2) CenterPoint Energy's successful late-April sale of its Arkansas and Oklahoma natural gas LDC assets to Summit Utilities for \$2.15 billion in cash. CenterPoint said the price represents 38.0x 2020 earnings and 2.5x 2020 year-end rate base.

Analysts noted the Duke and CenterPoint sales each showed surprisingly healthy demand for ownership of fossil fuel assets. Industry analysts generally expect more such strategic moves to occur in 2021.

The "S" in ESG

The environmental dimension of ESG has historically received the overwhelming share of attention. Whether expressed through public sentiment, legislation, tax incentives, state mandates, ESG investor demands, corporate clean energy purchase programs or residential solar installations, everyone wants clean power. Yet the capital investment required to achieve the nation's clean energy transition is massive in scope and scale.

Favorable fuel cost trends, low interest rates and cost controls at utilities have kept bill inflation low for years. Energy Information Administration (EIA) data shows the average retail price of electricity in 2020 was 10.66 cents per kilowatthour, only slightly above 2014's 10.44 cents. Going

forward, fuel-cost-free renewable generation can help offset capital costs while a long-term demand boost from electrification (such as electric vehicles) may also help utilities meet revenue requirements. On the other hand, breakthrough innovations in energy efficiency may suppress demand. The full impact of technological innovation is difficult to forecast (as the shale gas revolution recently showed).

Industry analysts carefully watch state regulatory relations and utilities' revenue needs. In Q1, Wall Street's view was largely constructive, citing a number of recent rate case outcomes that balanced ratepayer and shareholder interests. But Wall Street research also noted the precarious financial position of a large subset of America, for whom energy costs are a heavy monthly expense. The COVID-19 economy was sustained by government support and transfer payments. Going forward, the economy will be shaped instead by more traditional forces.

The fundamental industry outlook remains bright. Absent macro shocks, such as sharply higher inflation and interest rates, utility investors have good reason to be optimistic. But if economic strength disappoints and incomes stagnate, the "S" in ESG will continue to receive heightened attention with respect to consumer finances. Utilities will have to work closely with state regulators to manage that while also delivering the clean and reliable energy everyone wants. ■