Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Rate of Return

Question No. GAS-ROR-010:

Please provide copies of all securities analysts' reports relating to the Company and/or its parent issued within the past 2 years.

Response: Columbia Gas of Pennsylvania, Inc.

Columbia Gas of Pennsylvania, Inc. (Company) is a wholly owned subsidiary of NiSource Gas Distribution, Inc. (NGD), which is a subsidiary of NiSource Inc. (Parent). There are no securities analysts reports that relate to the Company or NGD that are separate from such reports relating to the Parent.

Response: NiSource Inc.

Security analysts' reports issued within the past 2 years are attached in Attachment A – Attachment H.

Year	Attachment	Folder Name	Documents Included
2022	A	1Q	Argus 1Q – 2022 Bank of America 1Q – 2022 Citi 1Q – 2022 Evercore 1Q – 2022 Goldman Sachs 1Q – 2022 Guggenheim 1Q – 2022 JP Morgan Chase 1Q - 2022 Morningstar 1Q – 2022 S. Williams 1Q – 2022 UBS 1Q – 2022 Wolfe 1Q – 2022
	B	2Q	Day 1 & 2 Sellside Notes 2Q – 2022 Argus 2Q – 2022 Barclays 2Q – 2022 BMO 2Q – 2022 Bank of America 2Q – 2022 Credit Suisse 2Q – 2022 Evercore 2Q – 2022 Guggenheim 2Q - 2022 JP Morgan Chase 2Q – 2022 KeyBanc 2Q – 2022 Morningstar 2Q – 2022 UBS 2Q – 2022 Wells Fargo 2Q – 2022 Wolfe 2Q – 2022
	C	3Q	Argus 3Q – 2022 BMO 3Q – 2022 Bank of America 3Q – 2022 Credit Suisse 3Q – 2022

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			Evercore 3Q - 2022 Goldman Sachs 3Q – 2022 Guggenheim 3Q - 2022 J.P. Morgan 3Q – 2022 Morningstar 3Q – 2022 Wells Fargo 3Q – 2022 Wolfe 3Q – 2022 UBS 3Q – 2022
	D	4Q	Argus 4Q – 2022 Barclays 4Q – 2022 BMO 4Q – 2022 BoA 4Q – 2022 Credit Suisse 4Q – 2022 Evercore 4Q – 2022 Goldman Sachs 4Q – 2022 Guggenheim 4Q – 2022 JP Morgan Chase 4Q – 2022 Morningstar 4Q – 2022 UBS 4Q – 2022 Wells Fargo 4Q – 2022
2023	E	1Q	Argus 1Q – 2023 BMO 1Q – 2023 Bank of America 1Q – 2023 Citi 1Q – 2023 Credit Suisse 1Q – 2023 Evercore 1Q – 2023 Guggenheim 1Q – 2023 JP Morgan Chase 1Q – 2023 Morningstar 1Q – 2023 Sellside Day 1&2 1Q – 2023 Wolfe 1Q – 2023 UBS 1Q – 2023
	F	2Q	Sellside Day 1 2Q – 2023 Argus 2Q – 2023 Barclays 2Q – 2023 BMO 2Q – 2023 Bank of America 2Q – 2023 Citi 2Q – 2023 Evercore 2Q – 2023 Gugennheim 2Q – 2023 JP Morgan Chase 2Q – 2023 Morningstar 2Q – 2023 NIPSCO Transaction Notes 2Q – 2023 UBS 2Q – 2023 Wells Fargo 2Q – 2023 Wolfe 2Q – 2023
	G	3Q	Sellside Day 1 & 2 3Q – 2023 Bank of America 3Q – 2023 Guggenheim 3Q – 2023 JP Morgan 3Q – 2023 UBS 3Q – 2023 Wolfe 3Q – 2023

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	H	4Q	BMO 4Q – 2023 Bank of America 4Q – 2023 Citi 4Q – 2023 Guggenheim 4Q – 2023 JP Morgan 4Q – 2023 Landenburg 4Q – 2023 Morningstar 4Q – 2023 UBS 4Q – 2023 Wells Fargo 4Q – 2023 Wolfe 4Q – 2023

ARGUS

NYSE: NI

NISOURCE INC

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 in six states. 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. The company has approximately 7,300 employees. NI shares are a component of the S&P 500.

Analyst's Notes

Analysis by David Coleman, February 25, 2022

ARGUS RATING: BUY

- Attractive yield in low rate environment
- NiSource recently reported 4Q21 adjusted net income of $166.7 million or $0.39 per share, up from $130.1 million or $0.34 per share a year earlier.
- Along with the 4Q results, management reaffirmed its 2022 guidance. It expects full-year adjusted EPS of $1.42-$1.48.
- It also expects 7%-9% growth in adjusted EPS through 2024 from a base of $1.37 in 2021.
- NiSource pays an annualized dividend of $0.94 per share for a yield of about 3.2%.

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 3.2%. We are reiterating our target price of $32. Our long-term rating is also BUY.

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. The company has also allocated significant capital to green energy generation.

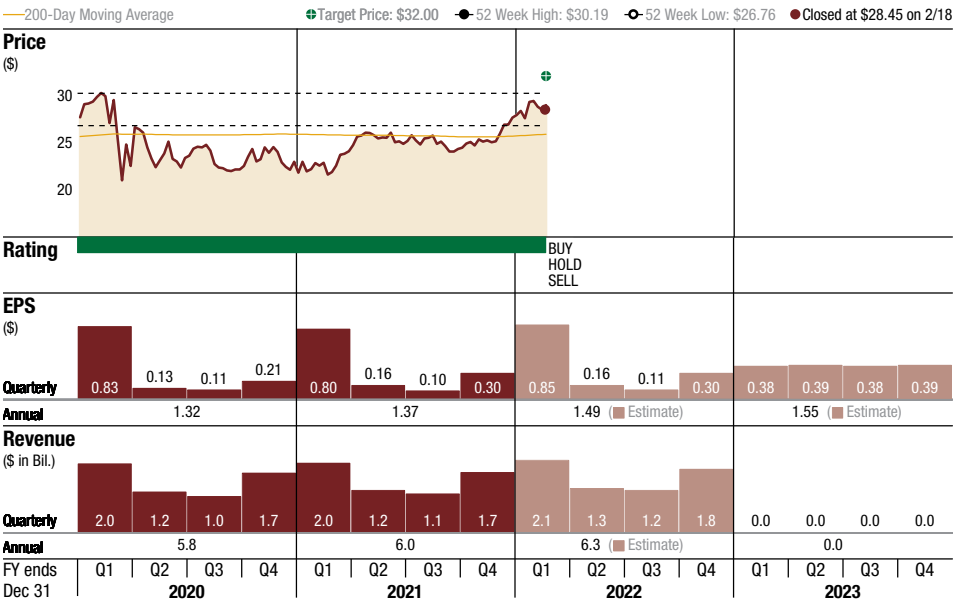
RECENT DEVELOPMENTS

NI shares have outperformed over the past quarter, gaining 12% while the S&P 500 has lost 8%. They have outperformed the broad market and the Utility industry ETF, IDU, over the past year though have underperformed over the past five years.

NiSource reported 4Q21 results on February 23. The company posted adjusted net

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: 73% Buy, 27% 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	**$28.33**
Target Price	**$32.00**
52 Week Price Range	**$21.11 to $30.19**
Shares Outstanding	**392.41 Million**
Dividend	**$0.94**

Sector Overview

Sector	**Utility**
Sector Rating	**UNDER WEIGHT**
Total % of S&P 500 Market Cap.	**2.00%**

Financial Strength

Financial Strength Rating	**MEDIUM**
Debt/Capital Ratio	**57.5%**
Return on Equity	**10.2%**
Net Margin	**11.9%**
Payout Ratio	**0.63**
Current Ratio	**0.70**
Revenue	**$4.90 Billion**
After-Tax Income	**$584.90 Million**

Valuation

Current FY P/E	**19.01**
Prior FY P/E	**20.68**
Price/Sales	**2.27**
Price/Book	**2.13**
Book Value/Share	**$13.33**
Market Capitalization	**$11.12 Billion**

Forecasted Growth

1 Year EPS Growth Forecast	**8.76%**
5 Year EPS Growth Forecast	**4.00%**
1 Year Dividend Growth Forecast	**6.82%**

Risk

Beta	**1.00**
Institutional Ownership	**96.04%**

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Analyst's Notes...Continued

income of $166.7 million or $0.39 per share, up from $130.1 million or $0.34 per share a year earlier. For the full year, the company reported adjusted net income of $571.2 million or $1.37 per share, compared to $507.5 million or $1.32 per share in 2020.

Along with the results, management reaffirmed its 2022 guidance. The company expects adjusted EPS of $1.42-$1.48. It also projects 7%-9% growth in adjusted EPS through 2024 from a base of $1.37 in 2021. The company expects to reduce greenhouse gas emissions by 90% by 2030.

EARNINGS & GROWTH ANALYSIS

NiSource has two segments: Gas Distribution Operations and Electric Operations. In 4Q, Gas Distribution revenue rose than 22% to $1.0 billion, while Electric Operations revenue increased 11% to $411 million.

In the Electric Operations segment, operating subsidiary Northern Indiana Public Service Co. (NIPSCO) received approval for its electric TDSIC plan from the Indiana Utility Regulatory Commission (IURC) on December 28, 2021. The plan includes $1.64 billion in current and planned investments from 2021 through 2026 to enhance the safety and reliability of electric infrastructure, as well as improve customer service. NIPSCO continues to execute on 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. The coal plants will be replaced by cleaner, lower-cost plants.

In Gas Distribution Operations, Columbia Gas of Ohio has requested a rate increase of $221.4 million, and NIPSCO is seeking a revenue increase of $110 million annually. Columbia Gas of Pennsylvania has reached a settlement agreement with Pennsylvania regulators for a revenue increase of $58.5 million. The new rates went into effect on December 29, 2021.

We are raising our 2022 adjusted EPS estimate to $1.48 from $1.36, at the high end of management's guidance range and implying growth of 8%. We look for growth to continue in 2023 and are initiating an adjusted EPS estimate of $1.55.

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.

Our financial strength rating on NiSource is Medium. The company receives average scores on our main financial strength criteria of debt levels, fixed-cost coverage, profitability, earnings quality, and cash generation. The company has investment-grade ratings from Fitch (BBB), Moody's (Baa2), and Standard & Poor's

Growth & Valuation Analysis

GROWTH ANALYSIS

($ in Millions, except per share data)	2017	2018	2019	2020	2021
Revenue	4,875	5,115	5,209	4,682	4,900
COGS	3,120	4,114	2,890	2,695	2,848
Gross Profit	1,754	1,000	2,319	1,987	2,051
SG&A	—	—	—	—	—
R&D	—	—	—	—	—
Operating Income	927	126	1,305	961	1,015
Interest Expense	349	347	371	365	337
Pretax Income	443	-231	507	-31	707
Income Taxes	315	-180	124	-17	118
Tax Rate (%)	71	—	24	—	17
Net Income	129	-51	383	-18	585
Diluted Shares Outstanding	331	357	376	384	417
EPS	0.39	-0.18	0.87	-0.19	1.27
Dividend	0.70	0.78	0.80	0.84	0.88
GROWTH RATES (%)					
Revenue	7.7	5.5	1.2	-11.5	5.8
Operating Income	7.1	-86.4	936.7	-26.3	5.5
Net Income	-61.2	—	—	—	—
EPS	-61.8	—	—	—	—
Dividend	9.4	11.4	2.6	5.0	—
Sustainable Growth Rate	1.1		3.4	-2.6	1.9
VALUATION ANALYSIS					
Price: High	$27.76	$28.11	$30.67	$30.46	$27.85
Price: Low	$21.65	$22.44	$24.69	$19.56	$21.09
Price/Sales: High-Low	1.9 - 1.5	2.0 - 1.6	2.2 - 1.8	2.5 - 1.6	2.4 - 1.8
P/E: High-Low	71.2 - 55.5	— - —	35.3 - 28.4	— - —	21.9 - 16.6
Price/Cash Flow: High-Low	11.3 - 8.8	8.6 - 6.9	13.6 - 10.9	9.6 - 6.2	9.6 - 7.3

Financial & Risk Analysis

FINANCIAL STRENGTH	2019	2020	2021
Cash ($ in Millions)	139	117	84
Working Capital ($ in Millions)	-1,892	-620	-825
Current Ratio	0.49	0.73	0.70
LT Debt/Equity Ratio (%)	153.8	189.2	170.0
Total Debt/Equity Ratio (%)	188.8	200.0	181.5
RATIOS (%)			
Gross Profit Margin	44.5	42.4	41.9
Operating Margin	25.1	20.5	20.7
Net Margin	6.3	-1.6	10.8
Return On Assets	1.5	-0.3	2.3
Return On Equity	6.6	-1.5	10.3
RISK ANALYSIS			
Cash Cycle (days)	22.7	35.2	35.4
Cash Flow/Cap Ex	0.9	0.6	0.7
Oper. Income/Int. Exp. (ratio)	2.4	0.9	3.1
Payout Ratio	303.9	64.6	229.7

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Analyst's Notes...Continued

(BBB+).

The company had cash of $84 million on hand at the end of 2021. Debt totaled $9.8 billion and accounted for 57% of total capitalization.

The company expects to make capital investments 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 pays an annualized dividend of $0.94 per share, for a relatively high yield of about 3.2%. The payout ratio is approximately 57%. We think the dividend is safe and likely to grow modestly over time. Our dividend payout estimates are $0.94 (raised from $0.92) for 2022 and $1.00 for 2023.

MANAGEMENT & RISKS

Lloyd Yates succeeded Joseph Hamrock as the company's president and CEO on February 14, 2022. Donald E. Brown is the CFO. The chairman is Kevin T. Kabat, the former CEO of Fifth Third Bancorp. The COO is Pablo Vegas.

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 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 in six states. 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. The company has approximately 7,300 employees. NI shares are a component of the S&P 500.

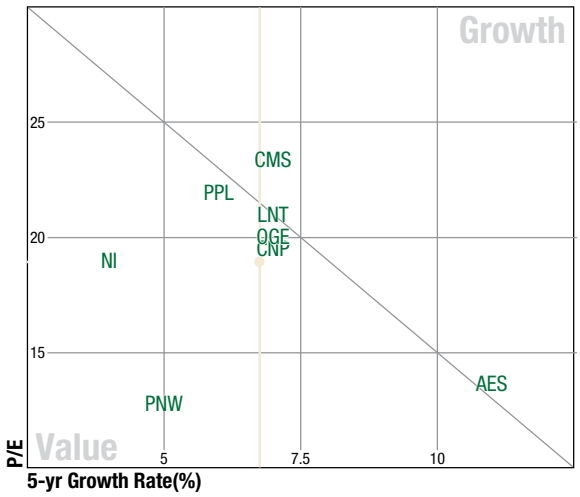
VALUATION

We think that NI shares are attractively valued at current prices near $28, above the midpoint of their 52-week range of $21-$30. On the fundamentals, the shares trade at 19-times our 2022 EPS estimate, above the average multiple of 17 for comparable electric and gas utilities. They are also trading at a price/book multiple of 2.1, above the peer average of 1.9. The price/cash flow ratio is 9.2,

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
PPL	PPL Corp	19,964	6.0	22.0	-25.6	36.4	BUY
CMS	CMS Energy Corporation	17,950	7.0	23.4	18.3	7.9	BUY
CNP	Centerpoint Energy Inc.	15,412	7.0	19.5	17.8	7.4	BUY
LNT	Alliant Energy Corp.	13,997	7.0	21.0	18.4	4.9	BUY
AES	AES Corp.	13,940	11.0	13.7	4.9	8.5	BUY
NI	Nisource Inc. (Holding Co.)	11,117	4.0	19.0	11.9	4.0	BUY
PNW	Pinnacle West Capital Corp.	7,599	5.0	12.8	15.3	-19.0	BUY
OGE	OGE Energy Corp.	7,264	7.0	20.0	20.3	6.6	BUY
Peer Average		**13,405**	**6.8**	**18.9**	**10.2**	**7.1**	



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Analyst's Notes...Continued

below the peer average of 10. The shares trade near their historical five-year average for P/E, price/book, and price/cash flow. The dividend yield of about 3.2% is above the industry average. We are reiterating our BUY rating on NI with a 12-month target price of $32.

On February 25 at midday, BUY-rated NI traded at $28.80, up $0.47.

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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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CMS: Resource plan exceptions largely as expected

Consumers Energy (CMS principal subsidiary) filed exceptions to the proposal for decision (PFD) submitted to the Michigan Public Service Commission (MPSC) earlier this month in the company's pending electric integrated resource plan (IRP – Docket U-21090). The broad positions taken in the exceptions are in-line with the company's earlier filings and statements by management, stressing the need to approve 1) the affiliate purchase from Enterprises inclusive of the acquisition premium [i.e. not at book value as suggested in the PFD] and 2) recovery of the undepreciated plant of its retiring coal assets at the full rate of return. The exceptions state that Consumers Energy would reject an order (not enact the proposed plan and essentially punt to the next scheduled IRP filing) that does not include these items, although the company does present some 'off-ramps' and areas for potential compromise. For instance on the affiliate transaction CMS' exceptions note that it would reject if the final order does not provide a "reasonable alternative path" for backfilling the capacity, presumably some combination of additional renewables that would still present an investment opportunity. The Company still includes in its exceptions the rejection of its proposed financial compensation mechanism (FCM) as well as some Public Utility Regulatory Policies Act of 1978 ("PURPA") related proposals that we see principally as acceptable give-ups in a potential settlement.

Bottom line, the filed exceptions do not materially alter our expectations on IRP resolution. On the margin the language used by CMS was a bit harsher than prior filings we have read. Consistently in our conversations management has stated that they believe they have made a very strong case and are comfortable pursuing a litigated outcome if necessary. Investors we have spoken with see the likelihood of a constructive settlement declining although acknowledge that the possibility still remains based on prior cases. Maintain Neutral on CMS given balanced risk-reward outlook as the IRP makes its way toward possible resolution by midyear.

XEL: Comanche 3 extension denied on reliability concerns

The Colorado Public Utilities Commission (CPUC) rejected a November 2021 settlement between Xcel Energy (XEL) and stakeholders that would have accelerated the retirement date of the 750 MW Comanche 3 coal plant to 2034 from the originally planned 2040. Commissioners unanimously opposed the settlement by a 3-0 margin citing primarily a lack of reliable operations. Commissioners discussed the latest outage that has lasted since January with no return to service date provided due to difficulty sourcing replacement parts. Comanche 3 was offline for most of 2020 (2% capacity factor) and had only 63% capacity factor in 2021, a year generally of higher coal generation nationally, down from 65-80% in 2015-2019. Additionally the cost to run the plant for an additional 12 years to 2034 versus competing lower variable cost generation sources. The Commission's decision also requires XEL to evaluate 2029 as a potential retirement date. The decision by the CPUC is a rare 'loss' for XEL which had received a string of constructive regulatory outcomes and settlements, including In Colorado.
Please see full report for more on XEL, NI BoD, and RNW in India.

16 March 2022

Equity
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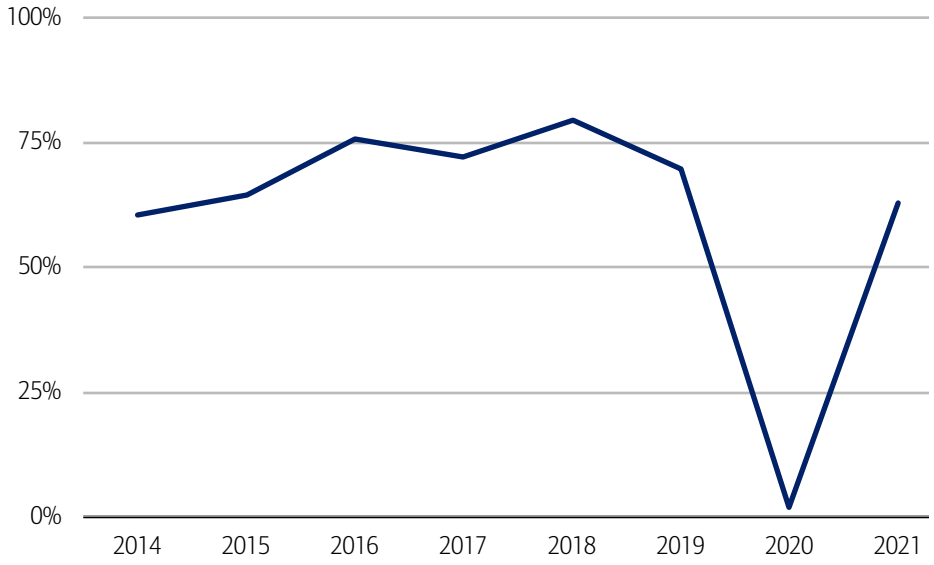
PFD: Proposal for Decision
PSC: Public Service Commission
PUC: Public Utilities Commission
IRP: Integrated Resource Plan
PURPA: Public Utilities Regulation Policies Act
BoD: Board of Directors
CF: Capacity Factor

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XEL: Comanche Outage (Cont.)

We note that proposing to operate a large coal plant is one area where XEL is not aligned with state priorities aiming for decarbonization. Moving forward we see a challenging path as Comanche 3 has been a lightning rod of negative attention due to its poor reliability, high costs, and coal firing nature. The plant cost an estimate ~$1.3Bn and per regulatory filings has $46.32/MWh generation cost profile recently. Estimated replacement power costs for the latest outage are ~$10Mn. We maintain Buy on XEL as one of our preferred premium regulated utility names despite uncertainty about the future of Comanche which appears to be a manageable cash flow/earnings driver, albeit high profile of late.

Exhibit 1: Comanche 3 Capacity Factor (%)
2020 performance was very poor and output has trended lower recently



Source: SNL

BofA GLOBAL RESEARCH

NI: Bill Johnson appointed to the Board

NiSource (NI) appointed Bill Johnson to the Board of Directors effective immediately, and appointed Mr. Johnson to serve on the Compensation and Human Capital Committee and on the Environmental, Safety and Sustainability Committee. He will stand for election at the Company's 2022 Annual Meeting. Mr. Johnson previously served as President and CEO of Pacific Gas & Electric from 2019-2020, President and CEO of Tennessee Valley Authority from 2013-2019, and Chairman, President, and CEO of Progress Energy from 2007-2012, *importantly, when Progress Energy was sold to Duke Energy (DUK).*

We see the appointment as positive in bringing on further utility experience to support in the ongoing strategic review of the business where the outcomes could range from cost-cutting to potential asset rotation and simplification. Elliott Investment Management issued a press release this morning on March 16th supporting Johnson's appointment due to his "extensive utility oversight experience, demonstrated industry leadership and an ability to evaluate and complete transformational transactions."

Reiterate Buy on NI based on our view that valuation is attractive (trades at a discount to the group) and EPS could be revised higher on outcomes related to the strategic review. We look toward the analyst day in May where we could see an extension of the elevated EPS growth path through 2028.

RNW: Favorable Andhra Pradesh ruling furthers receivables improvement

The Andhra Pradesh (AP) High Court ruled that power contracts cannot be renegotiated and asked the state distribution companies (discoms) to clear dues to renewable energy generators in six weeks. The court directed discoms to make past and future payments at the price stated in the power purchase agreement (PPA). For background, in 2019, the AP government. directed discoms to renegotiate PPA prices and revise down tariffs to 2.43 INR for wind and 2.44 INR for solar which in some cases was nearly half of the PPA price in the contract.

We view the High Court ruling as very positive for ReNew Power (RNW US) and other Indian renewables developers. Remember, AP discoms represented roughly half of RNW's receivables despite only making up ~6% of the RNW's installed capacity. The development is incremental to management's plan as they were assuming continued receivables in their forward estimates. Reiterate Buy on the latest positive development and still highly attractive valuation vs peers and intrinsic value.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Electric Utilities & IPPs: Who Owns What? ETF Ownership & Historical Performance/Volatility	Julien Dumoulin-Smith	16 March 2022
Southern Co.: Positive Feb ITAAC update is just one step, and still see risks from here; Neutral	Julien Dumoulin-Smith	16 March 2022
FTC Solar: 4Q21 follow up: Still cautious on outlook, see downside risk still	Julien Dumoulin-Smith	16 March 2022
US Utilities & Clean Tech: PowerPoints: CNP MN, SWX-Icahn, AZ Regulatory (PNW), FTCI Recap, & More	Julien Dumoulin-Smith	15 March 2022
US Alt Energy: China lockdown, US inverter market trends + an even tighter epoxy resin market	Julien Dumoulin-Smith	15 March 2022
US Electric Utilities & IPPs: Nuclear Fuel Deep Dive: What is the Impact of Higher Uranium Prices & Supply Risks?	Julien Dumoulin-Smith	15 March 2022
US Utilities & IPPs: Returning from 'Covid winter break': marketing feedback with Russian twist	Julien Dumoulin-Smith	15 March 2022
Sempra: Dare to Dream: Cameron 4 LNG Upside But Is There More? CA ROEs Remain a Risk	Julien Dumoulin-Smith	14 March 2022

Exhibit 2: Stocks mentioned in this report
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
CMS	CMS US	CMS Energy	US$ 65.69	A-2-7
XEL	XEL US	Xcel Energy	US$ 68.81	A-1-7
NI	NI US	NiSource Inc	US$ 29.85	A-1-7
RNW	RNW US	ReNew Power	US$ 8.41	C-1-9

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

CMS Energy (CMS)

Our PO of $68 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 16.9x for the electric seg and of 15.0x 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 2022 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. We value Dearborn Industrial Generation (DIG) on a DCF basis given the plant is expected to be sold to Consumers at the end of 2025, with our valuation reflecting the remaining cash flows.

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.

NiSource Inc (NI)
Our $32 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 14.7x for gas and 16.1x for electric with a 2.0x premium for both the electric & gas utilities' strong growth rates and incremental renewable buildout, with capex potentially beginning in '24, but acknowledge industrial gen load migration 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.

ReNew Power (RNW)
Our $10 PO is derived from a SOTP Valuation, with a base DCF ($7) taking individual existing Commissioned project cash flows discounted by our cost of equity of 14% plus a Growth valuation that captures our estimated value of RNW's growth. Our Growth valuation attributes $1/sh to Committed growth projects and $2/sh to Newbuild growth projects, both discounted at a 14% cost of equity. We take the value per share from our three DCF valuations and add them to arrive at our SOTP price objective.

Note that the 14% discount rate we apply to projects is based on the 25-year Treasury plus a 7% market premium reflecting risk compensation for developing economics.

Downside risks: inability to meet stated capacity factors, increased competition leading to lower capacity additions, counterparties (mainly state discoms) delayed payments on power contracts, and inability to secure financing.
Upside risks: acceleration of renewables deployments in India and increased market share on future auctions.

Xcel Energy Inc (XEL)
Our PO is $75. 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 16.8x 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.

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.

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
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE 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
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	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
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM 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	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
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	CMS Energy	CMS	CMS 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	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO 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
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith

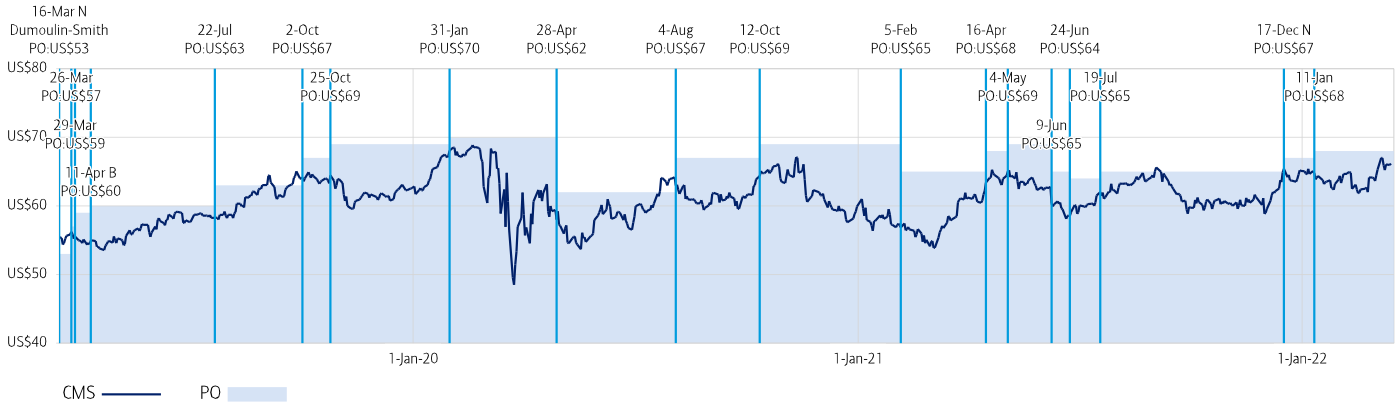
NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	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
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	Fluence Energy	FLNC	FLNC 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
	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
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
RSTR				
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

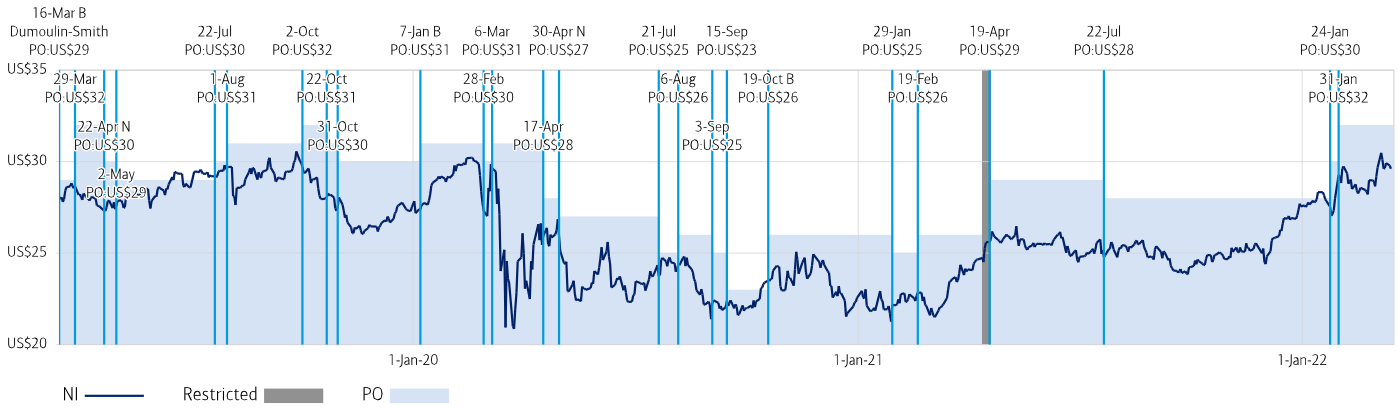
CMS Energy (CMS) Price Chart



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.

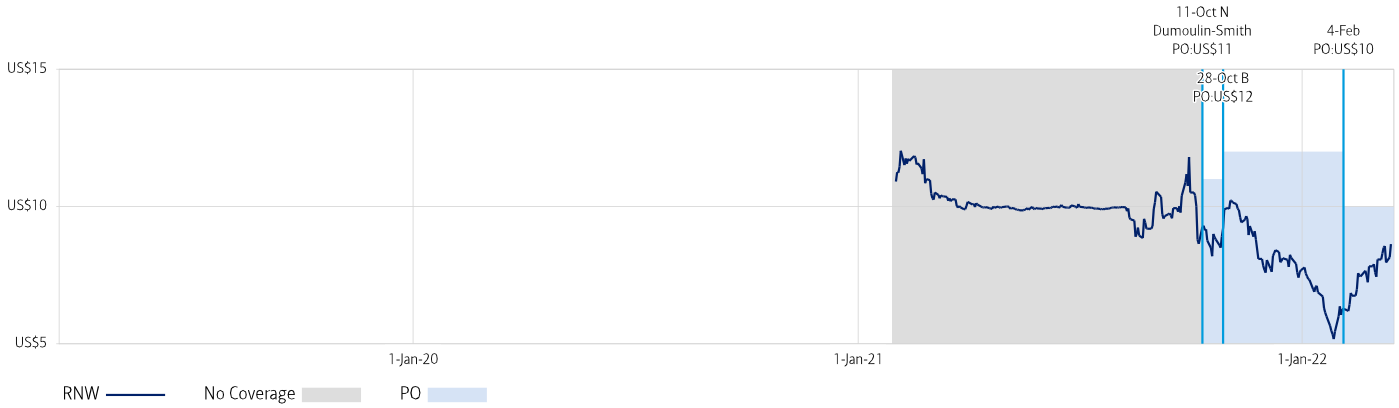
NiSource Inc (NI) Price Chart



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.

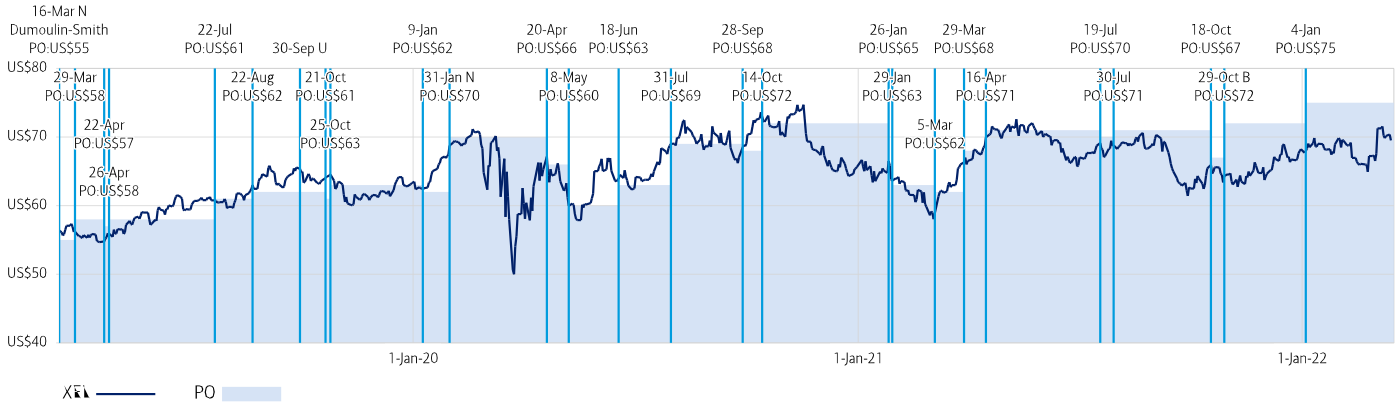
ReNew Power (RNW) Price Chart



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.

Xcel Energy (XEL) 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.

Equity Investment Rating Distribution: Energy Group (as of 31 Dec 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	77	59.69%	Buy	61	79.22%
Hold	30	23.26%	Hold	19	63.33%
Sell	22	17.05%	Sell	12	54.55%

Equity Investment Rating Distribution: Utilities Group (as of 31 Dec 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	79	50.64%	Buy	56	70.89%
Hold	37	23.72%	Hold	28	75.68%
Sell	40	25.64%	Sell	26	65.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1982	58.85%	Buy	1249	63.02%
Hold	696	20.67%	Hold	429	61.64%
Sell	690	20.49%	Sell	346	50.14%

[R1] 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.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2] 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.

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The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: CMS Energy, NiSource Inc, Xcel Energy Inc.
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The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: CMS Energy, NiSource Inc, ReNew Power, Xcel Energy Inc.
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BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: CMS Energy, NiSource Inc, Xcel Energy Inc.
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The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

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Closer to historical norms on relative value: still cheap

Following strong performance from utilities as investors bend more defensively, we revisit the latest 'State of the Utility sector' against rising rates and the broader market volatility of late. With utilities screening particularly undervalued through 2021, we have seen relative support this year amid the broader equity selloff around risks related to the ongoing crisis in Europe, energy-led sustained inflation, and with the Fed poised for multiple rate hikes this year. Utilities are trading above 17x FY24E P/E – elevated on an absolute basis and compared to sub-16x for the SPX overall. The group has rebounded meaningfully from the late 2020 lows and with relative valuations now closer to historical norms when compared to treasuries and Moody's. Given the risk averse backdrop in the market & ever more robust outlook for clean energy, we see merits for a return to a premium to historical values for the space. *We are still constructive.*

But defensive utilities in particular should be doing better

Utilities have outperformed the broader market nicely YTD with the IXU index (-254bps) outperforming vs the S&P 500 (-10%+) by almost 800bps. While the relative bounce is notable, we haven't quite seen the rebound we would expect given their more defensive nature with the group still trading at relative discounts (albeit now single digits) to historical norms for the 10 year, 30 year, and Moody's Baa Utility Index. Looking at sector-specific performance, gas utilities were the top performer over the past month +7.6% (excluding UGI). Value outperformed premium by 50bps (value +0.3% and premium -0.2%). Diversified names (AGR, NEE, SRE) outperformed gaining 4.1% over the past month w/ SRE leading the way on LNG outlook. Outsized outperformance that we would expect from more 'defensive' equities hasn't quite materialized to the magnitude that we would have expected with **AEE** & **WEC** still underperforming YTD. We expect 'defensive' names to outperform on a go forward basis as we navigate through 2022: Our top Buys as a way to get 'defensive' exposure remain **AEE & XEL,** but also increasingly **EXC** as it screens well as a low risk, wires biz at a sharp discount**.**

Gas re-rating has been stark; M&A spec. returning

The gas re-rating relative to the electric sector has been substantial with names trading at a less than a 3% discount to electrics from an (8-10%) discount a month ago. We attribute this in part to recent M&A implied valuations with investors focused on private-public arbitrage. We remain constructive on LDCs despite the recent run-up of late and see further room to re-rate from here. While other SMID-caps could struggle to navigate through the inflationary backdrop, LDCs are relatively insulated as a high percentage of capex across jurisdictions is tracked. Prefer **ATO** and **OGS** out of the group given strong economic backdrop and solid regulatory frameworks. **BKH** too with management notably more open to potential divestments and visibility to elevated rate base growth. Note, larger diversified utilities with gas LDCs should also stand to benefit, especially those that are actively discussing divesting assets such as **CNP** and **NI. Open the full note for more in-depth analysis including the latest macro charts for the sector.**

10 March 2022

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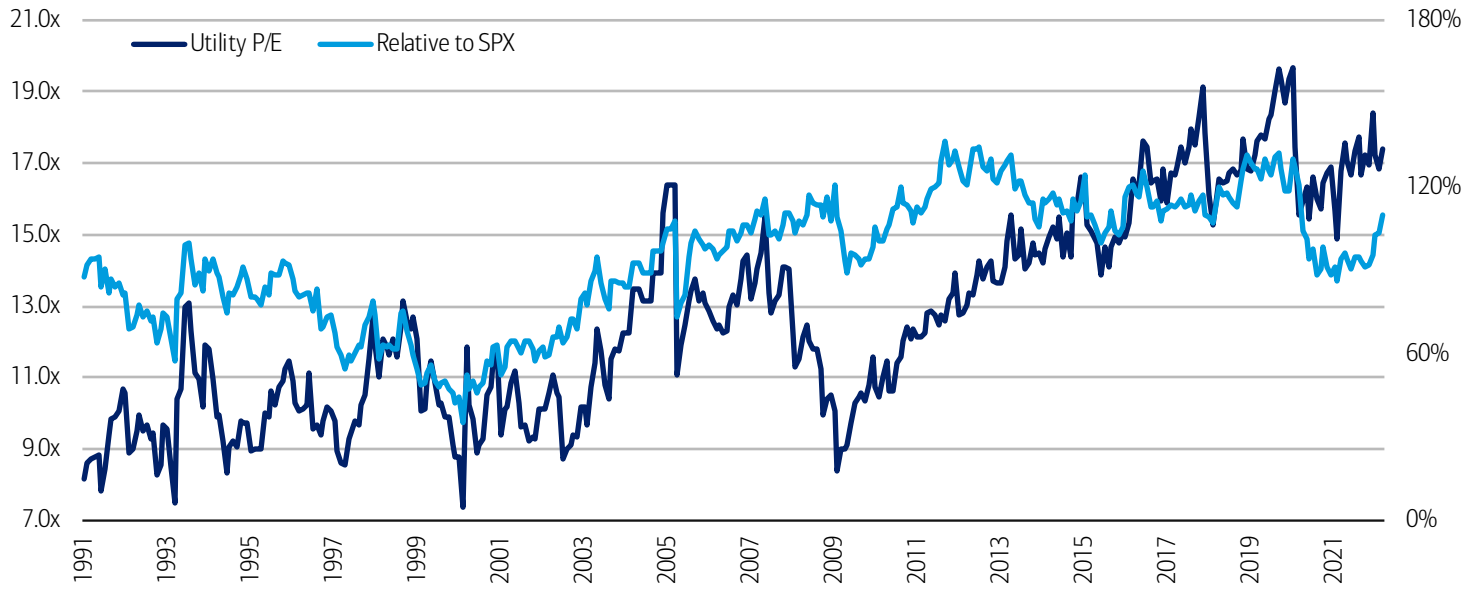
LDC: local distribution company
LNG: liquefied natural gas

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Approaching historical norms: More room to rerate higher after relative rally

Below we refresh our latest views on relative valuation metrics for utilities, compared to broader equity and bond yield benchmarks amid the challenging & volatile market to start the year. Utilities have strongly outperformed YTD with the IXU down 250bps vs. the broader S&P down 10%+ - and the group now looks more balanced on certain metrics. Given broader risk and uncertainty overall and the shift towards more defensive exposure, we expect utilities to continue to outperform.

Exhibit 1: Utilities average and relative PE
While inflecting nicely of late, relative multiples remain below levels seen in recent years



Source: Bloomberg, & BofA Global Research

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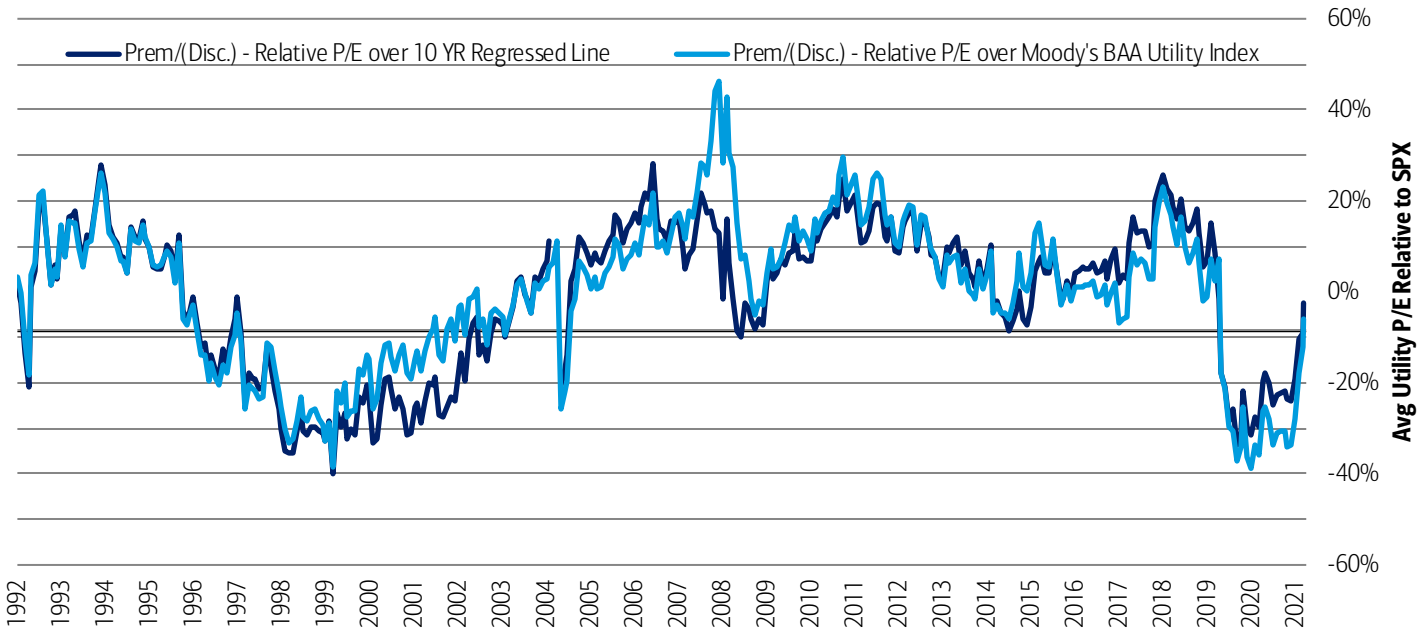
Utilities vs SPX: Utes now at a *premium* after recent inflection

In addition to Average Utility forward PEs remaining elevated in absolute terms with the group now trading around 17x, relative valuation has inflected nicely of late. Utilities are trading at a 9% premium to the broader index – well above the ~15% discount seen in early 2021. *While market multiples broadly remain elevated, we expect to continue to see outperformance from the utility sector in the shift towards defensives throughout the year.*

Utilities vs bond benchmarks (UST and Moody's Baa index)

The exhibits below show the valuation gaps of the Utility sector on a 2-year forward PE. Utilities are now trading more in line with historical norms based on relative forward PE when regressed against the UST 10 year at just a 2% discount (vs. 30% in early 2021). While also meaningfully improved off relative lows, the group continues to screen at an 8% and 6% discount vs. historical norms when regressed against the UST 30 year and Moody's Baa Utility Index (vs. 30%+ each last year. *While the sector has meaningfully closed the historical gap this year, it could further inflect above historical norms given the current market environment.*

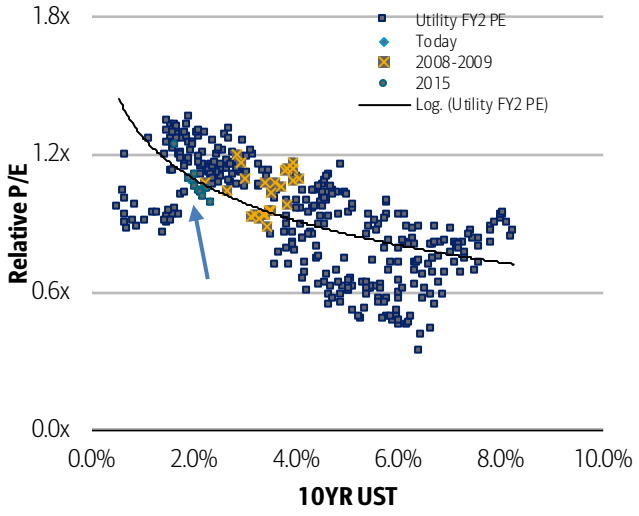
Exhibit 2: Relative PE vs UST, Moody's Baa index – much improved from sharper lows
Relative valuation improving quite nicely & quickly amid 2022 market dynamics



Source: BofA Global Research, Bloomberg

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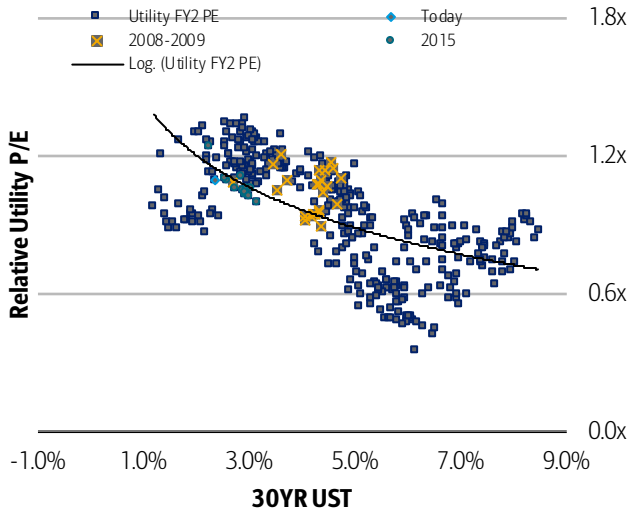
Exhibit 3: Relative Utility PE vs 10Y UST - Nonlinear
While modest, utilities are still at a discount relative to the 10Y UST



Source: BofA Global Research, Bloomberg

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Exhibit 4: Relative Utility PE vs 30Y UST - Nonlinear
But utilities remain more undervalued still based on relative PE for the 30yr...



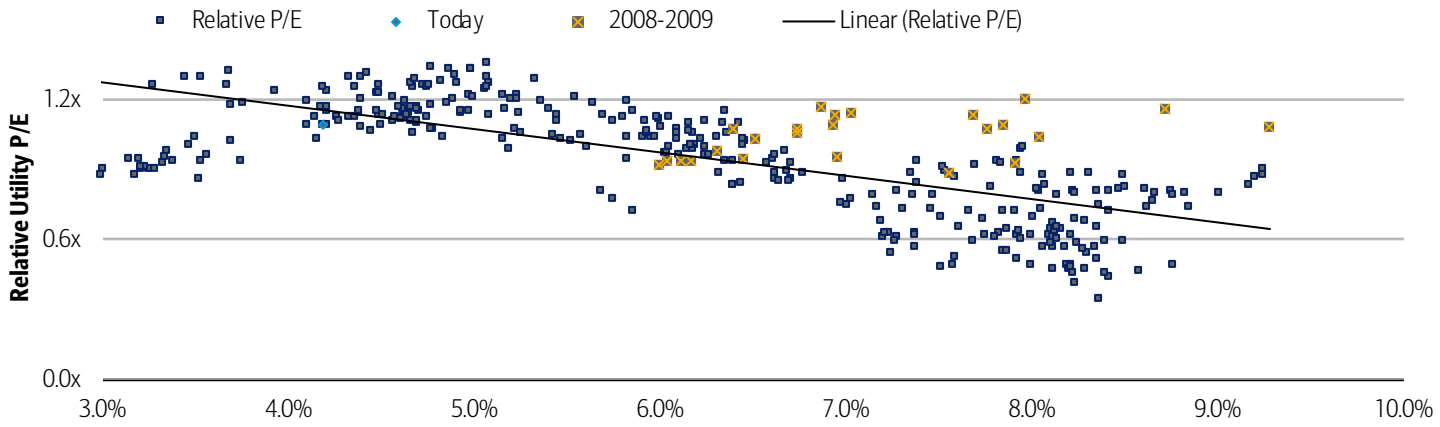
Source: BofA Global Research, Bloomberg

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Utilities vs Moody's Baa index

As with the other metrics, screening Utilities vs. the Moody's bond Baa index illustrates the relative vs. absolute disparity. As interest rates are rising from historical lows, the relative PE of the Utilities sector remains below the level suggested by our regression analysis despite meaningful improvement of late.

Exhibit 5: Relative Utility PE vs. Moody's Baa Utility Index
Utilities remain slightly undervalued based on relative PE; we see merit to a return to historical premium to indices given defensive market pivot



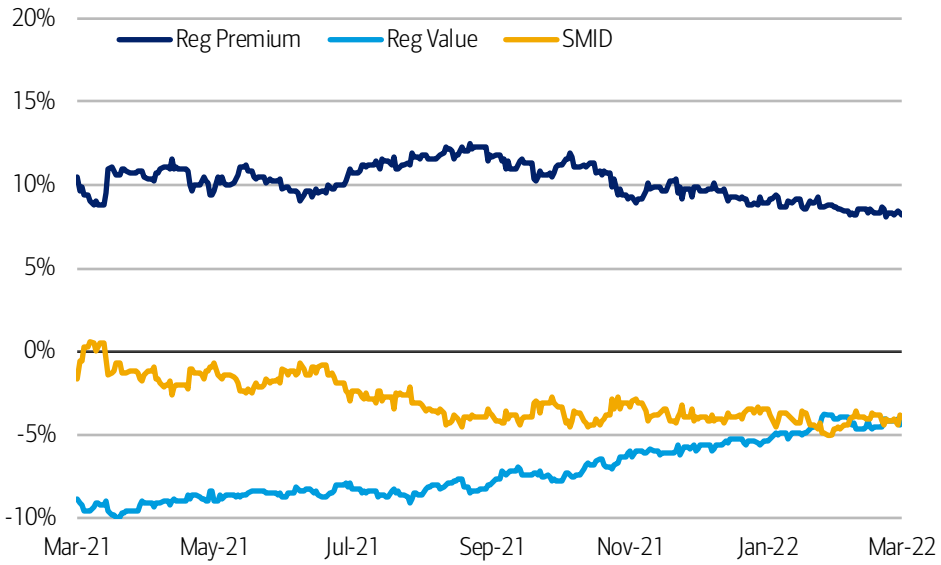
Source: BofA Global Research, Bloomberg

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Still prefer large-cap vs SMIDs

Value utilities have been working and moving higher since late 2021. Appropriately, we see SMID-cap utilities as discounted relative to value given their slower EPS on average and less scale and latitude to cut costs vs larger names against the inflationary backdrop.

Exhibit 6: Electric Utility Relative Valuation by Subsector
Value names are working well vs premium and SMID names



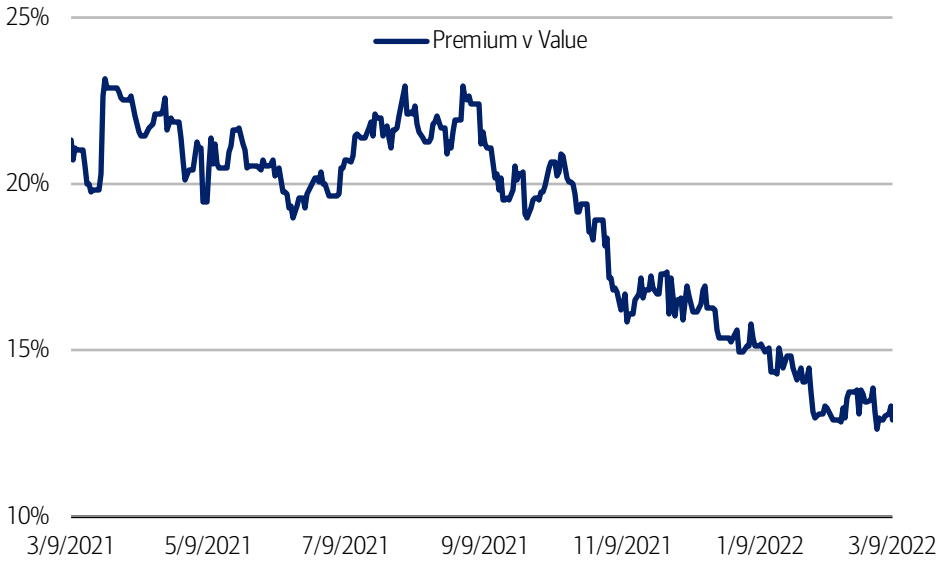
Source: BofA Global Research, Bloomberg

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Premium to value spread still contracting

In the exhibit below we highlight the relative value dynamics between Premium and Value Utility shares over the past 12 months. Relative PE spreads at lows of late, indicating a preference for value over premium with no obvious flight to quality among utility-focused investors even with a more defensive bend. We would expect the more 'defensive' premium equities to do better through 2021.

Exhibit 7: Premium to Value FY23 P/E spread (excluding NEE)
Premium names have de-rated relative to value utilities since late 2021 based on preference for value in the recent run-up in the space relative to the overall market... we think this spread compression could halt.



Source: BofA Global Research, Bloomberg

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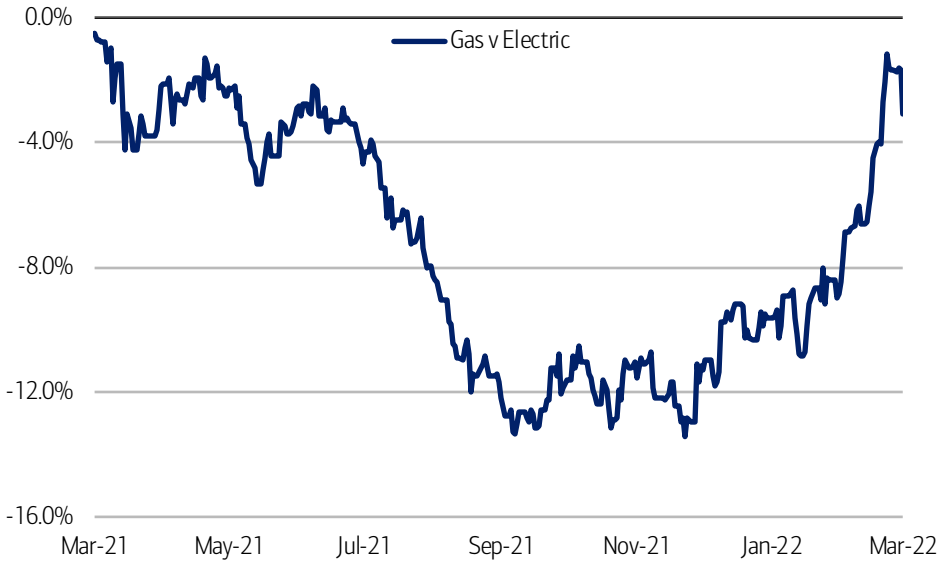
M&A Spec. kicks off gas rally

As we noted above, the recent South Jersey Industries (SJI) transaction was at a premium to where gas utilities are trading. Investors have speculated about further M&A activity in the space. LDCs have caught up with SMID cap electrics valuations and we prefer LDCs over other SMID caps because of their substantively better EPS growth rates and ability to weather inflationary impacts through expansive tracking mechanisms.

We continue to watch the backdrop for natural gas as the higher price environment was a driver of the steep relative discount for LDCs in the fall of 2021 – that said, as we move into the summer months, the pressure shifts to purchased gas costs for electric generation.

Prefer Atmos (**ATO)** and ONE Gas (**OGS)** out of the group given strong economic backdrop and solid regulatory frameworks. Black Hills (**BKH**) too with management notably more open to potential divestments. Note, larger diversified utilities with gas LDCs should also stand to benefit, especially those that are actively discussing divesting assets like NiSource (**NI**) and CenterPoint (**CNP**).

Exhibit 8: Gas vs Electric Relative FY23 P/E - 'the gas comeback'
The rally in LDCs has been sharp, and we continue to favor LDCs over SMID cap electrics



Source: BofA Global Research, Bloomberg

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Price objective basis & risk

Ameren Corporation (AEE)
Our $95 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 17.0x 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.

Atmos Energy Corporation (ATO)
Our $116 PO is based on our 2024E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group multiple of 14.4x.
Our gas peer P/E multiple is grossed up to reflect the group's 5% CAGR (2020-24E) to reflect capital appreciation across the sector. We then apply a 3x premium across jurisdictions 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 '24E EBITDA. We then apply a 3.0x 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.

Black Hills Corporation (BKH)
Our $73 PO is based on a SoTP valuation. Gas Utilities: We apply the 14.6x peer P/E multiple on 2024E EPS. Electric Utilities: We apply the 16.7x peer P/E multiple on 2024E EPS. Both electric and gas peer P/E multiples are grossed up 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 EV/EBITDA 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 $30 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 14.4x. 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 are: 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.

Exelon (EXC)
Our $65 PO is based on an SOTP valuation.
Utility: Our base electric peer P/E multiple of 17.0x for '24 is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply a 1x prem to PECO given above-average jurisdiction and growth prospects. We apply a 1x disc to PHI given below-average jurisdiction and earnings below authorized ROEs. We apply in-line multiples to ComEd and BGE, with utility growth prospects relatively in line with utility industry averages.

Our Generation valuation is based on a 2023E SOTP. We start with our EBITDA estimates at each segment and subtract mainten 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. We apply a 6x EV/FCF multiple on potential nuclear cost savings, haircut at 50% prob.

Risks: 1) Adverse regulatory rulings in future rate cases, 2) Changes in rate making mechanisms, 3) Potential increase in the price of key inputs such as natural gas and coal 4) Potential decrease in wholesale power prices 5) Potentially 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 $32 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 14.7x for gas and 16.1x for electric with a 2.0x premium for both the electric & gas utilities' strong growth rates and incremental renewable buildout, with capex potentially beginning in '24, but acknowledge industrial gen load migration 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.

ONE Gas, Inc. (OGS)
We use a sum-of-the-parts analysis to calculate our $83 for OGS, applying a FY24E Gas LDC peer multiple of 14.4x (grossed up by 5% to reflect capital appreciation across the space). We use a 3x premium to the group for TX and OK given constructive regulation and growth trends and an in-line multiple for KS.

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.

Xcel Energy Inc (XEL)
Our PO is $75. 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 16.8x 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.

Analyst Certification

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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
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE 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
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	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
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM 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	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
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	CMS Energy	CMS	CMS 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	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO 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
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith

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

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	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
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	Fluence Energy	FLNC	FLNC 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
	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
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
RSTR				
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Energy Group (as of 31 Dec 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	77	59.69%	Buy	61	79.22%
Hold	30	23.26%	Hold	19	63.33%
Sell	22	17.05%	Sell	12	54.55%

Equity Investment Rating Distribution: Utilities Group (as of 31 Dec 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	79	50.64%	Buy	56	70.89%
Hold	37	23.72%	Hold	28	75.68%
Sell	40	25.64%	Sell	26	65.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1982	58.85%	Buy	1249	63.02%
Hold	696	20.67%	Hold	429	61.64%
Sell	690	20.49%	Sell	346	50.14%

[R1] 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.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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NiSource Inc

Near-Term Strategic Angle is Cost Reductions; Plenty of Latitude Across Biz

15 February 2022 | Equity | United States | Natural Gas-Local Distribution Companies

NI US

Maintain Rating	Price	Price Objective	Upside	Market Cap	Average Daily Value	ESGMeter™
BUY	28.41 USD	32.00 USD	12.6%	11,157 USD(mn)	173.85 USD(mn)	High

all data as of 15 February 2022

Key takeaways

- With the attention on strategic angles for NI, we see cost rationalization toward peers as the most tangible opportunity.
- NI electric cost profile is well above peers across metrics. Gas utilities above average but to a lesser degree.
- High cost structure allows further asset sales to be executed with less dis-synergies and/or supports accretive acquisition.

NIPSCO: Northern Indiana Public Service Company
LDC: local distribution company
FERC: Federal Energy Regulatory Commission

Cost structure vs Midwest peers offer clues on next steps

As we and investors continue to think through the strategic review angles for NiSource (NI), we outline a number of relative cost metrics against other Midwest gas and electric utility peers. Overall NI's gas and electric utility cost structure is *much* higher than its peers. We used a number of electric and gas utilities that operate in the same service territories as NI for the best comparison and still there is room for improvement. We note different utilities have different service territory characteristics that leads to different cost profiles (ex. urban vs rural, older vs newer, etc.), but on the whole, NI performs worse than peers, and therefore, we believe new mgmt. will be keenly focused on improving the cost structure. Expect investors to focus squarely on cost cutting.

What about inflation? This could create a headwind for many utilities but we believe those that are in a position to weather the cost pressures and still find ways to net cut costs will be well positioned. Maintaining earned ROEs between rate cases and a strong earnings profile is critical in this market. NI should have the ability to trim plenty of costs across the platform, and therefore we are less concerned on the inflation thesis.

Framing the cost cutting ability; see vast latitude to peers

We see a long runway of cost reduction latitude given higher O&M and G&A costs across NI's utilities. In 2020, NI's electric utility was higher than the average for O&M per MWh, O&M per customer, and O&M per wire mile by **81%, 80%, and 117%**, respectively. In 2020, NI's gas utilities were mixed on cost metrics vs the average - O&M per Bcf was **2%** lower than the average while O&M per customer and O&M per pipeline mile was **28% and 23%** higher than the average respectively. More generally, **NI's cost metrics increased for almost every utility since 2018** which compares to the electric peers that mostly held flat to decreased and gas peers that were flat to modestly higher. Therefore, there is clearly latitude to cut more cost out of the business.

Reiterate Buy as we see both short-term and long-term guidance remaining on track and we believe further attention on cost cutting (along with investments in renewables in '24-'26) could support an extension of the 7-9% EPS growth rate beyond the '21-'24 time period currently contemplated. We continue to see upside ex-M&A based on strong fundamentals improving through dedicated cost cutting measures.

Estimates & Valuation Quarterly Estimates Stock Data

Estimates (Dec) (US$)	2019A	2020A	2021E	2022E	2023E
EPS	1.32	1.32	1.34	1.44	1.56
GAAP EPS	0.87	1.33	1.27	1.44	1.56
EPS Change (YoY)	1.5%	0%	1.5%	7.5%	8.3%
Consensus EPS (Bloomberg)			1.36	1.45	1.55
DPS	0.83	0.88	0.94	0.99	1.05
Valuation (Dec)					
P/E	21.5x	21.5x	21.2x	19.7x	18.2x
GAAP P/E	32.7x	21.4x	22.4x	19.7x	18.2x
Dividend Yield	2.9%	3.1%	3.3%	3.5%	3.7%
EV / EBITDA*	16.1x	14.8x	13.7x	12.4x	11.2x
Free Cash Flow Yield*	-2.0%	-5.9%	-4.7%	-8.5%	-15.3%

*Click for full definitions of iQmethod℠ measures.

What are the benefits of cost cutting? A few to note

We see a long runway of O&M latitude based upon our deep analysis of the cost structure relative to peers. NiSource has higher O&M and G&A costs across its utilities, so what does this mean? First, a reduction in O&M will allow NI to earn closer to their allowed ROE in between rate cases which would strengthen their EPS profile. While the majority of NI's capital is tracked cost cutting would reduce regulatory lag between rate cases and ultimately support higher capital investment with the same net customer rate impact. *This is the playbook employed by utilities across the country where one dollar*

asset sale. When NI divested Columbia Gas of MA to Eversource for ~1x rate base, NiSource incurred significant dis-synergies (~$0.05 EPS ~6% of EPS) that were difficult to offset initially and contributed in part to the relatively subdued EPS growth in recent years.

What about an asset sale or full sale?

We find the number of jurisdictions that NI operates in to be a hurdle in a potential sale, although not insurmountable. Recent transactions with multiple jurisdictions include UIL-IBE (three states), POM-EXC (four states plus Washington DC), and AGL-SO (six states) - especially for publicly-traded utilities whose shares would be impacted by the headlines around the regulatory process in each state. That said, NI's jurisdictions have been relatively open to utility M&A in the past from precedent transactions, and Indiana does not have an explicit statutory approval process for transactions. Still, we perceive interest from infrastructure capital to own utility assets, as evidenced by CenterPoint's recent OK and AR LDC sale, Duke's minority stake sale in Indiana, and FirstEnergy's sale of a minority stake in its transmission business last year. All of the transactions took place at healthy multiples, which could look accretive vs issuing straight equity or a convertible to fund up to $750M in capex tied to renewables in the '24-'26 timeframe.

So what has been the focus for investors? Previously, media reports pointed to VA and KY as potential candidates for a divesture, and the size of the utilities (~$905M and ~$372M in year-end 2020 rate base) would fit a potential equity need well. Mgmt. has stated that MD acts as a compliment to PA, making it unlikely for sale in our view.

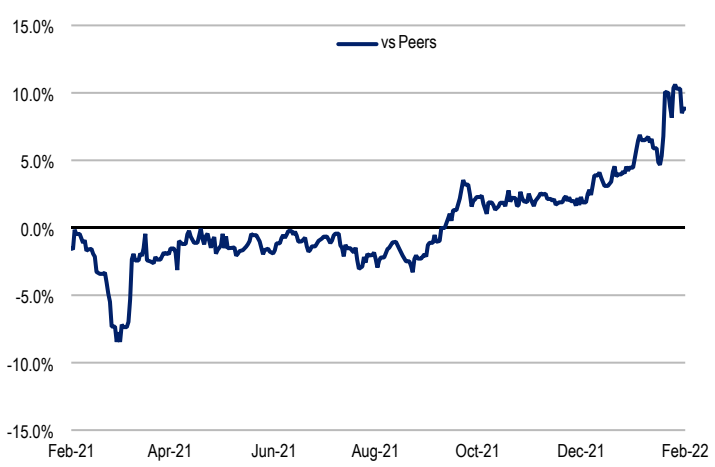
Why stay positive at current levels? See revisions possible on strategic review

Our favorable view of NiSource is not premise on a strategic transaction, either asset or full sale, and we still see upside to shares based on ability to cut costs, earn closer to the allowed ROE in between rate cases, and strengthen the EPS profile for a longer period. We continue to believe that the capital spending plan and renewables remain on track driving above average growth in the near-term. Additionally, we believe that there is an opportunity for NI to capture a significant portion of the $750M capex opportunity tied to the 2021 NIPSCO integrated resource plan (IRP) that would drive an extended, above average growth path.

So what are we expecting on the FY21 call? Not much at this point outside of a confirmation that mgmt. will be focused on cutting costs, consistent with management's prior statements. While some investors have the perception that NI is in a beat-and-raise mode with its guidance, we see the call as too early given a significant portion of the heating season remaining in 1Q and lack of clarity on the timeline for OH.

We use a weighted average multiple to highlight NI relative value. Specifically, we take the average gas utility multiple and weight it by 60% and the average electric multiple and weight it by 40% to represent NI business mix. We find this is a better representation than simply comping NI to gas peers and electric peers.

Exhibit 1: NI Relative FY23 P/E vs Peers
While shares have performed well since the updates, we see further re-rating possible on the outcome of the strategic review including cost cutting that would improve the EPS profile



Source: BofA Global Research, Bloomberg

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How large of a delta? Ability for NI to cut significant costs

We outline the delta between NI's cost structure and peers below. We see significant room for improvement, especially at NIPSCO electric when comparing to other utilities in the space. See below for more on each metric and our peer groups.

Exhibit 2: NI Electric vs Peer Utility Cost Statistics
We outline NI cost metrics vs electric utility peers in the Midwest; NI's cost metrics are much higher than peers, showing room for significant improvement

O&M/MWh	2018	2019	2020	O&M/Customer	2018	2019	2020	O&M/Wire Mile	2018	2019	2020
Average	8.78	10.37	8.23	Average	267.10	297.54	255.46	Average	8046.65	8026.09	7861.57
Median	6.62	6.22	6.90	Median	232.80	219.13	201.54	Median	6536.11	7133.74	7021.19
NI vs Average	**40.2%**	**34.1%**	**81.3%**	**NI vs Average**	**61.3%**	**55.3%**	**79.7%**	**NI vs Average**	**95.6%**	**111.8%**	**116.8%**
NI vs Median	**85.9%**	**123.7%**	**116.0%**	**NI vs Median**	**85.1%**	**110.8%**	**127.8%**	**NI vs Median**	**140.9%**	**138.2%**	**142.8%**

Source: BofA Global Research, FERC Form 1, SNL

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Exhibit 3: NI Gas vs Peer Utility Cost Statistics
We outline NI cost metrics vs gas utility peers in the Midwest; while not as large of a delta as NI Electric, we still see room for improvement

O&M/Bcf	2018	2019	2020	O&M/Customer	2018	2019	2020	O&M/Pipeline Mile	2018	2019	2020
Average	0.71	0.74	0.77	Average	143.51	155.94	142.04	Average	4.53	4.79	4.54
Median	0.71	0.73	0.67	Median	137.20	164.69	140.74	Median	4.92	4.50	4.42
NI vs Average	**-6.9%**	**-0.1%**	**-1.5%**	**NI vs Average**	**20.0%**	**21.1%**	**27.9%**	**NI vs Average**	**15.9%**	**20.4%**	**23.4%**
NI vs Median	**-7.1%**	**0.9%**	**13.7%**	**NI vs Median**	**25.6%**	**14.7%**	**29.1%**	**NI vs Median**	**6.7%**	**28.3%**	**26.5%**

Source: BofA Global Research, FERC Form 2, SNL, American Gas Association

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How does NI Stack Up on O&M vs Electric Utilities?

We pulled the FERC Form 1 data for the past three years for NIPSCO Electric as well as for several Midwestern peer utilities - Indiana Michigan Power (AEP), Ohio Power (AEP), Duke Energy's (DUK) subsidiaries in Indiana, the Carolinas, and Kentucky, ComEd (EXC), Vectren (CNP), and Dayton Power & Light (FE). We pulled FERC Form 1 line items that make up expenses that are not otherwise linked to fuel, electricity production, distribution, or transmission - specifically FERC Form 1 page 323, lines 164, 171, 178, and 197. Below for reference is 2019 data we pulled for both NIPSCO and its peer utilities.

Exhibit 4: O&M data filed on FERC Form 1 ($m)
By utility holding company - NIPSCO and electric peers

FF1 Account	Page No.	Line No.	NIPSCO Electric	Indiana Michigan Power Co	Ohio Power Co.	Duke Energy Indiana	Duke Energy Carolinas	Duke Energy Kentucky	ComEd	Vectren (CNP Indiana)	Dayton Power & Light
Customer Accounts	323	164	17	19	145	27	86	4	203	5	28
Customer Service and Informational	323	171	1	30	65	4	18	1	34	1	28
Sales Expenses	323	178	1	0	3	5	15	1	0	11	0
Admin and General Expenses	323	197	200	102	75	149	386	22	427	64	64
General O&M (sum)			219	151	289	184	505	28	664	81	121

Source: FERC Form 1

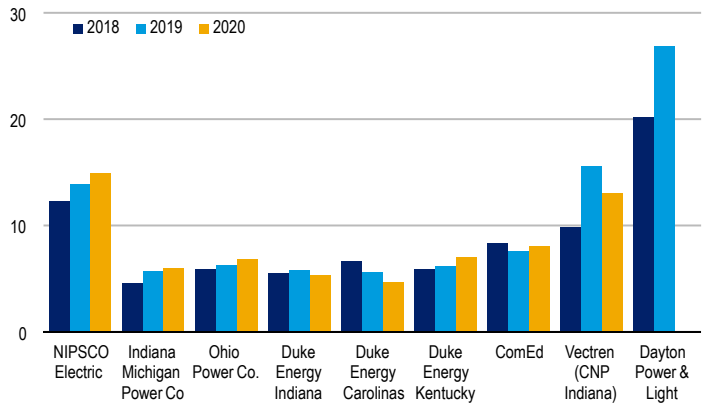
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O&M per MWh sold - NIPSCO, Vectren, DPL are highest

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subsidiary Dayton Power & Light (DPL) is highest in recent years (note 2020 data not available) at more than 2x the average with most of the peer utilities coming in well below $10/MWh. NIPSCO and Vectren are elevated with a three-year average in the low double digits - note for NIPSCO in particular this is a cautious data point given the rising trajectory over the 2018-20 period while certain other competitors are able to keep costs on a per-MWh basis relatively flat (EXC) or declining over time (DUK).

Exhibit 5: O&M per MWh sold ($/MWh)
DPL is tops, followed by NIPSCO and Vectren



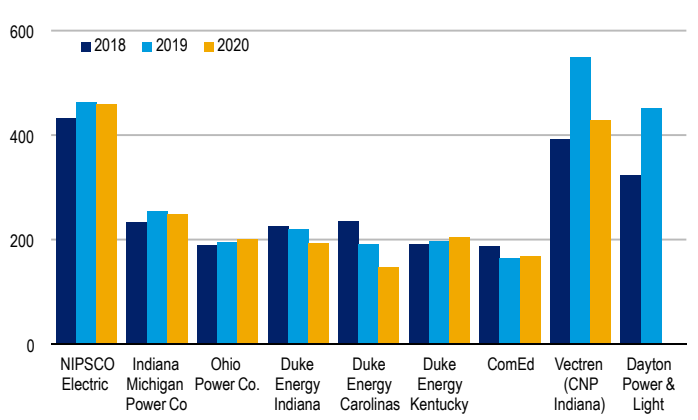
Source: BofA Global Research, FERC Form 1

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O&M per customer - Similar pattern, Vectren is highest across 2018-2020

The level of utility O&M per retail customer is relatively steady across the time period - while NIPSCO is elevated at over $400 per customer and the majority of the peer utilities closer to an average of $200. We call out the DUK utilities in particular for once again exhibiting a declining pace at two of its three opcos (Kentucky being flat to slightly higher), with EXC's ComEd being the other utility on a downward trajectory. Vectren and DPL both exhibit volatility on a year-over-year basis, though given the limitation around the data makes it unclear whether DPL was able to reverse the trend in 2020.

Exhibit 6: O&M per retail customer ($/customer)
NIPSCO is consistently highest with Vectren and DPL close behind



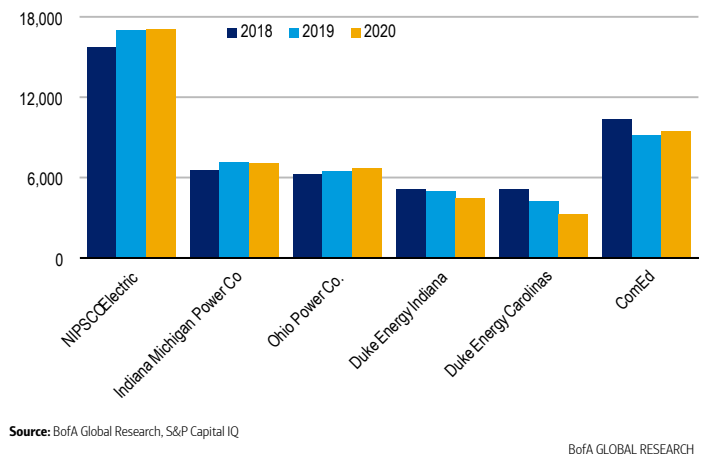
Source: BofA Global Research, FERC Form 1

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O&M per mile - fewer data points, NIPSCO stands out

We also display O&M per mile of distribution and transmission lines by utility below as a way to present the level of efficiency across companies. NIPSCO once again stands out as being on the high end of the range here, with ComEd comparatively high as well. Note this data is sourced from S&P Capital IQ as opposed to FERC and thus is not available for all the utilities within our sample set.

Exhibit 7: O&M per mile of T&D lines
NIPSCO leads on a per-mile metric



Source: BofA Global Research, S&P Capital IQ

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How does NI Stack Up on O&M vs Gas LDCs?

We analyzed the FERC Form 2 data for the past three years for NI's gas LDCs including NIPSCO Gas (IN), Columbia Gas of Ohio, Columbia Gas of PA, Columbia Gas of VA, and Columbia Gas of KY as well as for several peer utilities - CenterPoint's Indiana Gas Utilities (Indiana Gas Co and Southern Indiana Gas & Electric), East Ohio Gas (D), Nicor Gas (SO), UGI Utility (UGI in PA), Duke Energy's gas subsidiaries in Ohio and Kentucky, Piedmont Natural Gas (DUK), ONE Gas' subsidiaries in OK, TX, and KS, and Atmos Energy (ATO). We used primarily FERC Form 2 line items that make up expenses that are not otherwise linked to fuel, distribution, or transmission.

Exhibit 8: O&M Ex-Production, Transmission, Distribution by Utility
We outline the O&M figure we use to compare costs by utility below

Gas Utility O&M	2018	2019	2020
NIPSCO Gas	114	136	132
Columbia Gas of KY	26	28	30
Columbia Gas of VA	54	55	48
Columbia Gas of OH	222	247	240
Columbia Gas of PA	119	125	124
NiSource	**535**	**591**	**575**
Nicor Gas	220	254	288
UGI Utility	142	141	145
Indiana Gas Co	79	103	73
Southern Indiana Gas & Electric	18	27	17
CenterPoint IN	**97**	**130**	**90**
Dominion Energy Ohio	49	89	48
Duke Energy Kentucky	13	11	13
Piedmont Natural Gas Co	220	183	183
Oklahoma Natural Gas	104	106	105
Texas Gas Service	75	79	83
Kansas Gas Service	104	n/a	n/a
ONE Gas	**283**	**185**	**188**
Atmos Energy	305	310	304

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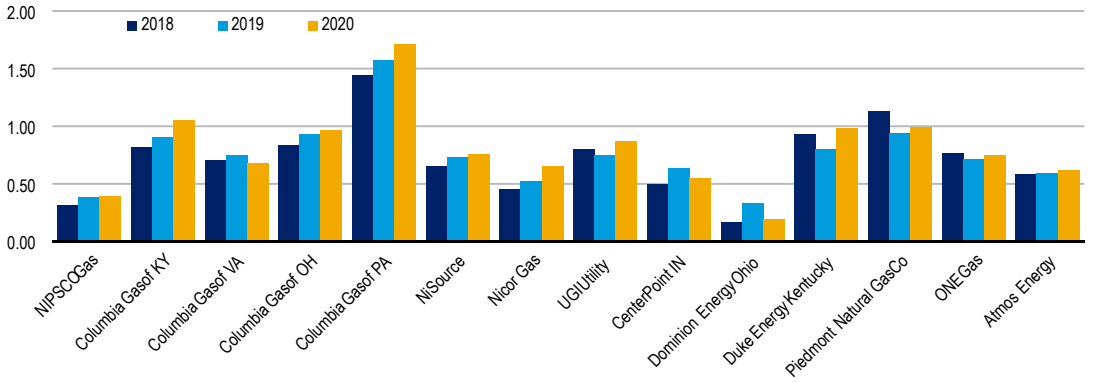
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O&M per Bcf - Columbia Gas of PA, UGI, Piedmont stand out

One of the most commonly applied metrics for comparing efficiency across utilities of different sizes is total O&M per Bcf sold. We note that we include both sales and transportation volume in our analysis sourced from a combination of FERC Form 2, SNL, and American Gas Association data. We used total volume to level the playing field between those who had lower sales volumes, but much higher transportation volumes - note, the OH utilities shared this dynamic.

On this metric, NI's Columbia Gas of PA was the highest since 2018 and rising - O&M per Bcf was more than double the average for the peer group we selected. NIPSCO Gas, on the other hand, performed very well on this metric which is somewhat surprising given the cost structure of the NI's other gas utilities. Additionally, we note that Dominion's Ohio gas utility was much lower than peers, potentially calling into question some cost allocation or data reporting. More generally, we note that costs for most gas utilities have trended up since 2018, which is in contrast to the electric utilities (outside of NIPSCO) that have been able to bend the cost curve through coal retirements, etc.

Exhibit 9: O&M per Bcf
Columbia Gas of PA leads all peers; note the general trend upwards of costs for most of the gas utilities



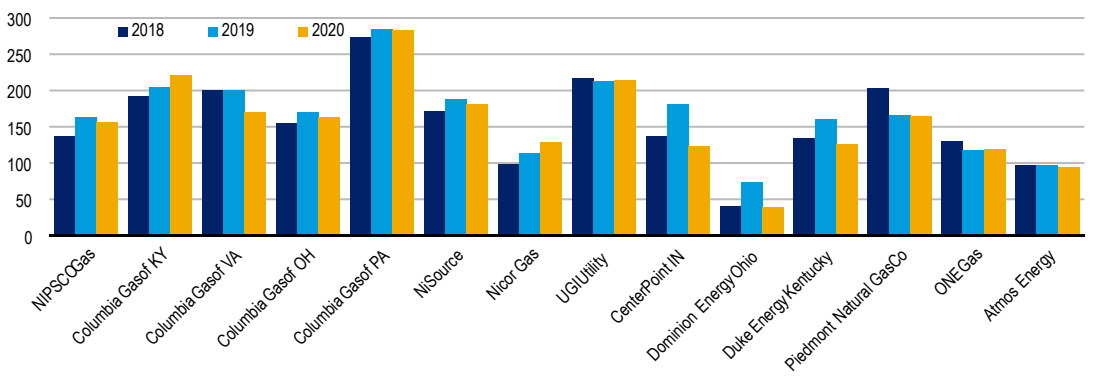
Source: BofA Global Research, FERC Form 2, SNL, American Gas Association

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O&M per customer - Columbia Gas of PA, UGI again stand out

The level of utility O&M per retail customer is steady to slightly increasing since 2018 - while again NIPSCO is elevated at over $280 per customer and the majority of the peer utilities closer to an average of $140. All of NI's subsidiaries are above the average for this metric with KY and VA also standing out. ONE Gas (OGS), Atmos Energy (ATO), Dominion Ohio, and Nicor (SO) again all stand out as top performers in this metric.

Exhibit 10: O&M per Customer
Columbia Gas of PA once again stands out vs peers; All of NI's subsidiaries are above the average metric for the gas utility peers outlined



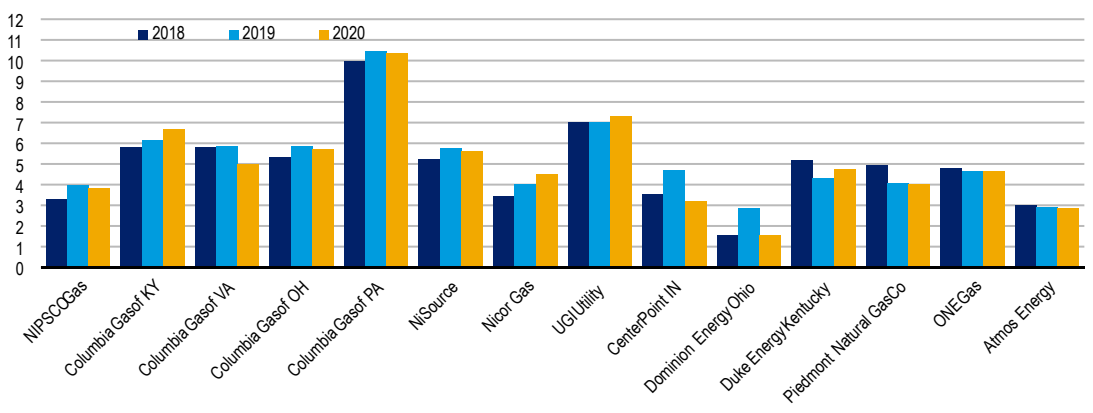
Source: BofA Global Research, FERC Form 2, SNL, American Gas Association

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O&M per mile - NIPSCO performs better, but the rest of NI's utilities do not

We also display O&M per mile of service and main pipelines by utility below as a way to present the level of efficiency across companies. NIPSCO performs better than average on this metric, but NI's other gas utilities are much higher than average. Again, costs are trending up for most gas utilities (OGS, ATO, and CNP stand out as bending the curve). Note this data is sourced from the American Gas Association.

Exhibit 11: O&M per Pipeline Mile
NIPSCO Gas performs better on this metric, but the remainder of NI's gas utilities are above average



Source: BofA Global Research, FERC Form 2, SNL, American Gas Association

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More gas data detail

We display our denominators used for our gas analysis below. Again, we note Ohio's low sales volumes and customer counts and higher transportation data. We use totals (i.e. Exhibit 13) in our analysis.

Exhibit 12: Sales and Transportation Volumes and Customer Count
We outline more detail on volume and customer count below; note Ohio shows lower sales volumes and customers and more transportation volumes and customers, and therefore, we use totals in our analysis

	Sales - Volume (bcf)			Transportation - Volume (bcf)			Sales - Customer Count (k)			Transportation - Customer Count (k)		
Company	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
NIPSCO Gas	87.0	88.4	80.3	269.8	265.9	258.0	750.9	757.6	766.3	76.7	75.8	77.6
Columbia Gas of KY	11.2	10.8	10.3	20.7	19.9	18.5	115.2	117.0	117.7	21.1	19.8	19.8
Columbia Gas of VA	23.0	22.1	19.8	53.5	51.4	50.1	244.3	248.9	253.1	25.5	25.4	25.8
Columbia Gas of OH	13.2	12.7	10.3	253.4	253.8	238.7	130.3	127.4	125.6	1,307.1	1,319.7	1,340.2
Columbia Gas of PA	38.0	36.3	33.3	44.3	42.8	39.1	358.0	362.1	366.3	75.2	74.5	72.0
NiSource	**172.3**	**170.3**	**154.0**	**641.8**	**633.8**	**604.4**	**1,598.7**	**1,613.1**	**1,629.0**	**1,505.6**	**1,515.1**	**1,535.4**
Nicor Gas	258.1	264.9	239.8	221.3	221.9	202.0	1,937.1	1,958.1	1,991.6	289.7	277.8	254.6
UGI Utility	64.5	59.2	56.0	113.0	129.8	109.5	553.7	561.8	572.1	101.6	102.6	103.0
Indiana Gas Co	64.1	63.4	60.6	90.3	103.2	69.6	596.8	604.3	616.0	2.5	2.6	2.8

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Electric	10.1	9.8	9.2	30.5	28.3	24.9	111.6	112.0	113.0	0.4	0.3	0.3
CNP Indiana	**74.1**	**73.2**	**69.7**	**120.8**	**131.5**	**94.5**	**708.4**	**716.3**	**729.0**	**2.9**	**3.0**	**3.1**
East Ohio Gas (Dominion)	13.3	11.3	10.1	268.9	253.1	236.2	100.4	93.4	88.6	1,096.5	1,107.7	1,121.5
Duke Energy Kentucky	10.3	9.8	9.0	4.0	4.3	4.0	99.3	70.1	101.2	0.1	0.1	0.1
Piedmont Natural Gas Co	105.6	101.9	95.6	89.7	91.9	88.2	1,081.6	1,097.8	1,109.7	0.8	0.8	0.8
Oklahoma Gas Service	75.3	76.7	67.4	126.2	125.6	131.3	875.7	882.9	892.7	5.2	5.2	5.2
Texas Gas Service	36.5	37.2	34.9	17.5	17.8	17.5	661.4	668.9	679.1	1.1	1.0	1.0
Kansas Gas Service	56.5	57.6	52.3	56.6	57.9	56.9	633.4	633.8	639.6	5.9	6.0	6.0
ONE Gas	**168.3**	**171.5**	**154.7**	**200.3**	**201.3**	**205.7**	**2,170.6**	**2,185.7**	**2,211.4**	**12.2**	**12.2**	**12.3**
Atmos Energy	316.4	313.5	283.4	202.5	205.3	209.4	3,156.1	3,190.2	3,229.1	2.2	2.3	2.3

Source: BofA Global Research, American Gas Association

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Exhibit 13: Total Volume, Customer Count and Pipeline Miles by Utility
We outline the data used for total volume, customer count and pipeline mile by utility below

	Total - Volume (bcf)			Total - Customer Count (k)			Total - Pipeline Miles		
Company	2018	2019	2020	2018	2019	2020	2018	2019	2020
NIPSCO Gas	356.8	354.3	338.3	827.7	833.4	843.8	34,256.9	34,397.7	34,460.1
Columbia Gas of KY	31.9	30.8	28.8	136.3	136.8	137.5	4,522.3	4,542.0	4,537.5
Columbia Gas of VA	76.5	73.5	69.9	269.8	274.3	278.9	9,309.3	9,417.3	9,517.1
Columbia Gas of OH	266.7	266.4	249.0	1,437.3	1,447.2	1,465.8	41,869.0	42,084.5	42,206.2
Columbia Gas of PA	82.2	79.0	72.4	433.2	436.6	438.3	11,879.5	11,927.4	11,981.5
NiSource	**814.1**	**804.0**	**758.4**	**3,104.3**	**3,128.2**	**3,164.3**	**101,837.0**	**102,368.9**	**102,702.5**
Nicor Gas	479.4	486.7	441.8	2,226.8	2,235.8	2,246.1	63,369.9	63,509.0	63,685.8
UGI Utility	177.5	189.0	165.5	655.3	664.4	675.1	20,221.5	20,090.1	19,788.9
Indiana Gas Co	154.4	166.6	130.1	599.4	606.9	618.7	22,081.5	22,466.4	22,870.2
Southern Indiana Gas & Electric	40.6	38.1	34.1	111.9	112.4	113.4	5,198.6	5,237.3	5,256.0
CNP Indiana	**195.0**	**204.8**	**164.2**	**711.3**	**719.3**	**732.1**	**27,280.1**	**27,703.7**	**28,126.2**
East Ohio Gas (Dominion)	282.3	264.4	246.3	1,196.9	1,201.1	1,210.1	31,146.6	31,121.8	31,100.2
Duke Energy Kentucky	14.3	14.1	12.9	99.4	70.2	101.4	2,590.8	2,625.0	2,686.9
Piedmont Natural Gas Co	195.4	193.8	183.9	1,082.3	1,098.6	1,110.5	44,482.8	44,785.6	45,684.5
Oklahoma Gas Service	201.5	202.4	198.7	880.9	888.1	897.8	23,614.2	24,006.6	24,378.2
Texas Gas Service	54.0	55.0	52.4	662.5	670.0	680.2	15,268.9	15,486.3	15,972.7
Kansas Gas Service	113.1	115.4	109.2	639.3	639.8	645.6	20,098.7	20,333.3	20,448.3
ONE Gas	**368.6**	**372.8**	**360.4**	**2,182.7**	**2,197.9**	**2,223.6**	**58,981.9**	**59,826.2**	**60,799.2**
Atmos Energy	518.9	518.8	492.7	3,158.4	3,192.4	3,231.4	102,182.5	106,602.9	106,038.8

Source: BofA Global Research, American Gas Association

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Title: Subtitle	Primary Author	Date Published
NiSource Inc: Framing the CEO Pivot: Why We're Still So Positive (https://rsch.baml.com/r?q=LEfR7TvSpKUYiJNfcjdveA)	Julien Dumoulin-Smith	31 January 2022
US Electric Utilities & IPPs: PowerPoints: NI-Elliott, RNW M&A, FY22 Street EPS Revisions, ORA Mgmt Turnover (https://rsch.baml.com/r?q=Slv8b!sr!2HDvOEKW1!!RQ)	Julien Dumoulin-Smith	28 January 2022
US Electric Utilities & IPPs: PowerPoints: CO Fires, Nuclear pro-ESG?, IDA, NI, DUK, & Top 10 2021 Reports (https://rsch.baml.com/r?q=ovrV7GkmhiWw3vQv!QZrnQ)	Julien Dumoulin-Smith	03 January 2022
NiSource Inc: Top-tier growth off a particularly healthy base; LT opps. drive further pos. revision (https://rsch.baml.com/r?q=8VCfYsGfnBVS2Bl2Q!2MPw)	Julien Dumoulin-Smith	05 November 2021
NiSource Inc: More Capex on next IRP than we thought.. and '22 guide comes out swinging; Buy (https://rsch.baml.com/r?q=2ISiqiv25ZXzBXWIUF4G2g)	Julien Dumoulin-Smith	03 November 2021
NiSource Inc: Fireside Chat; confidence in an extension of growth runway, avenues for growth (https://rsch.baml.com/r?q=!thyVk-loWfxy68cp-yTEg)	Julien Dumoulin-Smith	29 September 2021

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Click for important disclosures. Analyst Certification. Price Objective Basis & Risk.

*iQ*profile℠ 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℠ - Bus Performance					
(US$ Millions)	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**
Return on Capital Employed	3.3%	4.1%	4.2%	4.5%	4.7%
Return on Equity	9.9%	10.2%	10.2%	10.0%	10.5%
Operating Margin	17.1%	22.0%	20.2%	22.2%	24.3%
Free Cash Flow	(219)	(654)	(525)	(946)	(1,709)

iQ*method℠ - Quality of Earnings					
(US$ Millions)	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**
Cash Realization Ratio	3.2x	2.2x	2.6x	2.5x	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%	133.8%	143.2%	164.7%
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	5,511	5,701	5,965
% Change	2.5%	-9.8%	17.3%	3.4%	4.6%
Gross Profit	3,674	3,587	3,899	4,064	4,303
% Change	10.5%	-2.4%	8.7%	4.2%	5.9%
EBITDA	1,608	1,757	1,899	2,090	2,321

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Net Interest & Other Income	(384)	(339)	(371)	(390)	(491)
Net Income (Adjusted)	**495**	**508**	**564**	**635**	**701**
% Change	**6.8%**	**2.6%**	**11.2%**	**12.5%**	**10.4%**

Free Cash Flow Data (Dec)

(US$ Millions)	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**
Net Income from Cont Operations (GAAP)	328	511	534	635	701
Depreciation & Amortization	717	726	783	827	874
Change in Working Capital	(75)	(249)	0	0	0
Deferred Taxation Charge	118	(29)	125	147	181
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**	**-525**	**-946**	**-1,709**
% Change	**82.9%**	**-198.5%**	**19.7%**	**-80.3%**	**-80.6%**

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	518	583	697
Other Current Liabilities	1,959	1,753	1,753	1,753	1,753
Long-Term Debt	7,856	9,220	9,037	10,173	12,163
Other Non-Current Liabilities	5,071	4,704	4,829	4,975	5,156
Total Liabilities	**16,673**	**16,203**	**16,136**	**17,484**	**19,769**
Total Equity	**5,987**	**5,752**	**7,045**	**7,426**	**7,731**
Total Equity & Liabilities	**22,660**	**21,955**	**23,182**	**24,910**	**27,501**

** Click for full definitions of iQmethod℠ measures.*

Price Objective Basis & Risk

NiSource Inc (NI)
Our $32 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 14.4x for gas and 16.9x for electric with a 2.0x premium for both the electric & gas utility's strong growth rates and incremental renewable buildout, with capex potentially beginning in '24, but acknowledge industrial gen load migration 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.

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
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE 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
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	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

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	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM 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	Julien Dumoulin-Smith
	South Jersey Industries	SJI	SJI 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				
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	CMS Energy	CMS	CMS 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	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO 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
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC 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
	Alliant Energy Corporation	LNT	LNT US	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
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	Fluence Energy	FLNC	FLNC 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
	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
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Adhok Bellurkar

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 speci fic recommendations or view expressed in this research report.

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Report

BofA on USA (https://rsch.baml.com/r?q=sE-IgIiywGYTI1z8yB99Pw&e=mweisenburger%40nisourc

The post-Omicron rebound

Anna Zhou 2022-Feb-10

VideoPDF

The RIC Report (https://rsch.baml.com/r?q=sE-IgIiywGYTI1z8yB99Pw&e=mweisenburger%40nisourc

Bullish stock splits, bearish rate hits

Research Investment Committee 2022-Feb-8

Timestamp: 15 February 2022 05:00AM EST

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Previewing the analyst day; still early days

We refresh our thoughts on NiSource (NI) and remain constructive on shares following the turnover at CEO and initiation of a strategic review. The process is still very young, but mgmt. hinted at the possible outcomes and a light preview of the analyst day scheduled for May including **1)** potential extension of the 7-9% EPS growth beyond the currently contemplated '24 timeframe (mgmt. noted the potential for growth and spending guidance through as long as '28), **2)** cost containment and reductions across the portfolio (as highlighted in our recent note comparing NI utilities to regional peers Near-Term Strategic Angle is Cost Reductions), and **3)** divestment/asset rotation to fund further growth capital. *In each potential pathway that mgmt. may take with the strategic review, the end goal is to maximize shareholder value.* Cost reductions are the most achievable and near-term item for mgmt. to address – NI's utilities across the board are inefficient when compared to peers, and a reduction can lead to less dis-synergies on any asset sale that mgmt. may enter into. Asset sales, particularly of NI's non-core LDCs, are intriguing with capital used for the robust investment opportunity at the electric biz or to even buyback shares accretively. *South Jersey Industries' (SJI) recent sale announcement for ~1.7x EV/'21 rate base (utility only) in addition to D's sale of Hope Gas for ~2x rate base bode well for any asset rotation options that NI mgmt. would consider.*

Acquisitions? Not in our view, messaging still young

On the call, mgmt. called out the potential for *accretive* acquisitions which came as a surprise to many investors. Given recent multiples paid for assets primarily by infrastructure or private funds, we find it would be difficult for acquisitions to meet mgmt.'s broad criteria of being accretive. We believe the messaging was more to highlight that mgmt. was evaluating a *number* of options in the strategic review.

PO remains at $32; EPS unchanged

Our PO remains at $32 based on our latest MtM of peer FY24E P/E for gas utilities of 14.7x (from 14.4x) and electric utilities of 16.1x (from 16.9x). Note, we exclude SJI from our gas utility peer group following sale announcement. Our EPS estimates remain unchanged as FY22 EPS guidance was previously announced, and we await more clarity on timing of the OH rate case before we become more constructive on EPS for the year. *We see healthy 14% total return potential from current valuation levels and reiterate Buy.*

Estimates (Dec) (US$)	2020A	2021A	2022E	2023E	2024E
EPS	1.32	1.37	1.44	1.56	1.77
GAAP EPS	1.33	1.27	1.44	1.56	1.77
EPS Change (YoY)	0%	3.8%	5.1%	8.3%	13.5%
Consensus EPS (Bloomberg)			1.46	1.54	1.73
DPS	0.88	0.94	0.99	1.05	1.12
Valuation (Dec)					
P/E	22.0x	21.2x	20.1x	18.6x	16.4x
GAAP P/E	21.8x	22.8x	20.1x	18.6x	16.4x
Dividend Yield	3.1%	3.2%	3.4%	3.6%	3.9%
EV / EBITDA*	15.9x	15.9x	13.4x	12.1x	11.0x
Free Cash Flow Yield*	-5.6%	-5.0%	-8.1%	-14.5%	-2.3%

* For full definitions of *iQmethod℠* measures, see page 8.

28 February 2022

Equity

Key Changes

(US$)	Previous	Current
2024E EPS	1.76	1.77
2022E EBITDA (m)	2,090.0	2,087.1
2023E EBITDA (m)	2,321.4	2,316.5
2024E EBITDA (m)	2,540.3	2,535.2

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Stock Data

Price	28.98 USD
Price Objective	32.00 USD
Date Established	31-Jan-2022
Investment Opinion	A-1-7
52-Week Range	21.11 USD - 30.19 USD
Mrkt Val (mn) / Shares Out (mn)	11,748 USD / 405.4
Average Daily Value (mn)	191.15 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2022E)	10.0%
Net Dbt to Eqty (Dec-2021A)	134.5%
ESGMeter™	**High**

ESGMeter is a proprietary metric based on quantitative analysis and fundamental analyst inputs that reflects our assessment of a company's ESG-related attributes. It is intended to indicate a company's likelihood of experiencing stronger financial stability (higher ROE and lower earnings and price volatility) over the next three years relative to its peer group. There are three ESGMeter levels – Low, Medium, and High. Refer to "BofA ESGMeter Methodology". **ESGMeter is not intended to be indicative of a company's future stock price performance and is independent of the BofA Global Research fundamental equity analyst's investment rating, volatility risk rating, income rating or price objective for that company.**

IRP: integrated resource plan
LDC: local distribution company

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iQprofile℠ NiSource Inc

iQmethod℠ **– Bus Performance***

(US$ Millions)	2020A	2021A	2022E	2023E	2024E
Return on Capital Employed	4.1%	4.0%	4.4%	4.6%	4.8%
Return on Equity	10.2%	10.3%	10.0%	10.5%	11.4%
Operating Margin	22.0%	20.6%	22.1%	24.2%	26.0%
Free Cash Flow	(654)	(587)	(946)	(1,709)	(268)

iQmethod℠ **– Quality of Earnings***

(US$ Millions)	2020A	2021A	2022E	2023E	2024E
Cash Realization Ratio	2.2x	2.5x	2.5x	2.5x	2.1x
Asset Replacement Ratio	2.4x	2.7x	3.1x	4.0x	2.3x
Tax Rate	18.3%	16.8%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	167.4%	134.5%	143.8%	165.3%	136.6%
Interest Cover	2.8x	3.0x	3.3x	3.0x	3.6x

Income Statement Data (Dec)

(US$ Millions)	2020A	2021A	2022E	2023E	2024E
Sales	4,697	4,900	5,698	5,960	6,200
% Change	-9.8%	4.3%	16.3%	4.6%	4.0%
Gross Profit	3,587	3,507	4,061	4,298	4,514
% Change	-2.4%	-2.2%	15.8%	5.8%	5.0%
EBITDA	1,757	1,755	2,087	2,316	2,535
% Change	9.3%	-0.1%	18.9%	11.0%	9.4%
Net Interest & Other Income	(339)	(304)	(387)	(486)	(453)
Net Income (Adjusted)	**508**	**571**	**635**	**701**	**861**
% Change	**2.6%**	**12.6%**	**11.1%**	**10.4%**	**22.8%**

Free Cash Flow Data (Dec)

(US$ Millions)	2020A	2021A	2022E	2023E	2024E
Net Income from Cont Operations (GAAP)	511	530	635	701	861
Depreciation & Amortization	726	748	827	874	923
Change in Working Capital	(249)	0	0	0	0
Deferred Taxation Charge	(29)	94	147	181	49
Other Adjustments, Net	145	41	0	0	0
Capital Expenditure	(1,758)	(2,001)	(2,555)	(3,464)	(2,100)
Free Cash Flow	**-654**	**-587**	**-946**	**-1,709**	**-268**
% Change	**-198.5%**	**10.2%**	**-61.2%**	**-80.6%**	**84.3%**

Balance Sheet Data (Dec)

(US$ Millions)	2020A	2021A	2022E	2023E	2024E
Cash & Equivalents	117	126	126	126	126
Trade Receivables	825	825	825	825	825
Other Current Assets	718	718	718	718	718
Property, Plant & Equipment	16,620	17,872	19,600	22,191	23,368
Other Non-Current Assets	3,762	3,762	3,762	3,762	3,762
Total Assets	**22,041**	**23,302**	**25,030**	**27,621**	**28,798**
Short-Term Debt	526	521	586	700	684
Other Current Liabilities	1,753	1,753	1,753	1,753	1,753
Long-Term Debt	9,220	9,093	10,229	12,217	11,946
Other Non-Current Liabilities	4,704	4,798	4,944	5,125	5,174
Total Liabilities	**16,203**	**16,165**	**17,512**	**19,796**	**19,558**
Total Equity	**5,752**	**7,052**	**7,433**	**7,740**	**9,155**
Total Equity & Liabilities	**21,955**	**23,217**	**24,945**	**27,535**	**28,713**

* For full definitions of ***iQ***method℠ measures, see page 8.

Company Sector

Natural Gas-Local Distribution Companies

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.

Stock Data

Average Daily Volume	6,595,923

Quarterly Earnings Estimates

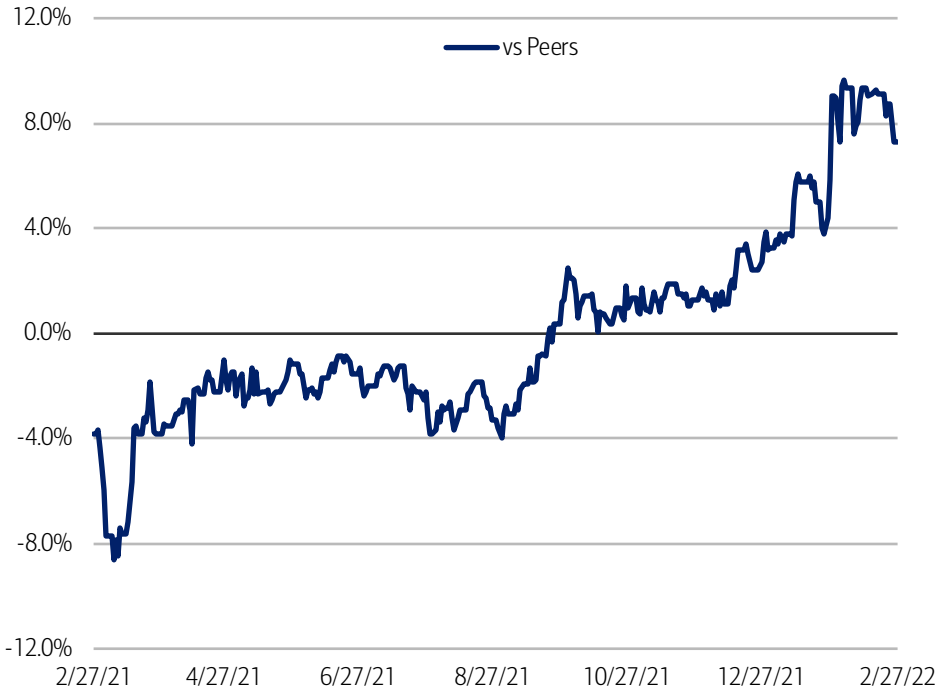
	2021	2022
Q1	0.77A	0.73E
Q2	0.13A	0.11E
Q3	0.11A	0.12E
Q4	1.10A	0.47E

Why stay positive following re-rating? Further revisions possible on strategic review

We maintain our favorable view of NiSource is not premised on a strategic transaction at this time, either asset or full sale, and we still see upside to shares based on ability to cut costs, earn closer to the allowed ROE in between rate cases, and strengthen the EPS profile for a longer period. We continue to believe that the capital spending plan and renewables remain on track driving above average growth in the near-term. Additionally, we believe that there is an opportunity for NI to capture a significant portion of the $750M capex opportunity tied to the 2021 NIPSCO integrated resource plan (IRP) that would drive an extended, above average growth path.

We use a weighted average multiple to highlight NI relative value. Specifically, we take the average gas utility multiple and weight it by 60% and the average electric multiple and weight it by 40% to represent NI business mix. We find this is a better representation than simply comping NI to gas peers and electric peers.

Exhibit 1: NI FY23 P/E vs Weighted Average P/E of Electric and Gas Utility Peers
While NI is now trading at a premium to a weighted average peer multiple, we see further room to re-rate on cost cutting and/or a potential strategic divestment



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Renewables projects remain on track

Mgmt. stated that all of the renewables projects stemming from the 2018 integrated resource plan remain on track. While NI has disclosed a notice of a **potential** force majeure event under the build transfer agreement for the Elliott solar generation project and a similar notice under the PPA (power purchase agreement) for the Gibson solar project based on the U.S. Customs and Border Protection's (CBP) Withhold Release Order (WRO) on silica-based products made by Hoshine Silicon Industry Co., **there has not been an impact or force majeure event**. Actions are being taken to avoid the detention of future shipments. Timing of capex and the rate case in '23 remains on track.

What's the deal in OH?

OH continues to be the case to watch as NI's largest gas utility. Not a lot of progress has been made thus far and the timeline has been extended vs our expectations – a procedural schedule has not been issued in the case but will be issued upon Staff recommendation. Volume in the winter heating season is much less of a driver for OH. We remain comfortable with NI's ability to work well with a diverse set of stakeholders and believe the regulatory relationship is strong despite this being NI's first general rate case in OH since 2008 - note, NI came to a constructive resolution on its Capital Expenditure Program (CEP) in 2017. *On balance, yes notable – and an underappreciated regulatory driver – but not the headwind that is otherwise feared.*

EPS estimates; largely unchanged

We largely maintain our FY22-FY25 EPS estimates and continue to see BofAe for FY23 and beyond above Street. Remember, mgmt. points to a 5-7% EPS CAGR off of a FY21 base through FY23 and a 7-9% EPS CAGR through FY24 as renewables are placed in service and rolled into rates. We see NI at the top-end of both of the ranges. We see EPS CAGR at the top-end of management's guidance range through '24E (9%). Look for further opportunities in the 2025+ outlook with a further NIPSCO Electric IRP/RFP to be articulated at the May analyst day that could potentially enable a further extension of the outlook at sustained EPS CAGR.

Exhibit 2: NI EPS Estimates
We outline our EPS estimates below which remain largely unchanged

NI EPS Estimates		2019A	2020A	2021E	2022E	2023E	2024E	2025E
Gas		1.04	1.03	1.10	1.15	1.25	1.24	1.30
Electric		0.59	0.55	0.55	0.57	0.59	0.78	0.84
Parent/Other		-0.33	-0.33	-0.27	-0.29	-0.28	-0.26	-0.25
BofA EPS		**1.32**	**1.32**	**1.37**	**1.44**	**1.56**	**1.77**	**1.89**
Previous EPS		1.32	1.32	1.34	1.44	1.56	1.76	1.88
Guidance		**1.27-1.33**		**1.36**	**1.42-1.48**			
Consensus		1.30	1.31	1.36	1.46	1.54	1.73	1.83
BofA '21-'24 EPS CAGR	8.9%							
Guidance '21-24 EPS CAGR	7-9%							
Consensus '21-'24 EPS CAGR	8.4%							
BofA '21-'23 EPS CAGR	6.8%							
Near Term Guidance '21-'23 EPS CAGR	5-7%							
Consensus '21-'23 EPS CAGR	6.7%							
Implied EPS Guidance by Yr given +7-9% EPS CAGR ('21-'24)	High End			1.36	1.48	1.62	1.76	1.92
	Mid-Point				1.47	1.59	1.71	1.85
	Low End				1.46	1.56	1.67	1.78
BofA DPS		**0.83**	**0.88**	**0.94**	**0.99**	**1.05**	**1.12**	**1.18**
Share Count (mn shares)		**376**	**384**	**417**	**441**	**449**	**487**	**494**

Source: BofA Global Research estimates, company report, Bloomberg

BofA GLOBAL RESEARCH

Valuation; PO remains at $32 on latest MtM

Our PO remains unchanged at $32 as we MtM latest gas utility FY24E P/E multiple of 14.7x (from 14.4x) and electric multiple of 16.1x (from 16.9x). We exclude South Jersey Industries (SJI) from our group P/E for gas utilities given the pending sale. As a reminder, we recently raised the P/E premiums on the gas LDCs to 2x on account of the elevated angle for both EPS estimate revisions from cost reductions and/or the more likely probability around realization of strategic divestment. See healthy ~14% total return potential and reiterate Buy.

Exhibit 3: NI SOTP Valuation
We outline our SOTP below; our PO remains at $32 on the latest MtM and as we continue to reflect an elevated 2x premium for the utilities based on cost reductions not reflected in EPS and/or potential strategic divestment

NI SOTP Valuation

	Metric	P/E Multiple							
	2024E EPS	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
Group Peer Multiple - Gas			**14.7x**						
Group EPS '19-'23 CAGR - Gas			**5.00%**						
Gas Utilities			**15.4x**						
Columbia Gas of OH	$0.57	16.4x	15.4x	**2.0x**	17.4x	18.4x	$9.32	$9.88	$10.45
Columbia Gas of PA	$0.29	16.4x	15.4x	**2.0x**	17.4x	18.4x	$4.71	$5.00	$5.29
NIPSCO Gas	$0.24	16.4x	15.4x	**2.0x**	17.4x	18.4x	$3.89	$4.13	$4.36
Columbia Gas of VA	$0.09	16.4x	15.4x	**2.0x**	17.4x	18.4x	$1.42	$1.51	$1.60
Columbia Gas of KY	$0.05	16.4x	15.4x	**2.0x**	17.4x	18.4x	$0.80	$0.84	$0.89
Columbia Gas of MD	$0.02	16.4x	15.4x	**2.0x**	17.4x	18.4x	$0.32	$0.34	$0.36
Group Peer Multiple - Electric			**16.1x**						
Group EPS '18-'22 CAGR - Electric			**5.00%**						
Electric Utilities			**16.9x**						
NIPSCO Electric	$0.78	17.9x	16.9x	**2.0x**	18.9x	19.9x	$14.00	$14.78	$15.56
Total Utility	**$2.03**	*17.0x*			*18.0x*	*19.0x*	**$34.45**	**$36.48**	**$38.51**
-Parent EPS Drag (ex-Interest Expense)	-$0.11	17.0x	0.0x		17.2x	18.2x	-$1.92	-$1.95	-$2.06
Total EPS *(incl. debt drag)*	**$1.77**								
Midpoint of 7-9% EPS	*$1.71*								
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%		-$602	-$637	-$673
Grand Total Equity Value							**$29.65**	**$31.58**	**$33.42**
Shares Outstanding 2024E								487	
Total Equity Value							**$30.00**	**$32.00**	**$33.00**
Implied Consolidated P/E									
Current Price								$28.98	
Dividend Yield (2021E)								3.2%	
Total Potential Return								**13.7%**	

Source: BofA Global Research estimates, company report, Bloomberg

Price objective basis & risk

NiSource Inc (NI)
Our $32 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 14.7x for gas and 16.1x for electric with a 2.0x premium for both the electric & gas utilities' strong growth rates and incremental renewable buildout, with capex potentially beginning in '24, but acknowledge industrial gen load migration 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.

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.

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
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE 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
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	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
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM 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	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				
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	CMS Energy	CMS	CMS 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	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO 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
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith

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

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	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
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	Fluence Energy	FLNC	FLNC 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
	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
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
RSTR				
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith

*iQ*method℠ Measures Definitions

Business Performance	**Numerator**	**Denominator**
Return On Capital Employed	NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings	**Numerator**	**Denominator**
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt – Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit	**Numerator**	**Denominator**
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap = Current Share Price × Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

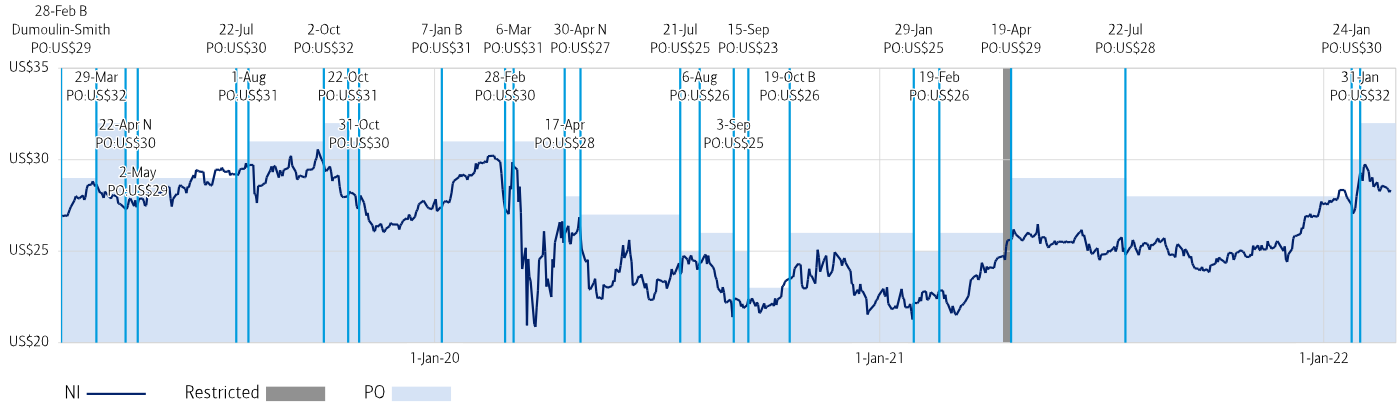
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Disclosures

Important Disclosures

NiSource Inc (NI) 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.

Equity Investment Rating Distribution: Energy Group (as of 31 Dec 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	77	59.69%	Buy	61	79.22%
Hold	30	23.26%	Hold	19	63.33%
Sell	22	17.05%	Sell	12	54.55%

Equity Investment Rating Distribution: Utilities Group (as of 31 Dec 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	79	50.64%	Buy	56	70.89%
Hold	37	23.72%	Hold	28	75.68%
Sell	40	25.64%	Sell	26	65.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1982	58.85%	Buy	1249	63.02%
Hold	696	20.67%	Hold	429	61.64%
Sell	690	20.49%	Sell	346	50.14%

[R1] 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.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster [R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2] 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.

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Citi Research
VIEWPOINT

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NiSource Inc (NI.N)

Omicron Adds to Solar Supply Chain Concern, but Okay for Now

CITI'S TAKE

Despite the potential for further supply chain headwinds, we anticipate the renewable buildout in NIPSCO's service territory to be completed on schedule based on recent analysis by Citi's global solar team. However, we note that the emergence of the Omicron variant does pose an additional risk to NiSource's YE2023 target in-service date.

Global Solar Supply Chain — Citi's global solar team anticipates further supply chain issues in 2022, albeit at more manageable levels than 2021 and with limited project delays (Global Solar Power - Worldwide New Capacity to Rebound in 2022E Amid Lower Costs). Normalizing prices for polysilicon and abating component shortages should drive down the module costs (+16% y/y in 2021) and reduce delays in 2022. However, Omicron and its ultimate impact to the global economy remains a wildcard. NiSource's developers NextEra (900MW), Invenergy (600MW), and Capital Dynamics / Teneska have some advantages to help execute on these deals.

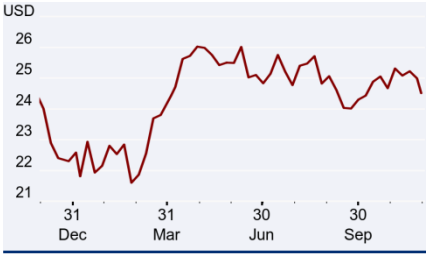
EEI Commentary — Management at EEI expressed confidence in the current YE2023 completion timeline (US Electric Utilities - EEI 2021– New Growth Emerging, but Watch-out for Taxes, Supply Chain, Labor). The two-year construction window should allow them to manage through procurement challenges.

Renewable Projects Earnings Profile — These renewable projects drive an outsized portion of near-term earnings growth for NiSource, which makes them sensitive to potential changes in construction timelines. We estimate that up to ~11% of 2024 EPS could come from these projects (NiSource Inc (NI.N): Potential Solar Supply Chain Disruption May Impact EPS Growth). Any project delays could result in modest downward guidance revisions depending on contract terms/nature of delays.

2021 IRP — The $750M IRP calls for a 2026-2028 retirement of the 455MW Michigan City Unit 12 coal plant and a 2025-2028 retirement for the 722MW R.M. Schahfer vintage gas peaking units. Replacement resources include a mix of gas peaking (potentially hydrogen-compatible), solar & storage, demand-side management, distributed energy resources, and short-term capacity contracts (appendix figure 2). The RFP process for replacement projects is slated to begin in 1H'22. See NI's IRP Website for more. The 2018 IRP calls for ~$2B of renewable investment from 2021-2023 for 3,336MW of capacity and 165MW of battery storage (appendix figure 1).

Neutral	
Price (31 Dec 21 12:57)	US$27.56
Target price	US$27.00
Expected share price return	-2.0%
Expected dividend yield	2.9%
Expected total return	0.9%
Market Cap	US$10,823M

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**	**0.12A**	**0.11A**	**0.37E**	**1.35E**	**1.36E**	**1.35E**
Previous	0.77A	0.12A	0.10E	0.35E	1.32E	na	na
2022E	**na**	**na**	**na**	**na**	**1.46E**	**1.45E**	**1.47E**
Previous	na	na	na	na	1.41E	na	na
2023E	**na**	**na**	**na**	**na**	**1.59E**	**1.54E**	**1.56E**
Previous	na	na	na	na	1.57E	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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Colin Riley

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Prepared for Christopher Turnure

NI.N: Fiscal year end 31-Dec						Price: US$27.56; TP: US$27.00; Market Cap: US$10,823m; Recomm: Neutral				
Profit & Loss (US$m)	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**Valuation ratios**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Sales revenue	5,209	4,676	4,714	5,056	5,366	PE (x)	20.9	20.9	20.3	18.9	17.3
Cost of sales	-2,252	-1,855	-1,935	-1,996	-2,124	PB (x)	2.0	2.1	2.2	2.0	1.9
Gross profit	2,957	2,821	2,779	3,060	3,242	EV/EBITDA (x)	18.8	17.5	13.8	12.7	12.0
Gross Margin (%)	56.8	60.3	59.0	60.5	60.4	FCF yield (%)	-4.7	-5.3	-5.6	-9.8	-15.9
EBITDA (Adj)	**1,275**	**1,370**	**1,766**	**2,001**	**2,270**	Dividend yield (%)	2.9	3.0	3.1	3.1	3.2
EBITDA Margin (Adj) (%)	24.5	29.3	37.5	39.6	42.3	Payout ratio (%)	61	63	62	59	55
Depreciation	-717	-746	-727	-720	-826	ROE (%)	1.3	-0.1	10.8	12.2	12.4
Amortisation	0	0	0	0	0	**Cashflow (US$m)**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
EBIT (Adj)	**557**	**624**	**1,039**	**1,281**	**1,445**	EBITDA	1,275	1,370	1,766	2,001	2,270
EBIT Margin (Adj) (%)	10.7	13.4	22.0	25.3	26.9	Working capital	-75	72	-290	-53	-3
Net interest	-379	-371	-345	-392	-468	Other	119	-248	-335	-585	-679
Associates	0	0	0	0	0	**Operating cashflow**	**1,318**	**1,194**	**1,141**	**1,363**	**1,588**
Non-Op/Except/Other Adj	-5	-210	32	-22	-22	Capex	-1,802	-1,758	-1,793	-2,550	-3,550
Pre-tax profit	**173**	**43**	**725**	**867**	**955**	Net acq/disposals	-113	1,116	0	0	0
Tax	-56	12	-134	-170	-189	Other	-7	-237	-101	0	0
Extraord./Min.Int./Pref.div.	-55	-59	-52	-55	-55	**Investing cashflow**	**-1,922**	**-879**	**-1,894**	**-2,550**	**-3,550**
Reported net profit	**63**	**-3**	**540**	**641**	**711**	Dividends paid	-299	-322	-356	-412	-443
Net Margin (%)	1.2	-0.1	11.5	12.7	13.2	**Financing cashflow**	**423**	**-193**	**741**	**1,275**	**2,049**
Core NPAT	495	509	569	641	711	**Net change in cash**	**-182**	**122**	**-12**	**88**	**88**
Per share data	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**Free cashflow to s/holders**	**-485**	**-564**	**-651**	**-1,187**	**-1,962**
Reported EPS ($)	0.17	-0.01	1.28	1.46	1.59						
Core EPS ($)	1.32	1.32	1.35	1.46	1.59						
DPS ($)	0.80	0.83	0.84	0.86	0.87						
CFPS ($)	3.51	3.10	2.72	3.10	3.56						
FCFPS ($)	-1.29	-1.47	-1.55	-2.70	-4.39						
BVPS ($)	13.63	12.90	12.70	13.73	14.47						
Wtd avg ord shares (m)	366	375	410	430	437						
Wtd avg diluted shares (m)	376	385	420	440	447						
Growth rates	**2019**	**2020**	**2021E**	**2022E**	**2023E**						
Sales revenue (%)	1.8	-10.2	0.8	7.3	6.1						
EBIT (Adj) (%)	346.8	12.1	66.4	23.3	12.8						
Core NPAT (%)	9.2	2.7	11.9	12.7	10.9						
Core EPS (%)	3.8	0.2	2.5	7.6	9.2						
Balance Sheet (US$m)	**2019**	**2020**	**2021E**	**2022E**	**2023E**						
Cash & cash equiv.	148	126	56	56	56						
Accounts receivables	857	791	799	839	850						
Inventory	425	401	359	376	380						
Net fixed & other tangibles	19,090	18,643	19,901	21,732	24,456						
Goodwill & intangibles	1,486	1,486	1,486	1,486	1,486						
Financial & other assets	654	593	659	670	673						
Total assets	**22,660**	**22,041**	**23,261**	**25,159**	**27,901**						
Accounts payable	666	589	550	560	569						
Short-term debt	1,787	526	581	1,077	2,555						
Long-term debt	7,856	9,220	9,388	10,288	11,188						
Provisions & other liab	6,364	5,868	6,029	6,034	6,039						
Total liabilities	**16,673**	**16,203**	**16,548**	**17,959**	**20,351**						
Shareholders' equity	5,987	5,838	6,713	7,200	7,550						
Minority interests	0	0	0	0	0						
Total equity	**5,987**	**5,838**	**6,713**	**7,200**	**7,550**						
Net debt (Adj)	**9,494**	**9,621**	**9,913**	**11,309**	**13,687**						
Net debt to equity (Adj) (%)	158.6	164.8	147.7	157.1	181.3						

For definitions of the items in this table, please click here.

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Appendix

Figure 1. Renewable Project Timeline

Project	Structure	NIPSCO Investment ($M)	Target In Service	Status
Projects in Execution:				
Rosewater Wind	JV	~$100	'20	Complete
Jordan Creek Wind	PPA	N/A	'20	Complete
Indiana Crossroads Wind	JV	~$300	'21	Under Construction
Brickyard Solar	PPA	N/A	'22	Approved
Greensboro Solar + Storage	PPA	N/A	'22	Approved
Dunns Bridge I Solar	JV	~$240	'22	Under Construction
Dunns Bridge II Solar + Storage	JV	~$420	'23	Approved
Cavalry Solar + Storage	JV	~$190	'23	Approved
Gibson Solar	PPA	N/A	'23	Approved
Green River Solar	PPA	N/A	'23	Approved
Fairbanks Solar	JV	~$245	'23	Approved
Crossroads II Wind	PPA	N/A	'23	Approved
Crossroads Solar	JV	~$200	'22	Under Construction
Elliot Solar	JV	~$180	'23	Approved
Transmission Projects	NI owned	~$150	'21–'22	Engineering / Under Construction
Total		**~$2,000**		

Source: Citi Research, Company Reports

Figure 2. 2021 IRP Action Plan

	NEAR TERM ACTIONS (2022-2025)	MID-TERM ACTION (2026-2028)
RETIRE	• Schahfer Units 17 and 18 (by 2023)	• Michigan City Unit 12 • Schahfer Units 16A and 16B
PREPARE	• MC12-related transmission projects • Further diligence to optimize quantities and resource types • Secure approvals for replacement projects	• Full implementation of Transmission projects • Secure approvals for replacement projects • Optimize quantities/resource types
REPLACE	• ~3,000MW of wind/solar projects approved by the IURC • Currently approved DSM plan and future approved DSM plan • NIPSCO Owned DER (up to 10MW) • Short term Capacity Contracts (150MW) • Storage (135-370MW*)	• Sugar Creek Uprate (30-53MW) • Solar (100-250MW) • Storage (135-370MW*) • Gas Peaking (up to 300MW) • Hydrogen Electrolyzer Pilot (20MW**)
	ONGOING	
MONITOR	• Actively monitor changing federal/state policy, MISO market rules and technology advancements	

* Exact Storage ICAP MW to be optimized
**Assumes Green Hydrogen; Quantities to be optimized

Source: Citi Research, Company Reports

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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, and 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 that 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 as follows: (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.

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Appendix A-1

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Ratings and Target Price History
Fundamental Research

Analyst: Ryan Levine



	Date	Rating	Target Price	Closing Price
1	03-May-19 06:40:08	2	*28.00	27.86
2	23-Oct-19 22:00:00	2	*30.00	28.15
3	23-Apr-20 03:00:00	2	*29.00	25.85
4	01-Jul-20 14:08:34	2	*24.00	23.46
5	08-Jul-21 15:00:03	2	*27.00	24.95

*Indicates Change

Rating/target price changes above reflect Eastern Time

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US Utilities

Survey Says… Inflation and Rate Cases to Drive 2022 Utility Performance, ESG Falls to 3rd Biggest Driver

20 Jan 2022 01:02:58 ET



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CITI'S TAKE

Many thanks to all of those who took the time to fill out our survey and share your views on hot topics pertaining to utility / alt energy. Results within.

Most important driver of utility stock performance for 2022 — The biggest drivers of 2022 utility performance are expected to be rate case/regulatory activity, followed by inflation. It was interesting to see ESG fall from 2nd last year to 3rd this year (Citi 2021 Survey). The most popular answers as to what gets the utility space to work are "market weakness" or a "recession" for the historically defensive sector.

Dealmaking to Continue at Slow Pace — Most investors surveyed think that 1-2 utility M&A deals will happen in 2022, with NextEra the most likely acquirer, and the most likely targets PNM Resources, Entergy (ETR), NiSource (NI) and PPL. There is also a consensus view that the utilities will transact another 1-2 midstream deals in 2022. ~39% of investors thought Southwest Gas should sell the Centuri business while ~28% thought Centuri should be exited via IPO/spin.

Mixed View on ROEs — Last year, no one thought that ROEs would go up, but in this year's survey ~20% think ROEs will increase and only half think they will decline.

More Cautious Renewable Outlook **—** While 50% of investors think battery technology will be most disruptive to utility stocks followed by DG and offshore wind, and ~70% are optimistic on green tariffs fueling utility growth, the survey pointed to ~80% that think regulatory uncertainty will meaningfully drive lower solar installation in 2022, ~90% think ES will not achieve mid-teens IRRs on offshore wind, and AGR & AES were viewed to be the most exposed to supply chain challenges. While the investor survey painted a challenged outlook for the renewable space in 2022, the group view the largest developers able to gain market share.

Federal Legislature: The investor group identified NEE and EXC as most exposed the Build Back Better legislation which did not go through. Industry lobby groups are hoping for a piecemeal solution on ITC/PTC extension and direct pay in late 2022.

Investor Favorite Stock Picks — EXC is the investor favorite for the next three months followed by XEL, NEE, and AES. NEE is the favorite for the next 12 months.

Least Favorite Stock Picks — ED and AGR are tied for the least favorite stock for the next three months. SRE is the least favorite stock for the next twelve months, followed by PNW and AEP.

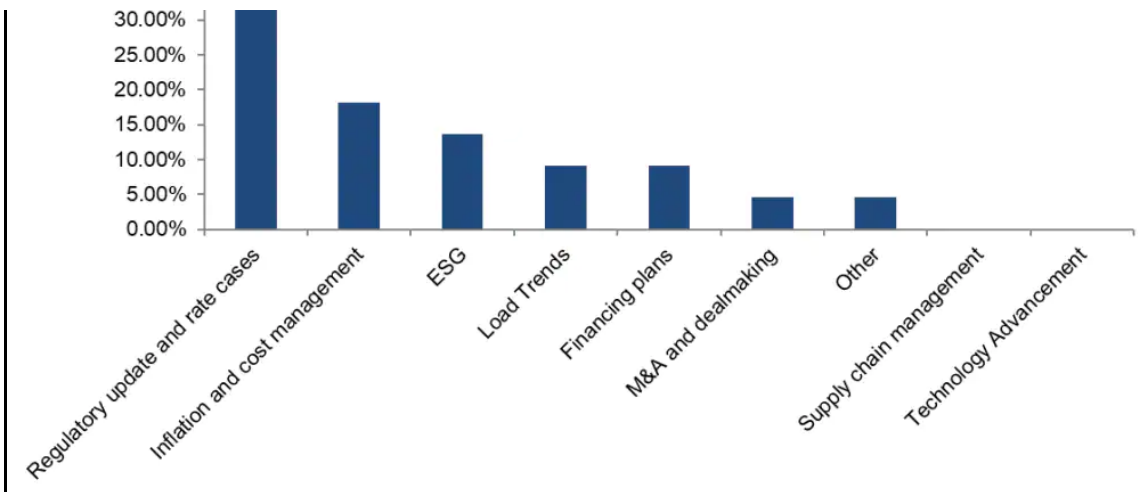
Stock Debate Topics - Investors view NRG still as a power stock, ~85% believe PUCT will create a positive future outcome for CenterPoint's HE, ~70% think DTE will be able to accelerate its coal retirement, ~50% view battery product sales as the driver on Fluence's stock, most think Sempra will FID a new LNG train and get 97% of Aliso victims to settle claim, but investor sentiment is still negative on ConEd.

Wildfire: Investors put the probability of a new 2022 wildfire liability at 44%, 24%, and 6% for PG&E, Edison, and Sempra that will not be covered by a wildfire fund.

And the Survey Says…

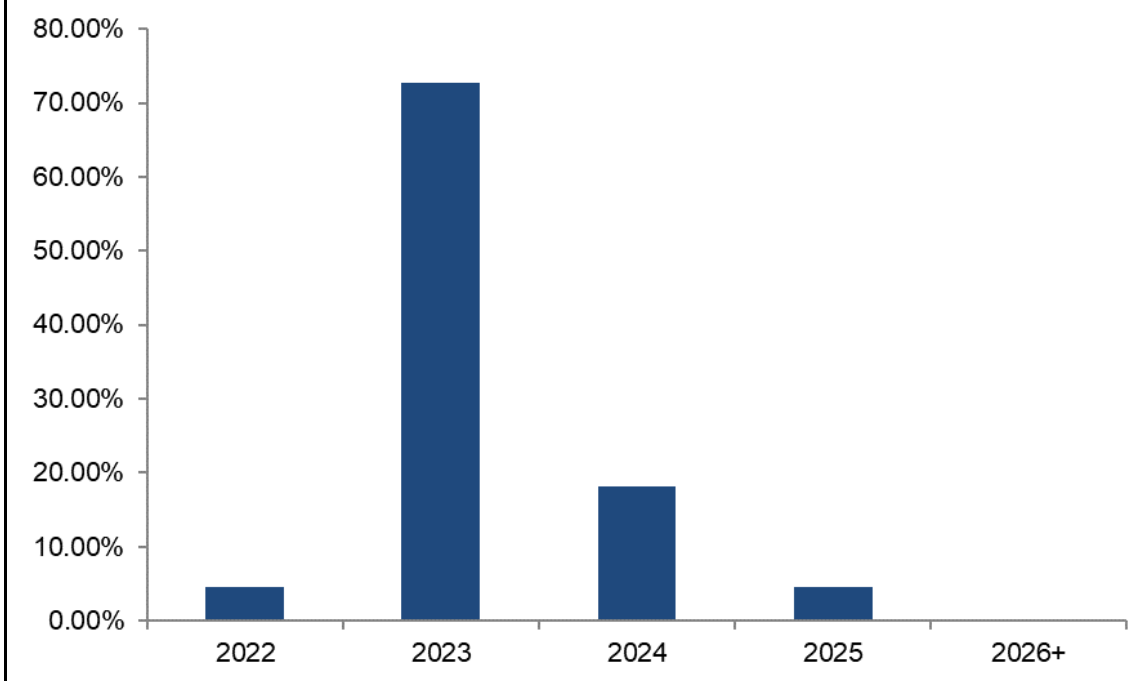
Figure 1. What is the most important driver of utility stock performance besides interest rates in 2022?

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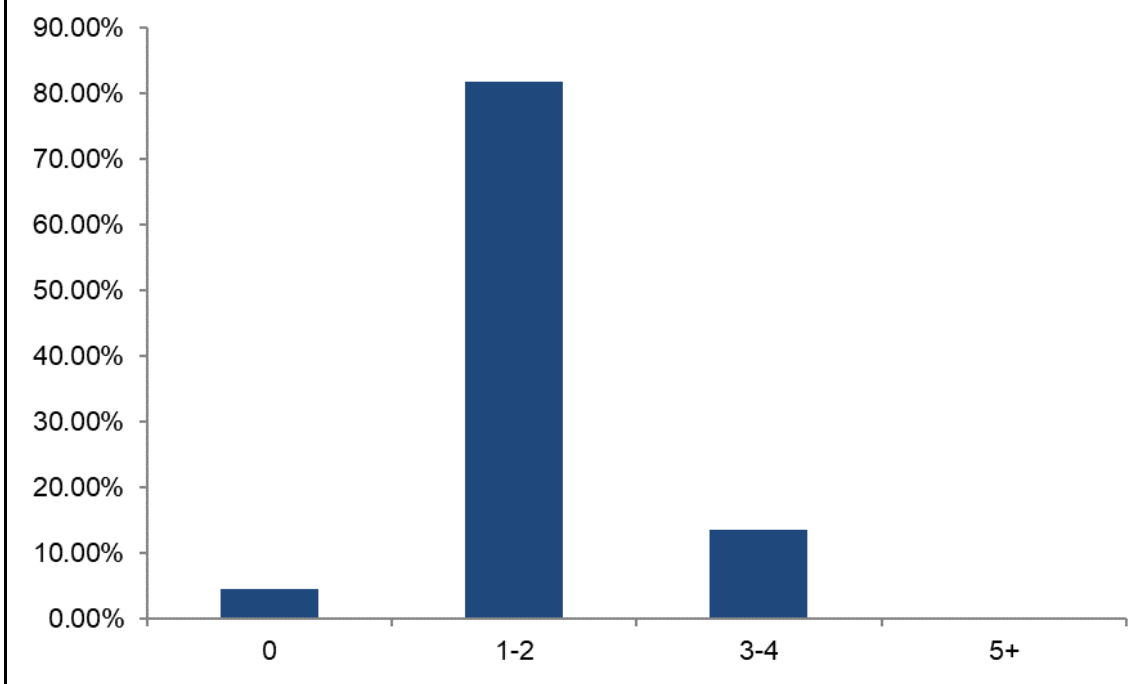
Source: Citi Research

Figure 2. What time period are you focused on when you consider a P/E multiple?



Source: Citi Research

Figure 3. How many North American Utility Mergers or Acquisition will happen in 2022?



Source: Citi Research

Figure 4. Most likely Utility to acquire a target?

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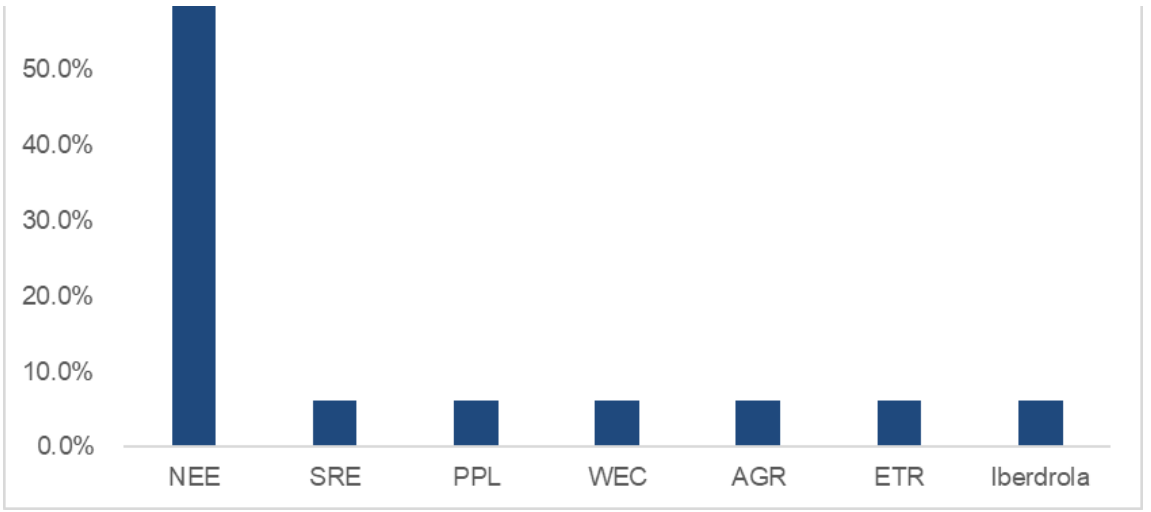
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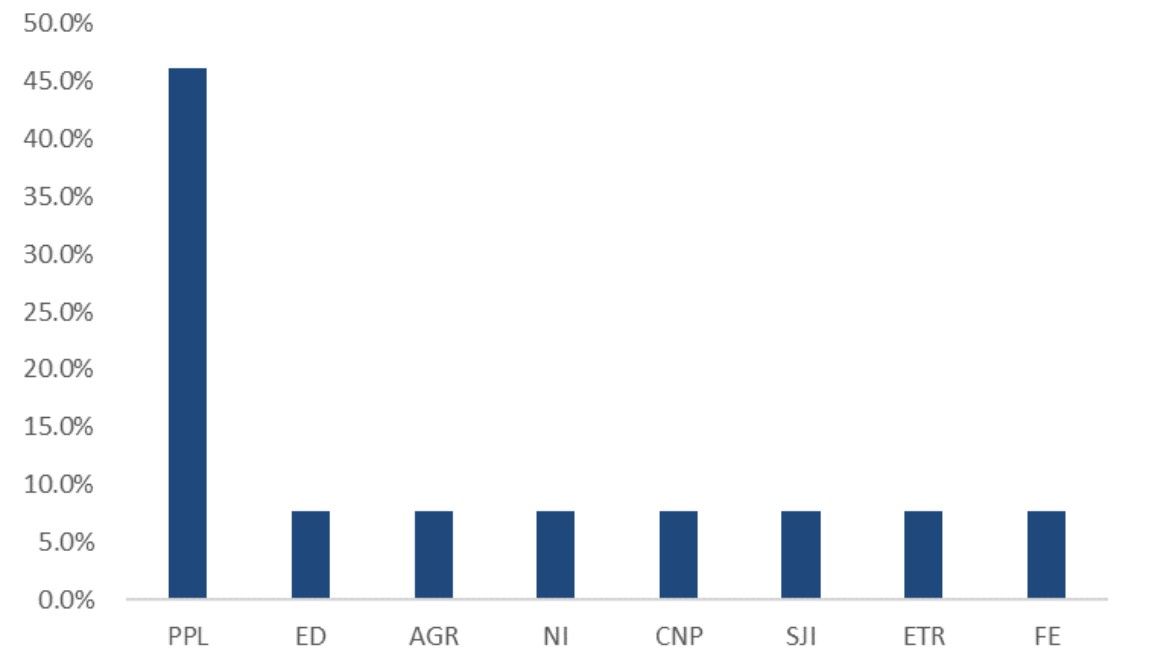
Source: Citi Research

Figure 5. Which utility do you think will most likely be acquired?



Source: Citi Research

Figure 6. What is the next utility to cut its dividend?



Source: Citi Research

Figure 7. How many additional North American utilities will acquire or divest a midstream business in 2022?

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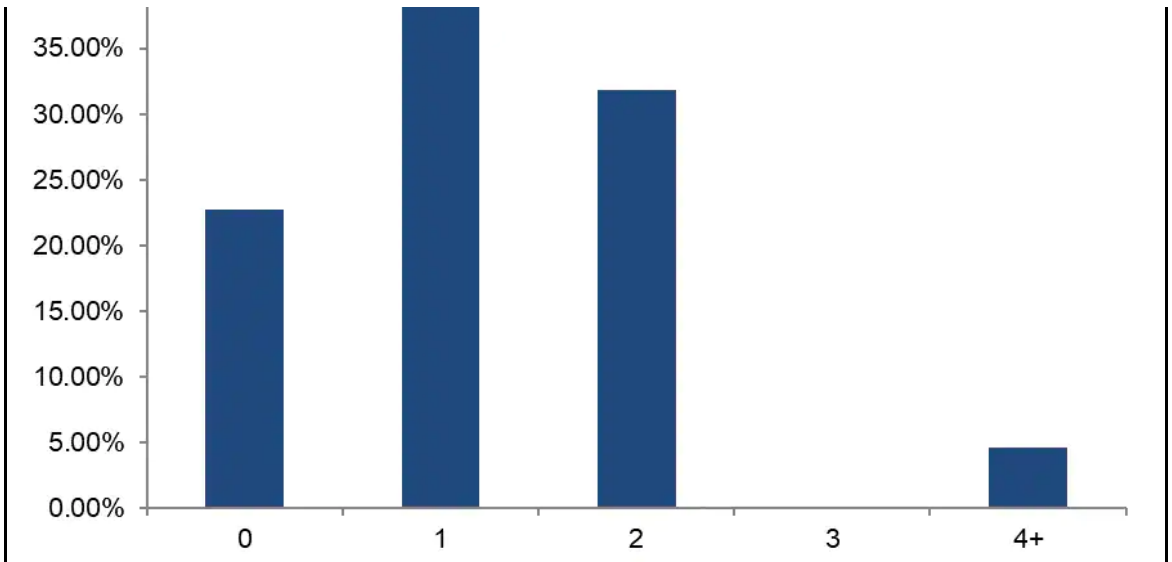
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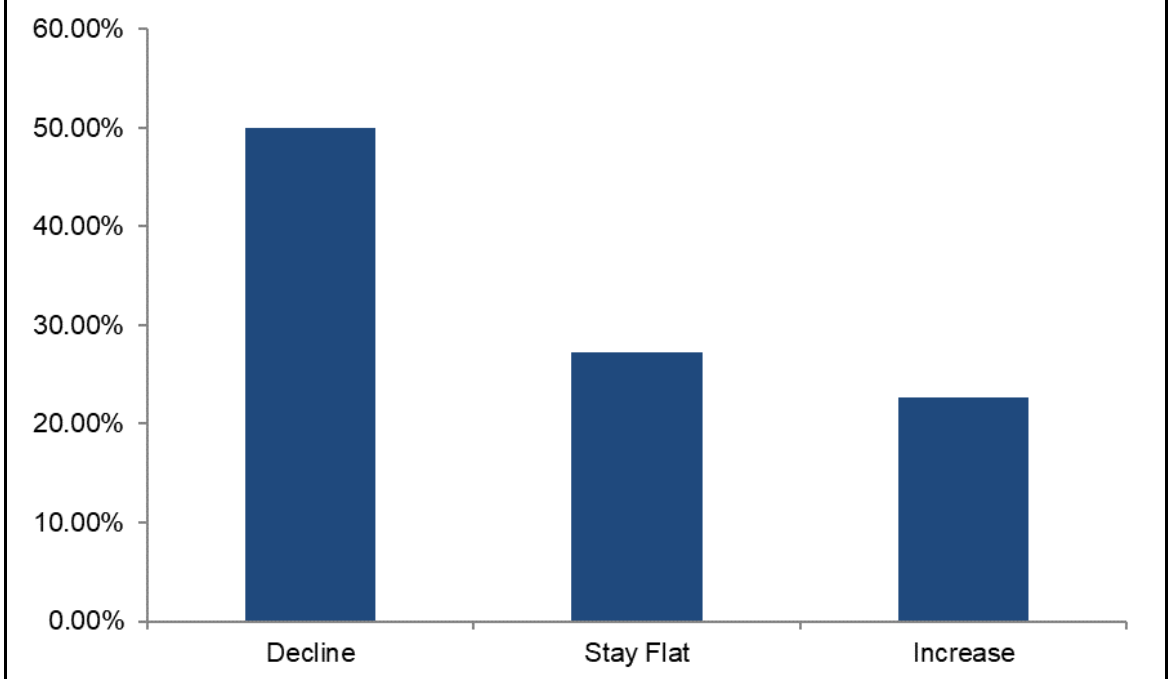
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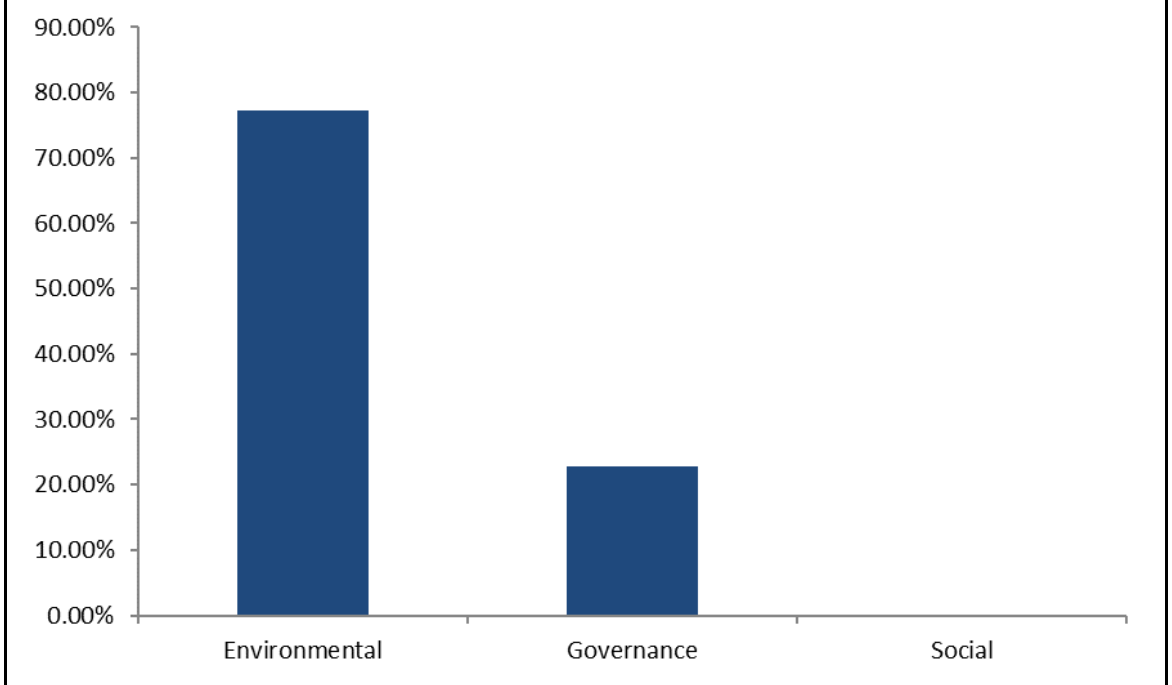
Source: Citi Research

Figure 8. In rate cases in 2022, Regulated Utility ROEs are likely to...



Source: Citi Research

Figure 9. What is most important E, S or G for utility investment decisions?



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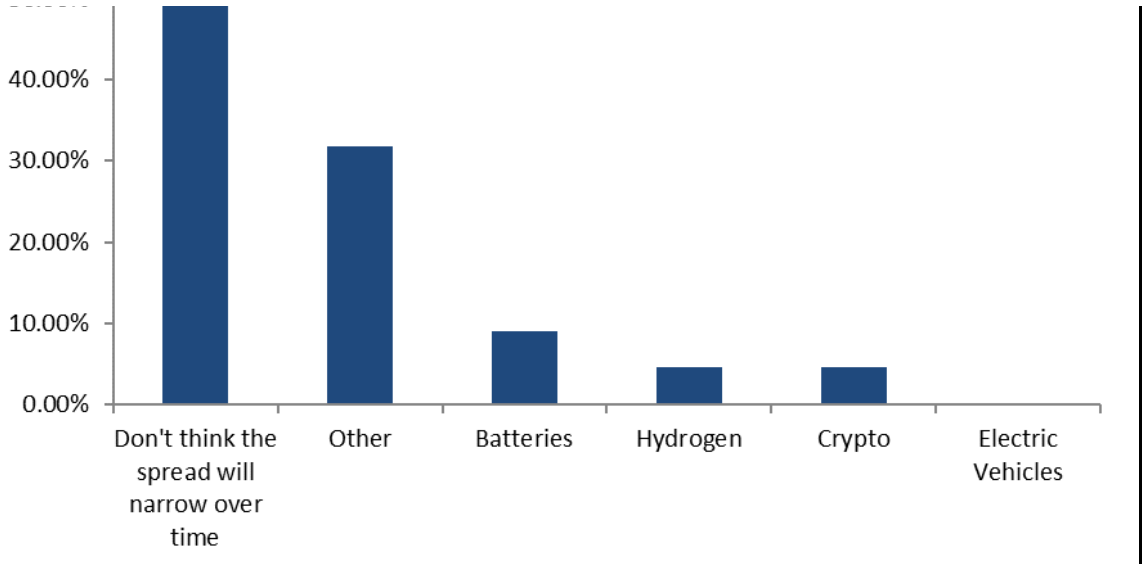
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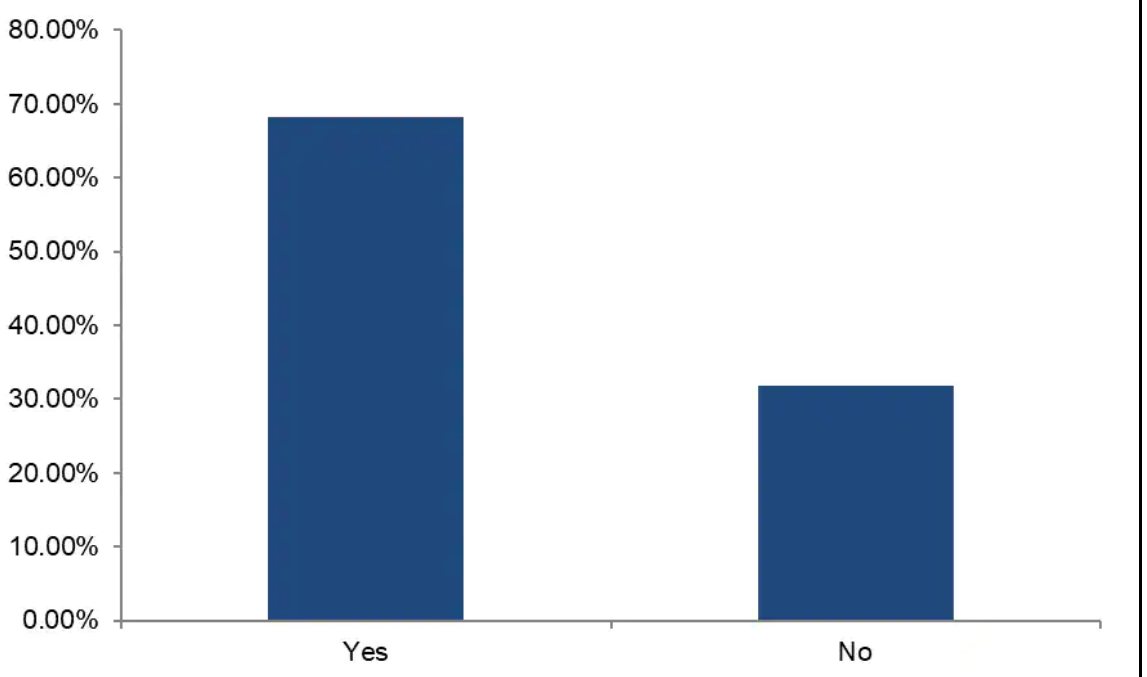
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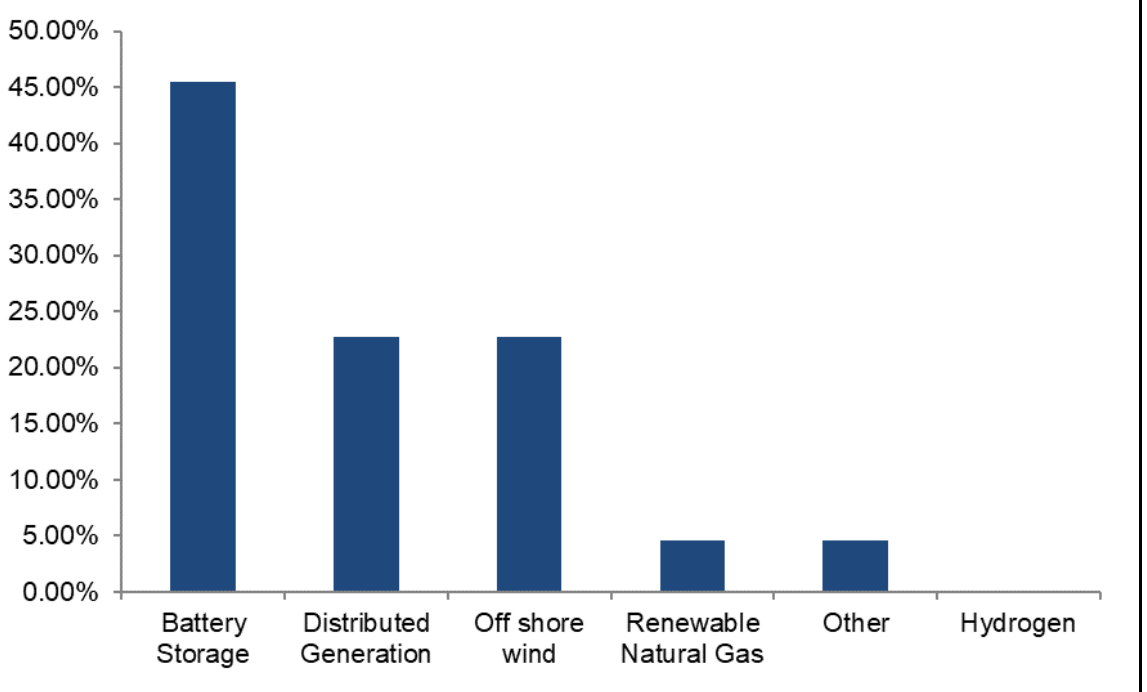
Source: Citi Research

Figure 11. Will corporate ESG objectives drive meaningful support for green tariffs and material new investment opportunities for electric utilities?



Source: Citi Research

Figure 12. What's the most disruptive renewable technology that will impact utility stocks in 2022?



Source: Citi Research

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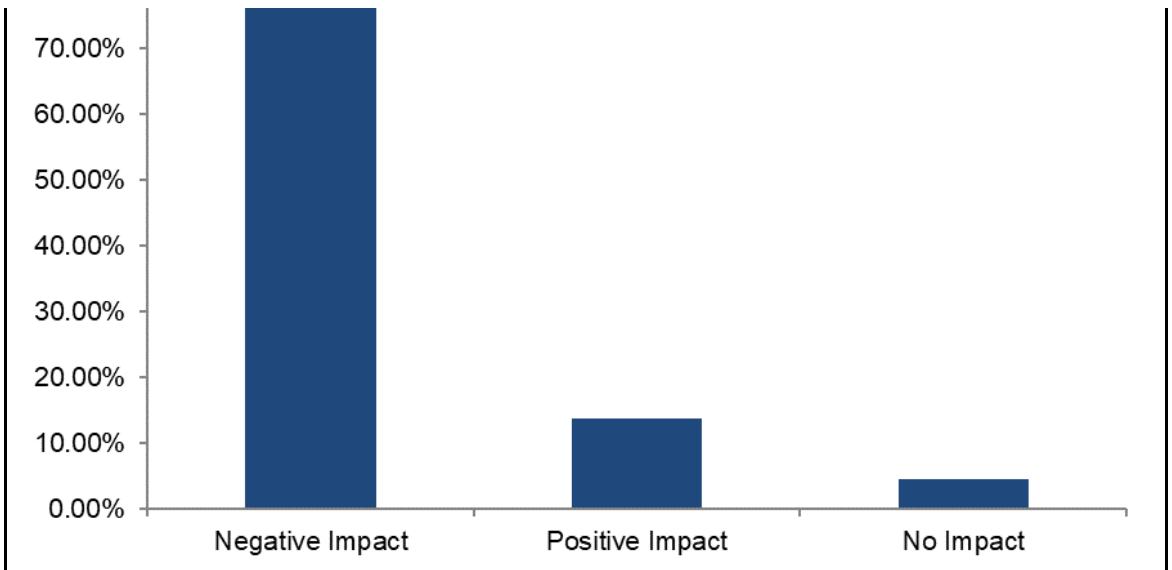
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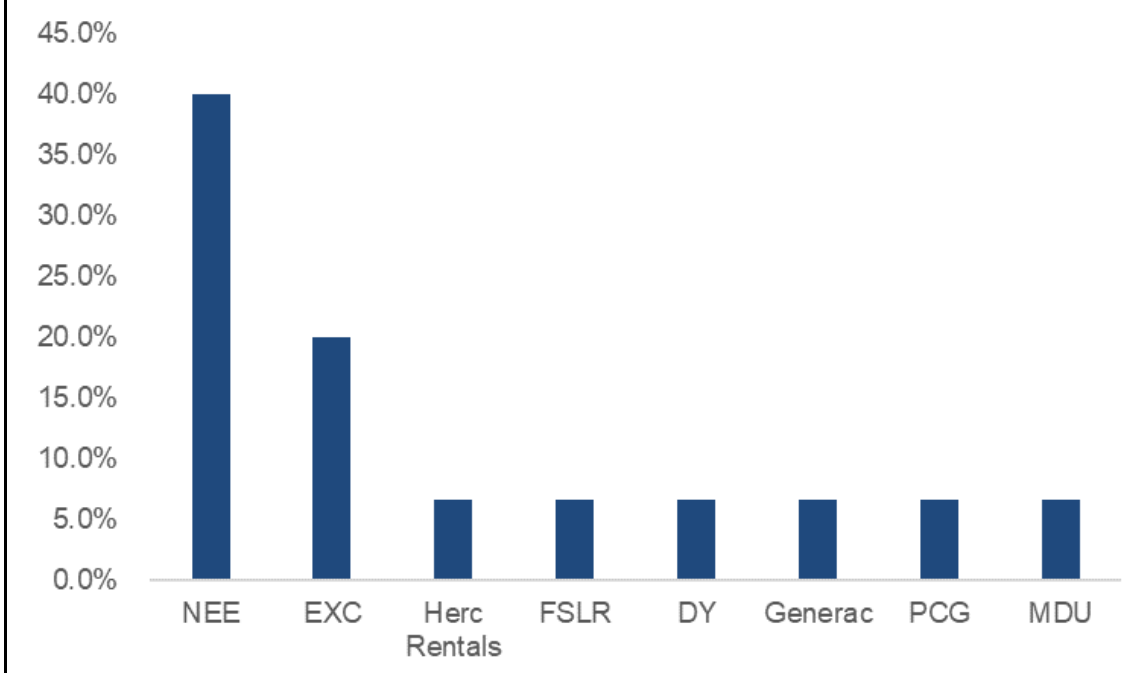
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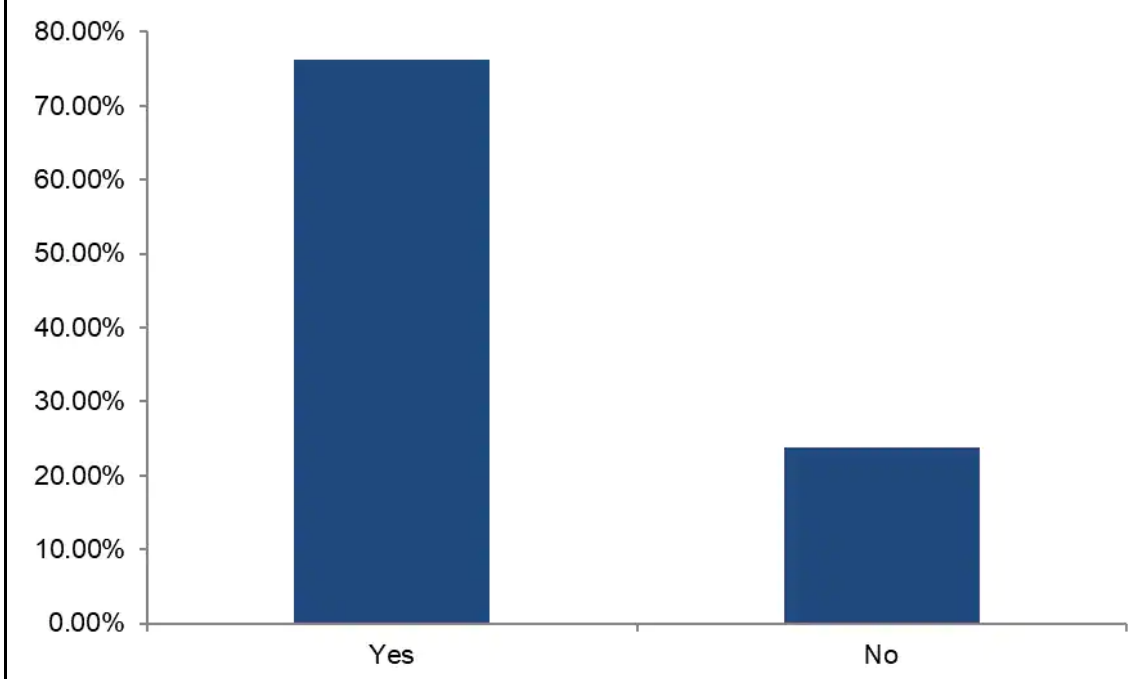
Source: Citi Research

Figure 14. What name is in the best position to benefit from the recent infrastructure bill?



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Figure 15. Will large renewable developers' market share increase during 2022?



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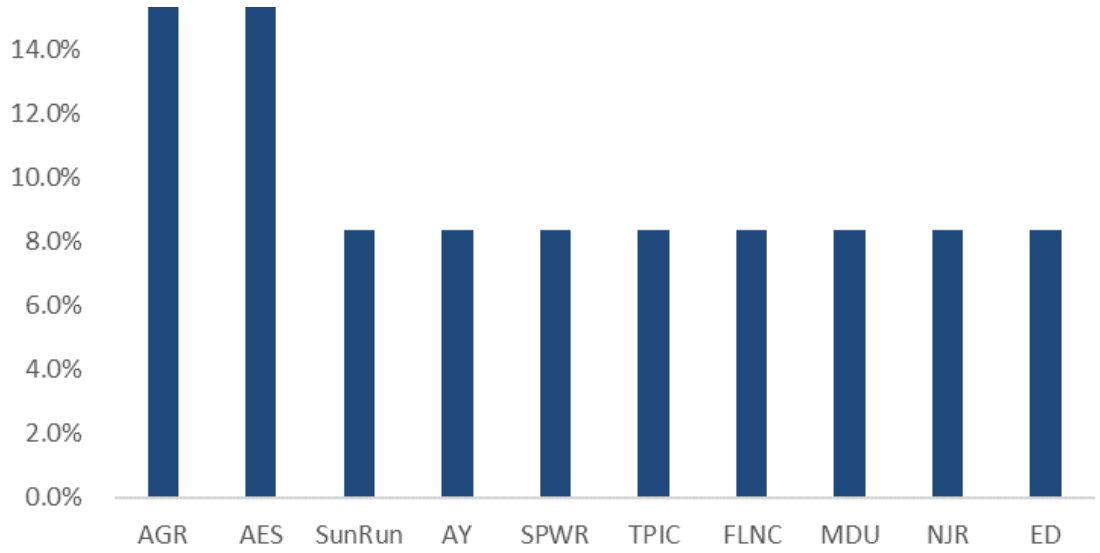
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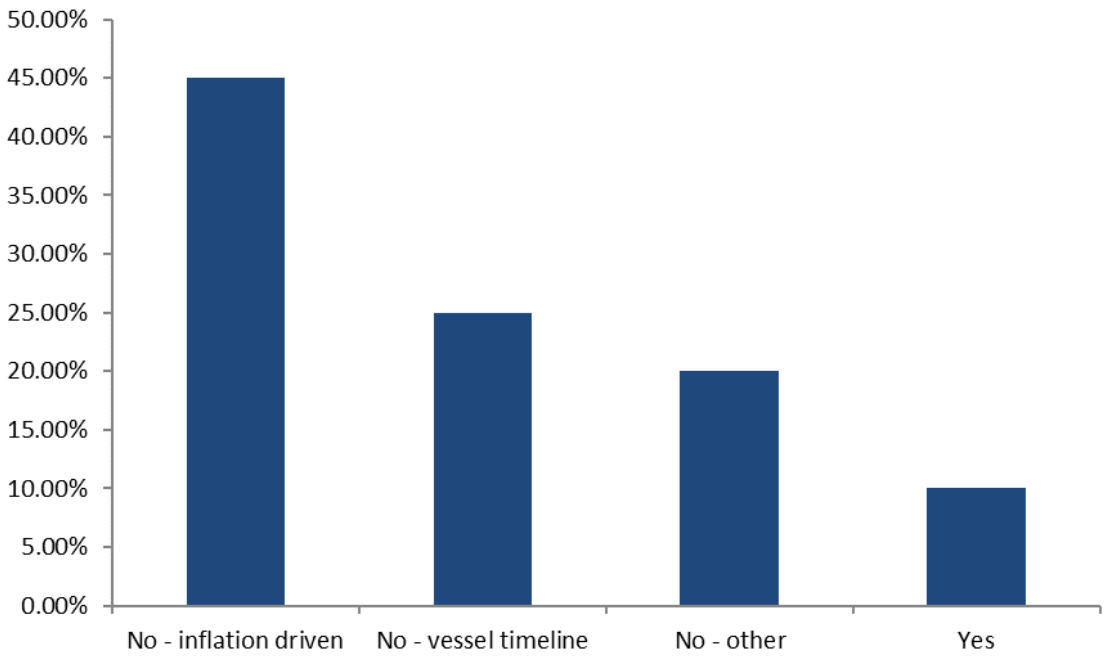
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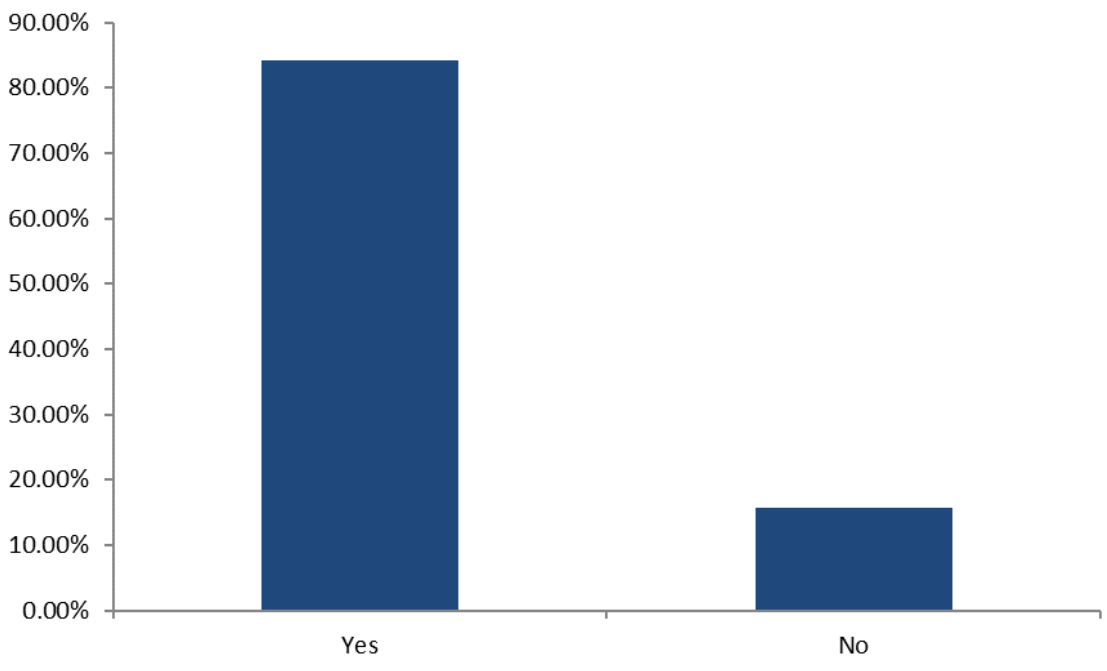
Source: Citi Research

Figure 17. Will Eversource offshore wind project achieve its target mid teens IRRs?



Source: Citi Research

Figure 18. Will CenterPoint achieve a materially more favorable regulatory outcome with the PUCT at Houston Electric compared to the last rate case?



Source: Citi Research

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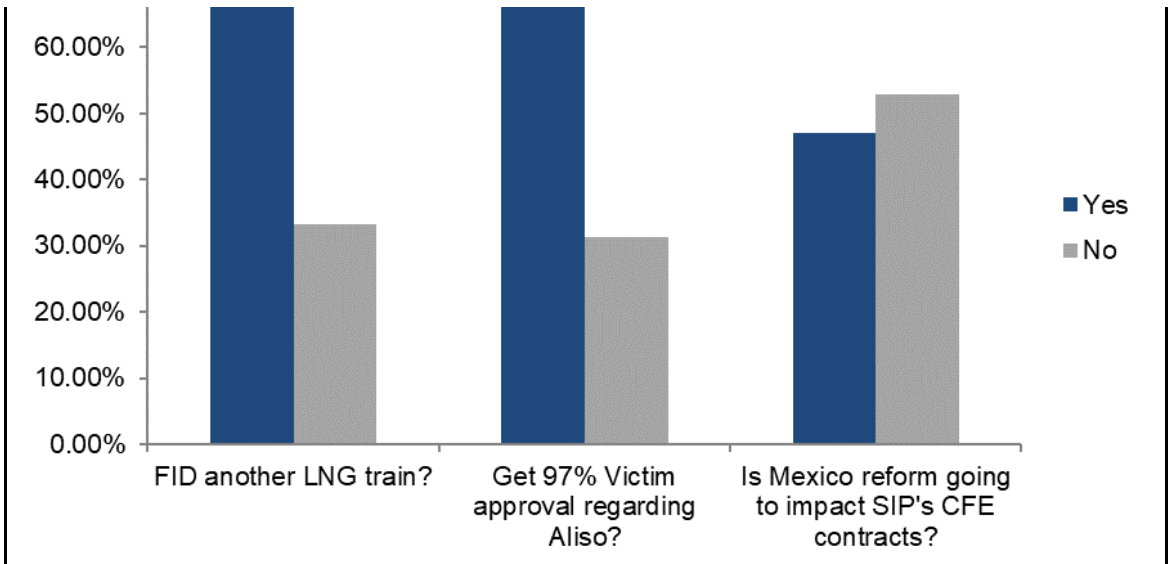
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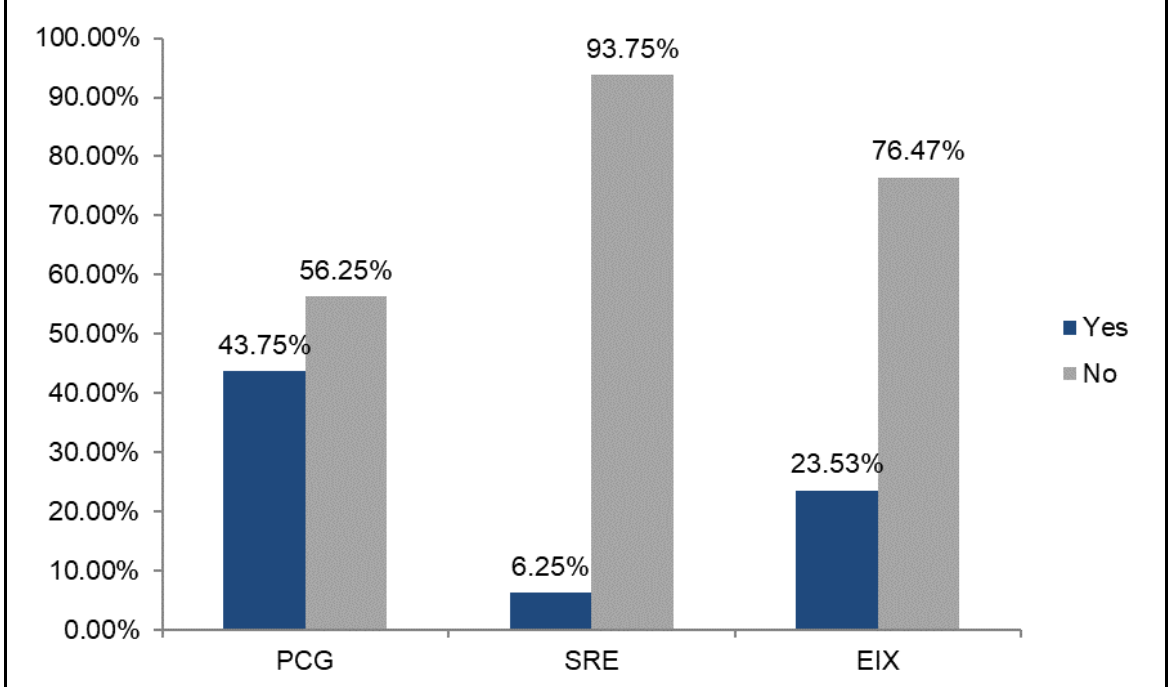
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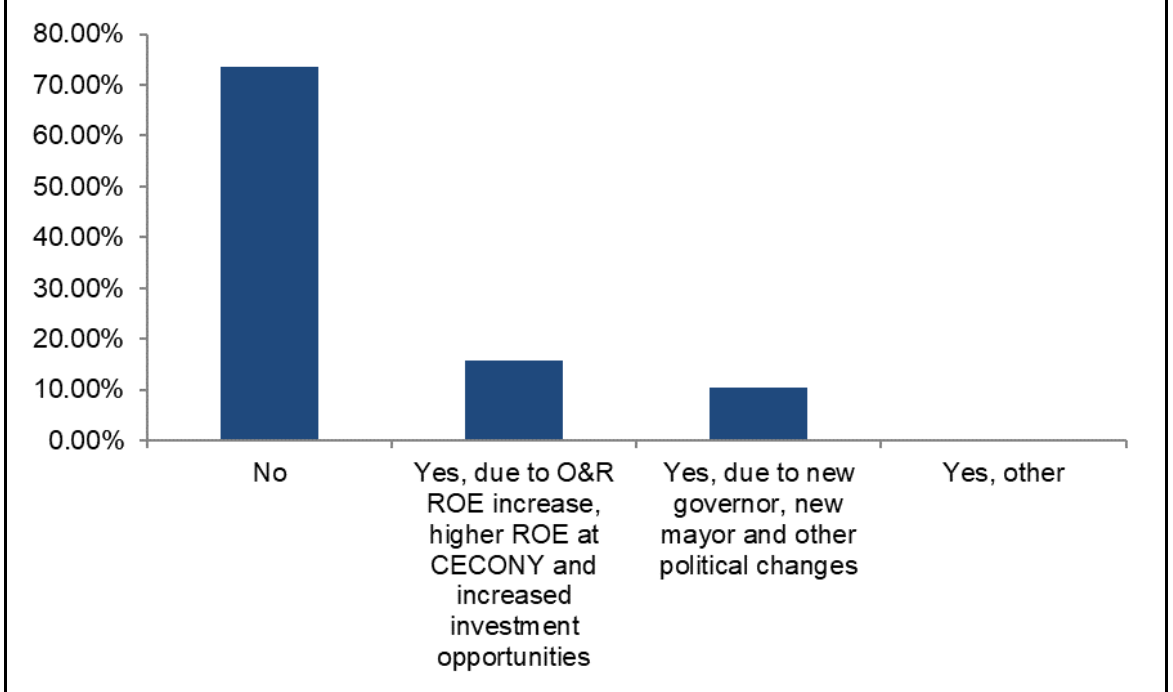
Source: Citi Research

Figure 20. Will California Utility Shareholders be liable for 2022 wildfires above what is covered in the wildfire fund?



Source: Citi Research

Figure 21. Will 2022 be the year investor sentiment shifts to be positive on Con Ed?



Source: Citi Research

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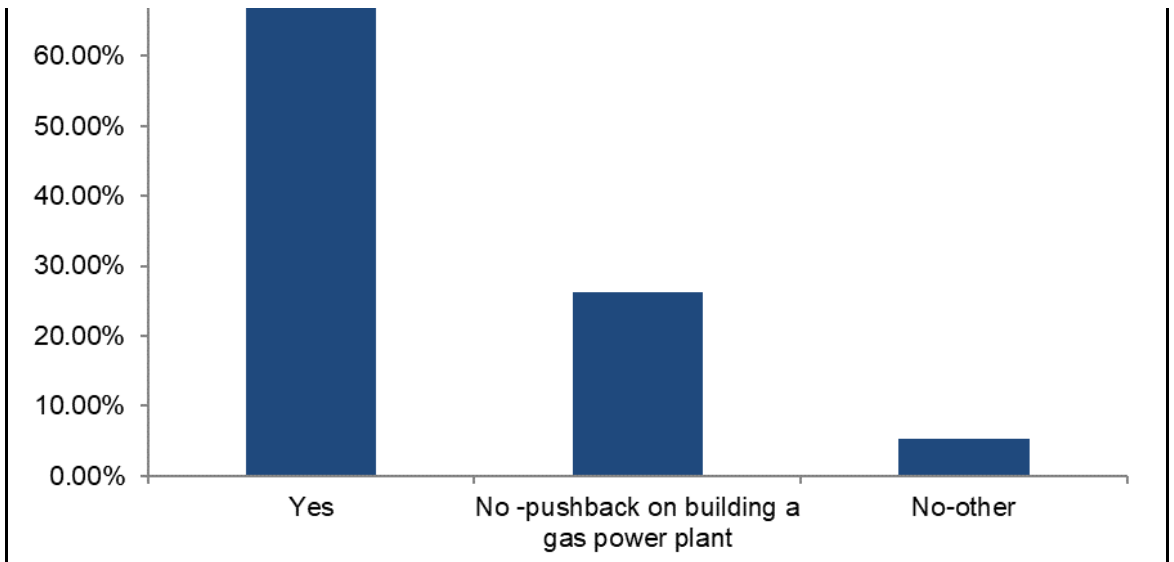
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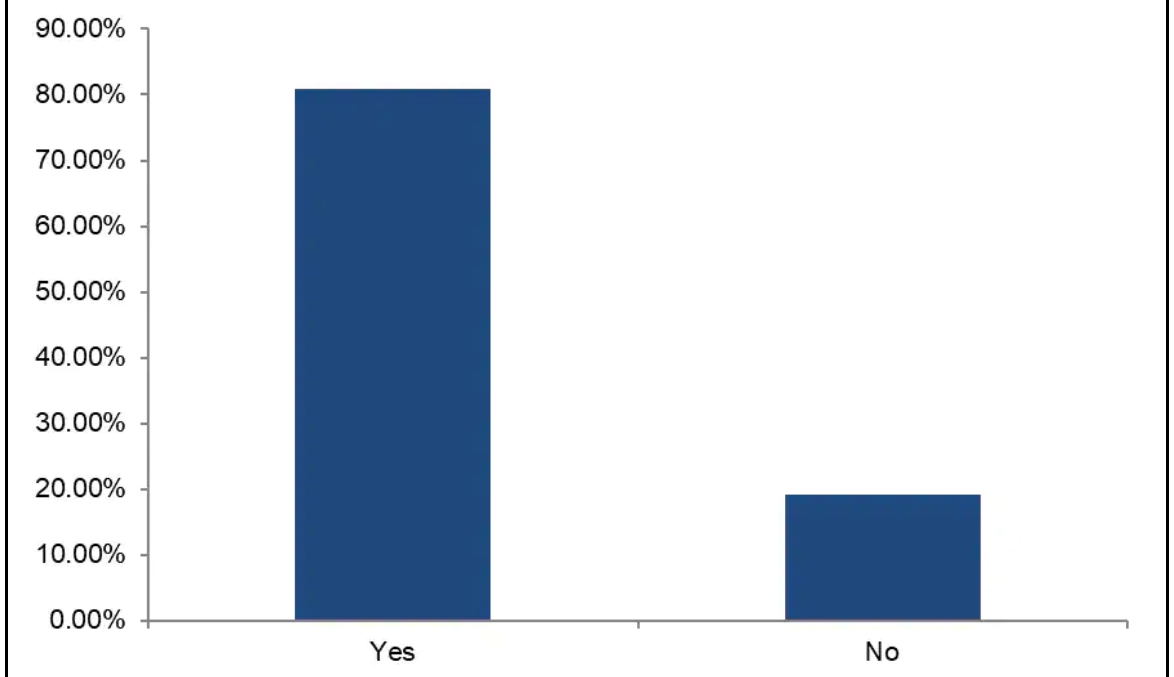
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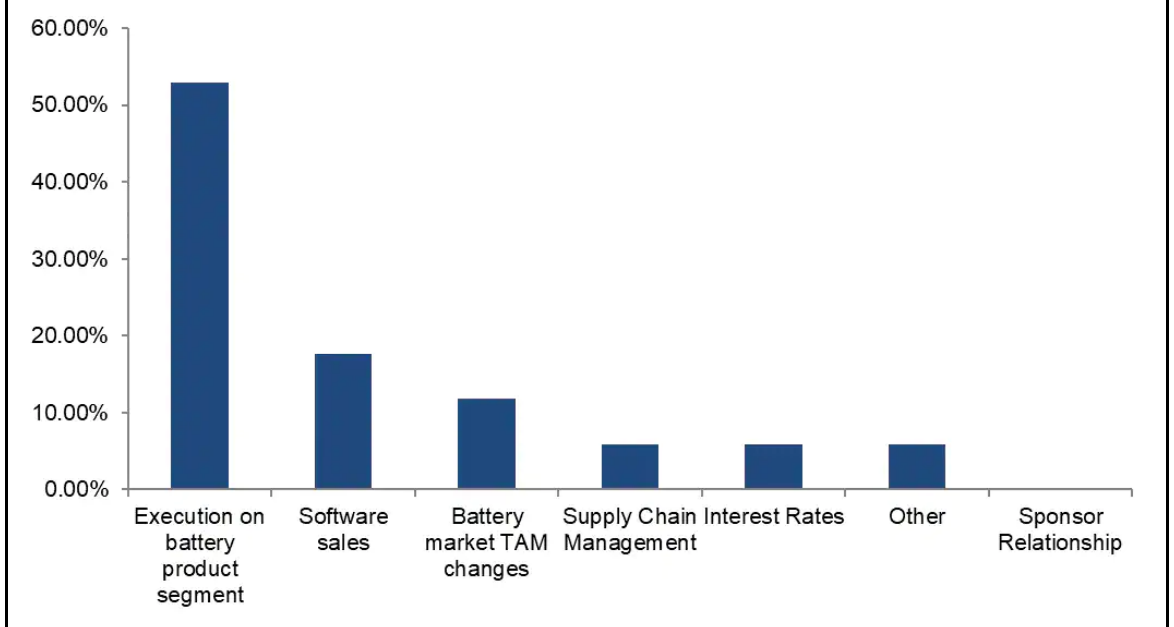
Source: Citi Research

Figure 23. Do you still view NRG as a power company/stock?



Source: Citi Research

Figure 24. What is most important to FLNC Outlook?



Source: Citi Research

Figure 25. Do you think Southwest Gas should raise money to fund the Questar deal via...

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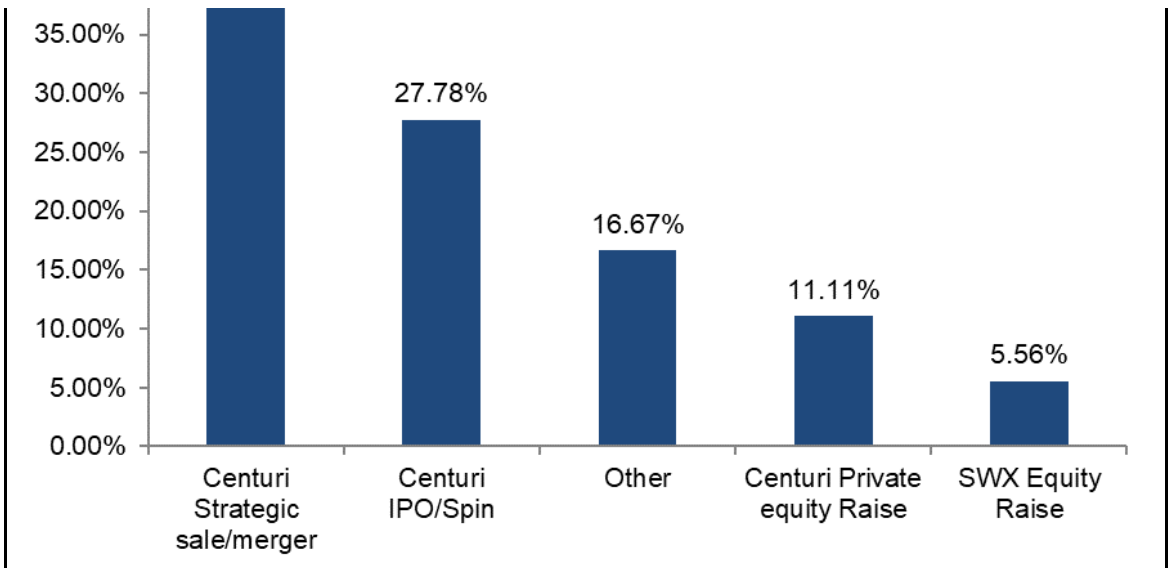
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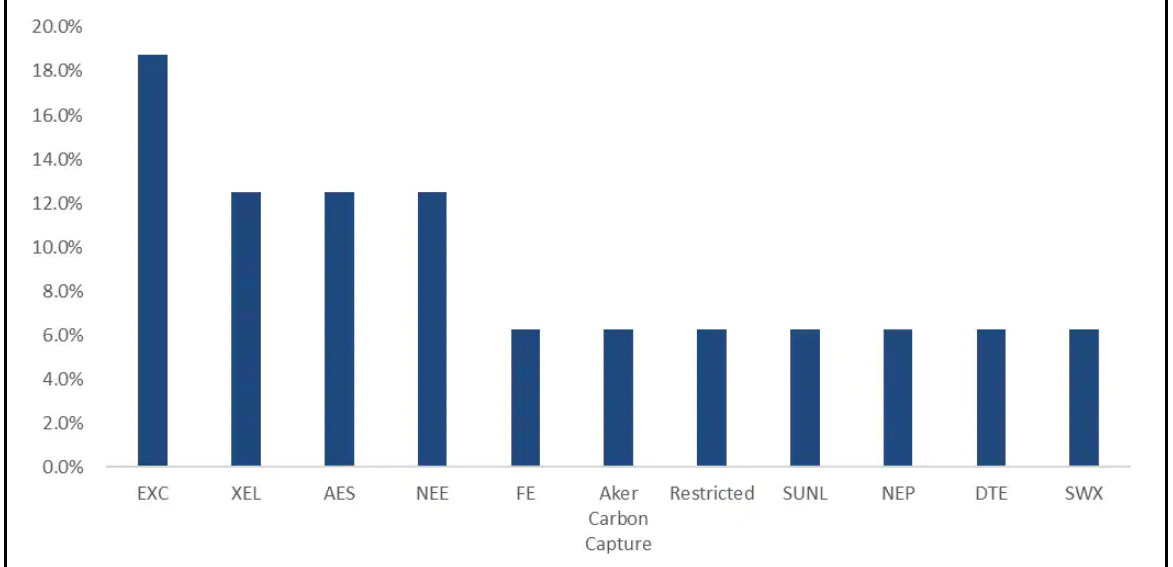
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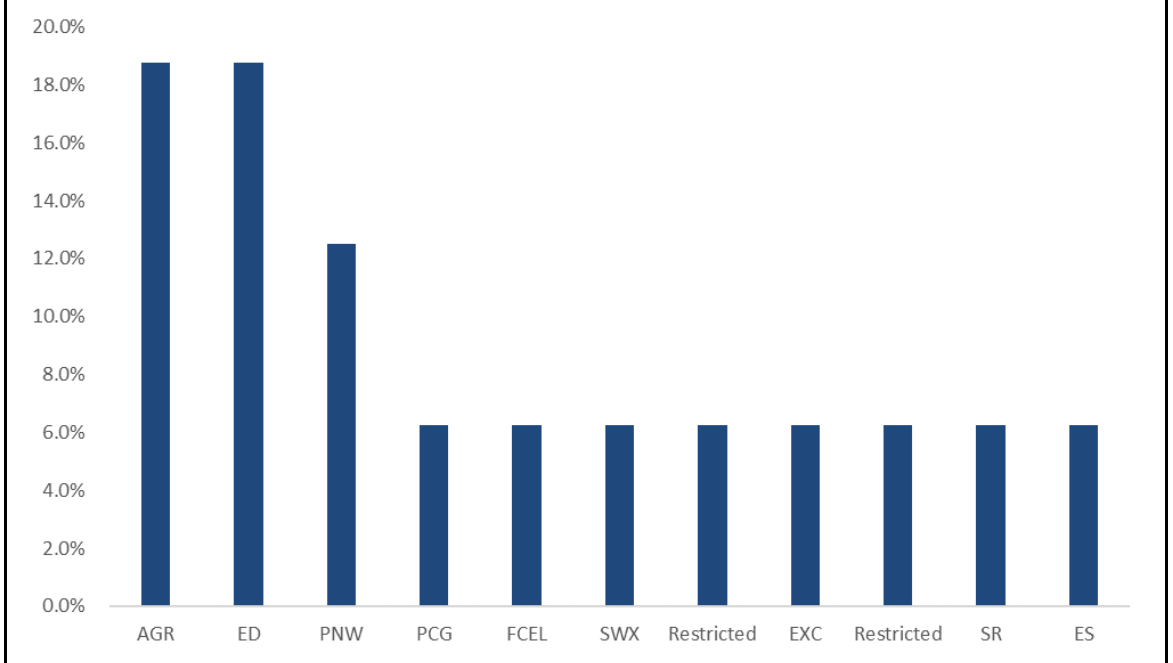
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Figure 26. What is your FAVORITE utility or Alt. Energy stock for the next 3 months?



Source: Citi Research

Figure 27. What is your LEAST FAVORITE utility or Alt. Energy stock for the next 3 months?



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Figure 28. What is your FAVORITE utility or Alt. Energy stock for the next 12 months?

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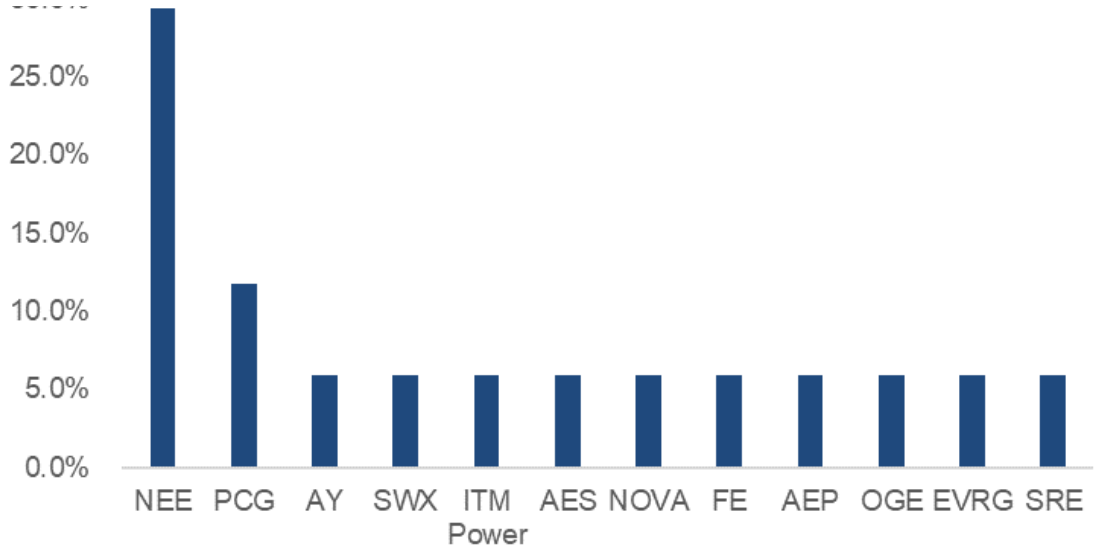
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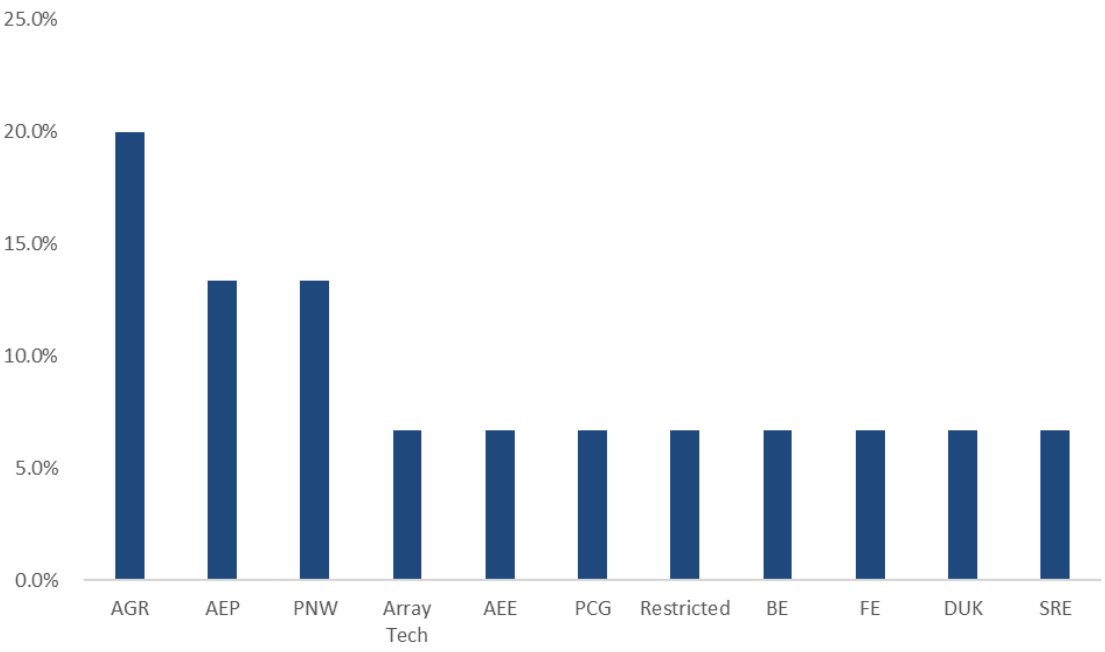
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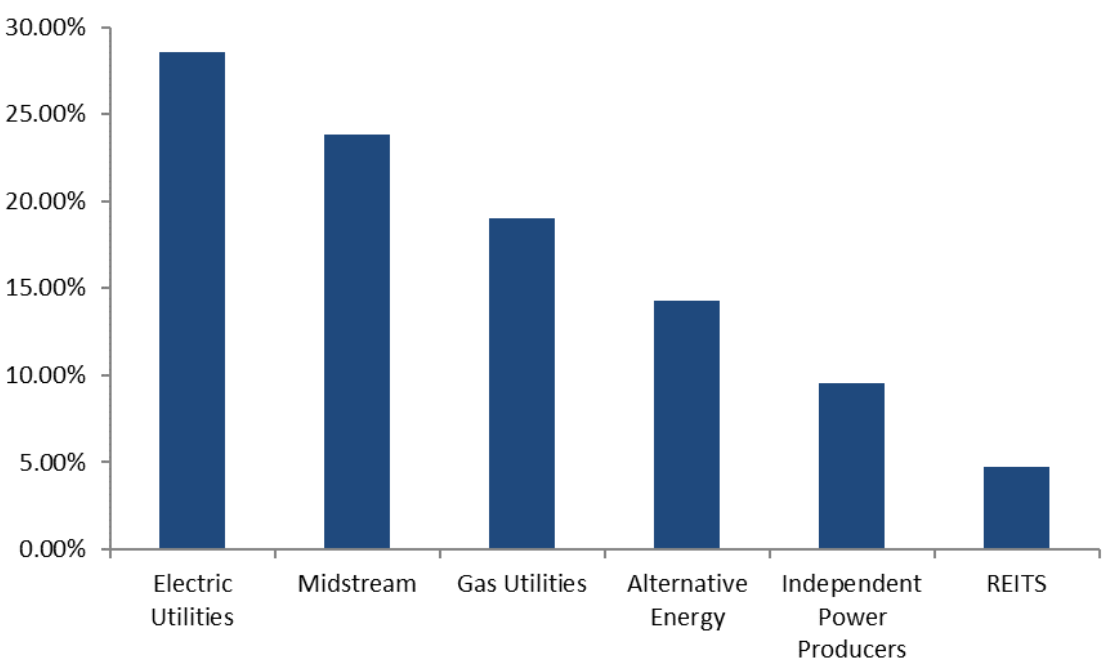
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Figure 29. What is your LEAST FAVORITE utility or Alt. Energy stock for the next 12 months?



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Figure 30. What sector do you expect to perform BEST in the next 3 to 6 months?



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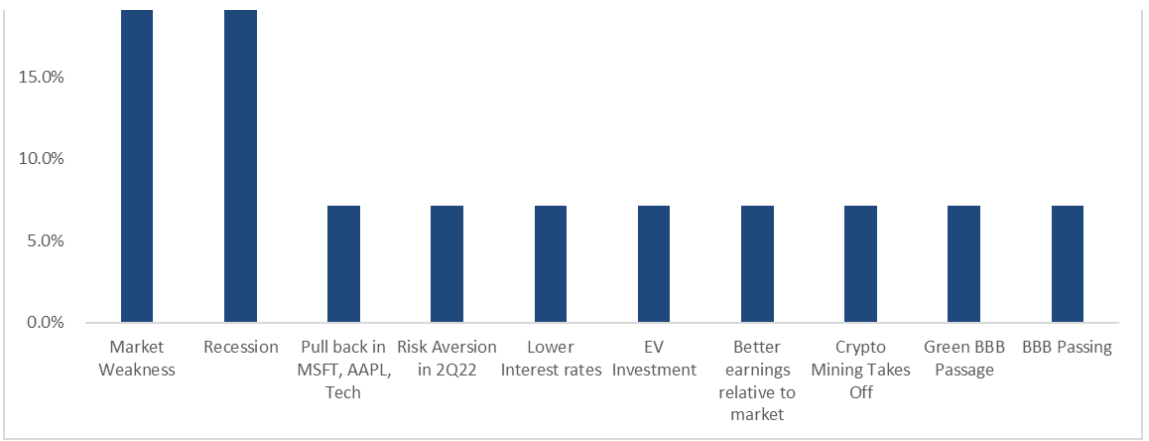
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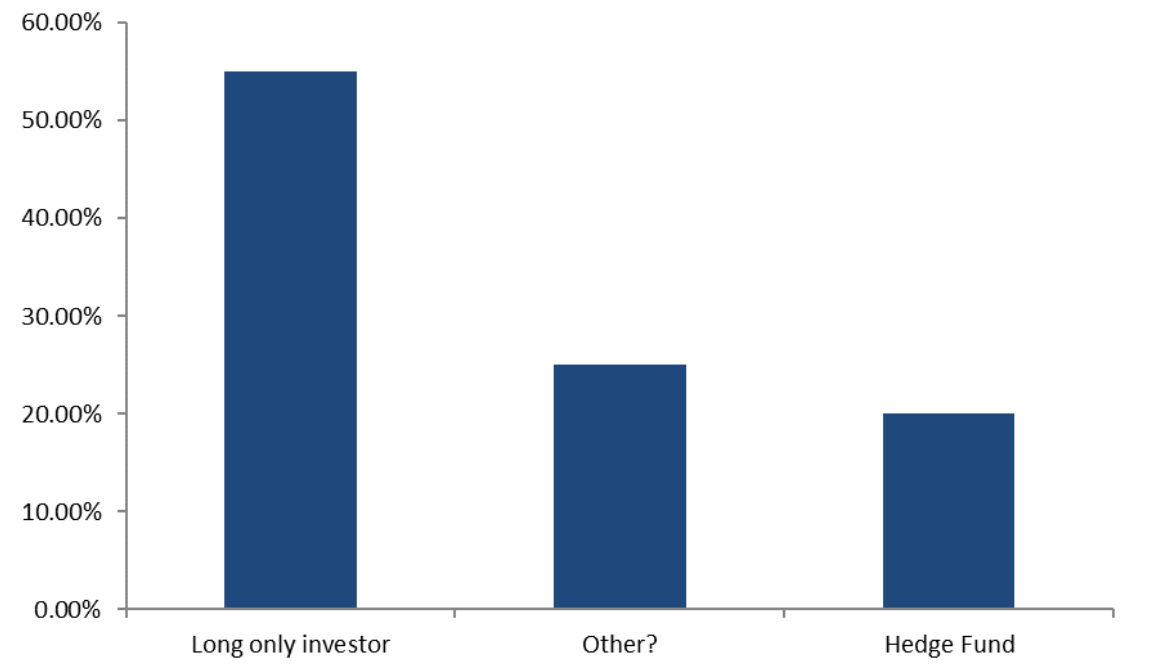
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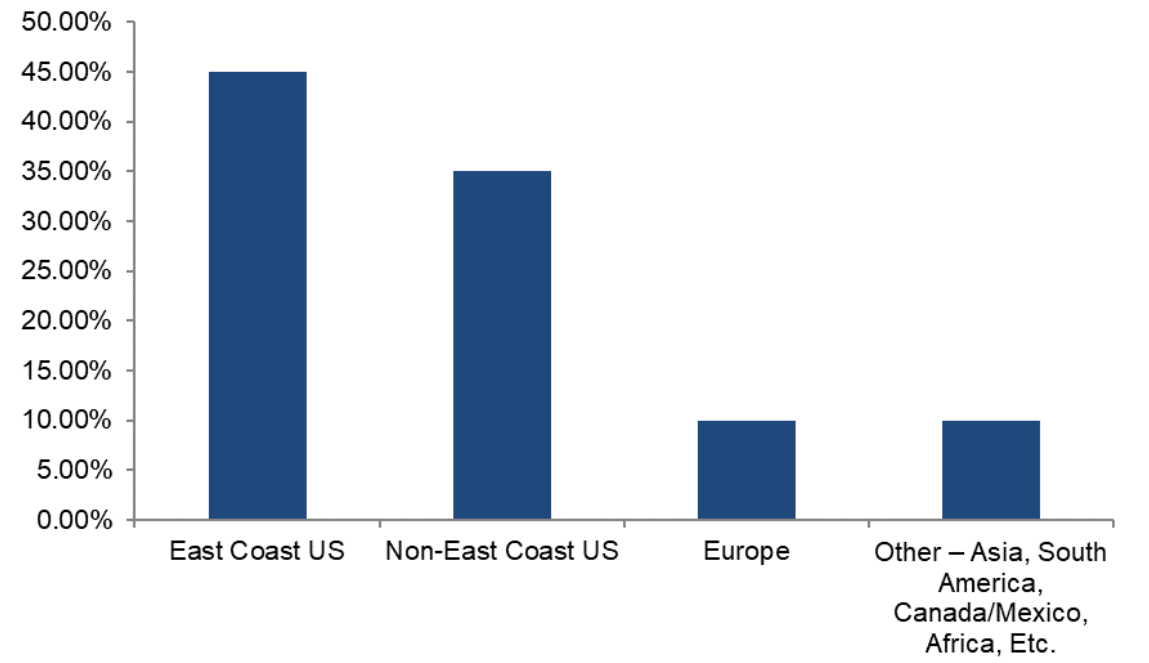
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Figure 32. What is your affiliation?



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Figure 33. What location are you based?



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Figure 34. What is your favorite sports league?

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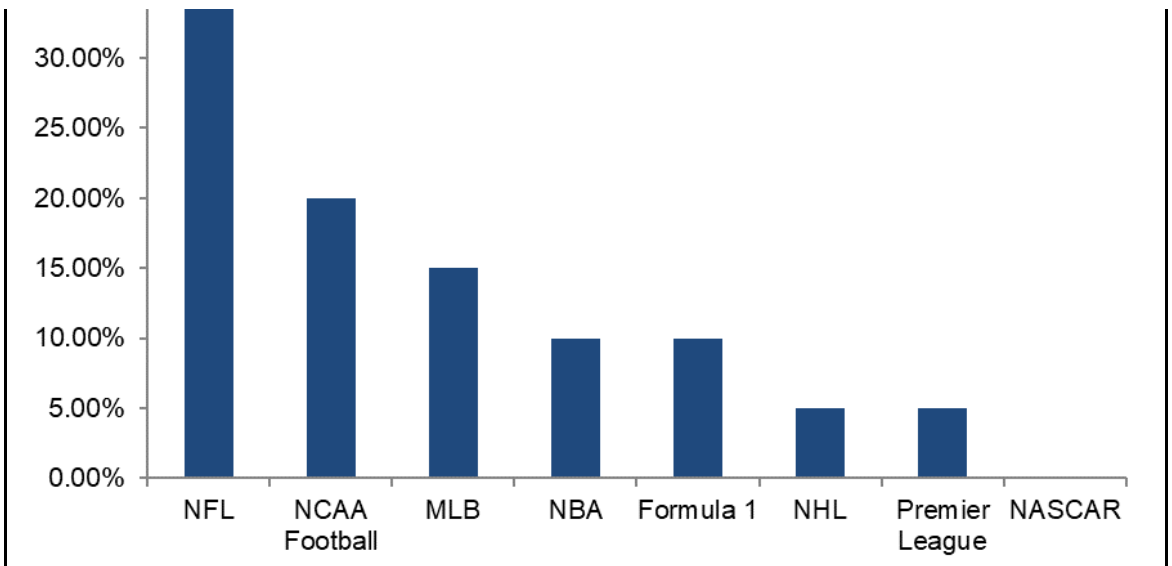
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Energy | Power & Utilities

January 25, 2022

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Introducing ’24 Estimates & Revamping Our Ratings

We are rolling out ’24 EPS forecasts, updating 12-month targets.

Upgrading NI, PEG, XEL to Outperform from In Line, and SO to In Line from Underperform

Downgrading EVRG & OGE to In Line from Outperform

AEE, AEP, AES, CNP, D, DTE, ETR, EXC, FE and SRE Remain Rated Outperform. ED remains Underperform rated.

Top picks AEP (regulated) & AES (diversified)

2022 Outlook – Patience Will Be Rewarded. Utes remain attractive on relative valuation metrics. According to our bond regression model, Utilities are now ~7% cheap on ’22 dividend yields and ~13% cheap on ’23 yields. The group is discounting 10yr at 1.90% one year forward. NTM relative P/Es also show a discount at 1.00x 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 20, see group valuation section of the note on page 14 for additional details.

Despite attractive relative valuation, we could see the group underperform in 1H 2022. While we acknowledge the valuation discount, we also note that the group generally tends to trade at a discount to the market during early/mid business cycles (see relative P/E chart on page 21). Also, inflation and rising yields will likely remain headwinds in 2022 as utilities tend to underperform the market in periods of high inflation (see page 43).

We remain bullish long term – Patience will be rewarded. Long term we are more constructive due to relative valuation support and view accelerated de-carbonization along with state/federal policy support as a major tailwind to sector growth. We prefer value (over quality (AEP (top pick), CNP, ETR, FE, NI, and SRE are Outperform-rated names within the regulated value bucket). Within diversified names, we view AES (top pick) as best risk/reward and are outperform on both EXC and PEG. We are Outperform-rated on AEE, DTE, D and XEL within the quality bucket.

Target prices now anchored off 18X multiple on ’24 EPS: Our 18X target multiple assumes a transition to higher interest rates, with authorized ROEs falling to 9.25% from 9.75%, and 10-year Treasury yields rising over the next several years, ultimately resulting in a 2.50% spread between the ROE and cost of equity, see page 39. The current valuation of ~17x ’24 EPS implies on average ~6% price appreciation for the group combined with ~3% dividend yield points to ~9-10% TSR over the next twelve months.

Within, we include our ’24 EPS projection and updated target price by company, along with our bond regression model output and update on absolute and relative P/E valuation vs the market. We also highlight 2022 outlook from our global policy, macro, portfolio strategy and technical analysis teams.

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Regulated Utilities: 1/25/22—Revamping our Ratings

Today We Roll Out '24 EPS Estimates, Update Target Prices & Are Rebalancing Ratings.

We Are Upgrading PEG, NI, XEL To Outperform From In Line, and SO to In Line From Underperform.
AEE, AEP, AES, CNP, D, DTE, ETR, EXC, FE and SRE Remain Rated Outperform.

We Are Downgrading EVRG & OGE To In Line From Outperform.
ED Remains Underperform.

The group is ~13% cheap in our bond model on 23' yields. Discounting 10yr at 1.90% one year forward.

Average relative P/E since 2006 is 1.07x. On 1/21/22, the relative P/E was 1.00x, lower than the 1.2x level in 2020 pre-covid.

Despite attractive relative valuations for the group, we remain on the sidelines near term. We could see the group continuing to lag the market in the 1H 2022 against the backdrop of rising inflation/rates. Long term we are more constructive due to relative valuation support and view accelerated de-carbonization along with state/federal policy support as a major tailwind to sector growth

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Rating Changes

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NI – Outperform, TP: $30, ETR: 12%. We are upgrading NI to Outperform from In Line

- **Investment Thesis**. NI was an outperformer in 2021 delivering TSR of 24% vs peer utilities at 17.5%.

✓ Despite strong relative performance last year we think NI shares have a room to run.

✓ Using peer gas LDC's trading multiple for NI's gas assets and conservative 5% premium for the above average electric utility growing rate base at 10%+ vs peers at 6-7% we drive at our base case TP of $30.

✓ Our base case drives a ETR of 12%. We see attractive risk reward with our bull/bear case scenarios driving ETR of +23%/-2% respectively.

✓ We see shares benefiting from a robust analyst day update (expected in 1H 2022) where NI will likely update EPS and rate base growth aspirations through 2027/2028 vs 2024 currently. We could see extension and/or expansion of their currently targeted 7-9% EPS growth CAGR vs peer average of 5-7% through 2024.

✓ NI's gas assets could see multiple expansion. We see elevated M&A activity to continue in 2022 with increasing private capital interest which should support/bolster valuation of NI's gas subsidiaries.

- **Valuation Scenarios**

Base Case	'24 EPS	P/E	Val/Shr
Gas EPS	$1.21	16.7x	$20.29
Electric EPS	$0.77	18.9x	$14.61
Parent/Other	($0.27)	17.5x	($4.80)
Consolidated 2024 EPS	**$1.71**	17.5x	**$30.00**
ETR (including dividend)			12%

Bull Case	'24 EPS	P/E	Val/Shr
Gas EPS	$1.27	18.0x	$22.89
Electric EPS	$0.80	18.9x	$15.16
Parent/Other	($0.27)	18.3x	($5.02)
Consolidated 2024 EPS	**$1.80**	18.3x	**$33.00**
ETR (including dividend)			23%

Bear Case	'24 EPS	P/E	Val/Shr
Gas EPS	$1.14	15.5x	$17.60
Electric EPS	$0.74	18.0x	$13.24
Parent/Other	($0.27)	16.3x	($4.45)
Consolidated 2024 EPS	**$1.60**	16.3x	**$26.00**
ETR (including dividend)			-2%

Source: Reflects 1/21/22 closing price. FactSet, Evercore ISI Research

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NI – Outperform, TP: $30, ETR: 12%. We are upgrading NI to Outperform from In Line

- **Stock Catalysts.** 2022 Investor Day – expected in Spring 2022. We could see extension and/or expansion of their currently targeted 7-9% EPS growth CAGR vs peer average of 5-7% through 2024.
- Indiana IRP upside - The preferred plan would require up to $750 million of capex for replacement power, which could be owned or PPA'd if not all, of it and most of the investment is likely to come in the 2024-2028 timeframe with potentially some transmission sooner than that (~5% of 2024 EPS annual EPS upside) . NI said to expect an indicative portfolio in this spring at its 2022 Investor Day.

➢ OH rate case settlement – Q2 2022

➢ NIPSCO gas rate case decision – 2H 2022

➢ NIPSCO electric rate case anticipated to be filed later in 2022

Source: Reflects 1/21/22 closing price. FactSet, Evercore ISI Research

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PEG – Outperform, TP: $71, ETR: 12%. We are upgrading PEG to Outperform from In Line

- **Investment Thesis**. PEG was an in line performer in 2021 delivering TSR of 18% vs peer utilities at 17.5%.

✓ We expect PEG's cleaner portfolio (post fossil sale) to attract incremental investor interest.

✓ Growing appreciation for Nuclear assets is also a tailwind for the story.

✓ We see attractive risk/reward with base case TP of $71 driving ETR of 12%. Our bull/bear case valuation of $77/$59 respectively could result in 21% upside vs 7% downside.

✓ Furthermore, a Nuclear Production Tax Credit (PTC) could solidify PEG's Nuclear EBITDA/Cash flow.

✓ They could be awarded offshore wind transmission >$1B investment opportunity over the back half of the decade. ~$0.10 annual EPS upside, or 2% of the company's consolidated '25 EPS guidance using 6% CAGR through the forecast period.

✓ $3.5B balance sheet capacity (if deployed) could provide ~$0.35 potential '25 EPS upside or 9% of company's consolidated '25 EPS guidance using 6% CAGR through the forecast period.

✓ **Valuation Scenarios**

PEG Sum-of-the-Parts			
	Bear case	Base Case	Bull case
2024 Nuclear EBITDA ($mm)	450	500	550
EV/EBITDA	5.50x	6.50x	7.50x
EV	2,475	3,250	4,125
Net Debt ($mm)	0	0	0
Equity value ($mm)	2,475	3,250	4,125
Equity value per share	4.95	6.49	8.24
2024 UP&O EPS	3.34	3.41	3.47
P/E Multiple	16.20x	18.90x	19.80x
Equity value per share	54.11	64.45	68.71
Target price	$59	$71	$77
ETR (including dividend)	-7%	12%	21%

Source: Reflects 1/21/22 closing price. FactSet, Evercore ISI Research

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PEG – Outperform, TP: $71, ETR: 12%. We are upgrading PEG to Outperform from In Line

- **Stock Catalysts.** Fossil sale closure – expected in 1Q 2022

➢ Authorized $500MM share repurchase – 1Q 2022

➢ Potential for Federal Nuclear PTC – 2022

➢ Offshore wind Transmission opportunity 2% EPS additive to our 25E over back half of the decade, extends runway for earnings growth – Decision expected in 2H 2022

➢ Potential to participate in offshore generation – Ocean Wind 2, Skip Jack 1&2 with combined capacity of >1GW using $3.5B balance sheet capacity – 2022 or 2023

➢ PJM capacity auction results (impacts ~5% of 24E) – March 2022

➢ $848MM capex proposal (Infra. Advancement Program) with NJ Commission (~2% of our 24E) – Decision in 2H 2022

Source: Reflects 1/21/22 closing price. FactSet, Evercore ISI Research

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XEL – Outperform, TP: $75, ETR: 13%. We are upgrading XEL to Outperform from In Line

- **Investment Thesis**. XEL was one of the worst performers in 2021 delivering TSR of 4.5% vs peer utilities at 17.5%. The underperformance was driven in part by active regulatory calendar last year, 2022 EPS guidance modestly lower than street estimates (on Q3 call in Oct) and relative underperformance of pure play/high quality names within coverage-WEC, CMS, XEL were all laggards in 2021.

✓ We think the underperformance presents a good entry point into a high quality utility.

✓ Having achieved rate settlements in CO,NM and TX late last year/early 2022 regulatory calendar is relatively light for the 1H of 2022. MN rate case ongoing with final decision expected in 2Q 2023.

✓ We expect the stock to rerate to historical 15-20% premium (attributable to above average growth and superior balance sheet vs peers) vs ~10% currently

✓ We see attractive risk/reward with base case TP of $75 driving ETR of 13%. Our bull/bear case valuation of $80/$62 respectively could result in 20% upside vs 6% downside.

✓ MISO transmission capex award could bolster LT earnings profile (2025+). Potential for up to $5-$6 billion investment which could result in ~$0.25 annual EPS upside, or 7% of our 24E.

✓ One of the top beneficiaries from clean energy tax credits extension/expansion

- **Valuation Scenarios**

	Bear	Base	Bull
2024 EPS	$3.43	$3.60	$3.68
P/E Multiple	18.0x	20.7x	21.6x
Target Price	**$62**	**$75**	**$80**
ETR(inluding dividend)	-6%	13%	20%

Source: Reflects 1/21/22 closing price. FactSet, Evercore ISI Research

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XEL – Outperform, TP: $75, ETR: 13%. We are upgrading XEL to Outperform from In Line

- **Stock Catalysts.** CO settlement approval – expected in 1Q 2022

➢ NM settlement approval – 1Q 2022

➢ TX settlement approval – 1Q 2022

➢ MISO transmission capex award could bolster LT earnings profile (2025+). Potential for up to $5-$6 billion investment which could result in ~$0.25 annual EPS upside, or 7% of our 24E – May 2022

➢ MN rate case ongoing - intervener testimony Q3 2022, final decision 2Q 2023,

➢ Wildfire investigation (we view as low risk). On December 30, 2021, grass fires broke out in Boulder County, Colorado. Two fires were respectively named by local fire authorities as the Marshall Fire and the Middle Fork Fire. The most devastating fires ever to hit the state of Colorado resulted in more than $500 million alone in residential damage. Boulder Office of Emergency Management stated that XEL had inspected all of its lines within the ignition area and found no downed power lines. The full investigation is still ongoing to determine the cause of the fire.

Source: Reflects 1/21/22 closing price. FactSet, Evercore ISI Research

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SO – In Line, TP: $66, ETR: 1%. We are upgrading SO to In Line from Underperform

- **Investment Thesis**. SO underperformed peers in 2021 delivering TSR of 15.5% vs peer group of 17.5%

✓ Our Underperform thesis was predicated on Vogtle related delays and cost increases – Vogtle Unit 3 is now expected to be in service Q3 2022 (vs Nov 2021 targeted date at Q4 2020 call)

✓ While we acknowledge that there could still be minor project delays (Omicron impacted January construction) we think chances of major delays and material cost overruns is low and as Vogtle Unit 3 gets closer to completion we think the investor focus shifts to long term earnings growth of the business which is projected to grow 5-7% with upside.

✓ Our base case drives a ETR of 1%. We see balanced risk reward with our bull/bear case scenarios driving ETR of +13%/-11% respectively.

- **Valuation Scenarios**

	Bear	Base	Bull
2024 EPS	$4.00	$4.10	$4.30
P/E Multiple	14.4x	16.0x	17.1x
Target Price	**$58**	**$66**	**$74**
ETR(inluding dividend)	-11%	1%	13%

- **Stock Catalysts.** Vogtle construction monitoring report – Feb. 2022

➢ Vogtle Unit 3 in-service - 3Q 2022

➢ Vogtle Unit 4 in service – 2Q 2023

➢ Georgia Integrated Resource Plan – Filing Jan. 2022 with final decision expected in July/August 2022. Could result in higher capex/rate base vs plan

➢ Georgia rate case – Filing in July 2022 with a final decision expected in December

➢ Vogtle Cost prudency review – Feb 2023

  ➢ $3.5B costs have already been deemed prudent vs total project cost of $9.6B.

Source: Reflects 1/21/22 closing price. FactSet, Evercore ISI Research

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EVRG – In Line, TP: $68, ETR: 9%. We are downgrading EVRG to In Line from Outperform

- **Investment Thesis**. EVRG was one of the best performing stocks in 2021 delivering TSR of 27.5% vs peer group of 17.5%

✓ Our thesis has played out and while LT growth prospects are still solid (coal transition, PPA buyout opportunities, O&M streamlining opportunities etc.) we see limited upside near term.

✓ In light of ongoing rate cases in MO we expect little in the way of positive surprises from EVRG.

✓ Our base case drives a ETR of 9%.

✓ We see attractive risk reward LT with our bull/bear case scenarios driving ETR of +20%/-3% respectively but see limited upside near term as we discussed earlier.

- **Valuation Scenarios**

	Bear	Base	Bull
2024 EPS	$3.93	$4.00	$4.16
P/E Multiple	15.3x	17.1x	18.0x
Target Price	**$60**	**$68**	**$75**
ETR(inluding dividend)	-3%	9%	20%

- **Stock Catalysts.** MO rate cases filed in Jan, final decision expected in 2H2022

➢ KS rate cases to be filed in 1H 2023

➢ KS Pre determination filing – 190MW Solar project approval, decision expected in 2Q 2022

➢ PPA buyouts/repowering – Potential to buy 1.2GW of PPA's with PTC expiring in the near term

Source: Reflects 1/21/22 closing price. FactSet, Evercore ISI Research

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OGE – In Line, TP: $39, ETR: 9%. We are downgrading OGE to In Line from Outperform

- **Investment Thesis**. OGE was one of the best performing stocks in 2021 delivering TSR of 25.5% vs peer group of 17.5%

✓ Coming off a strong year we see limited upside in OGE shares near term.

✓ While OGE was successful in achieving a favorable outcome in their last rate case in 2019, OK regulatory environment has historically been challenging for utilities which will keep investors on the side line as OGE works through the regulatory process and receive a final rate order n 2H 2022.

✓ We ultimately think LT growth prospects are biased higher towards 6% vs current utility EPS growth guidance of 5% as they recycle cash proceeds from selling down ET units to fund >$1B upside capex opportunity vs their current five year capex plan. With that said they need to work through the ongoing IRP process and achieve regulatory approval from the OK commission.

✓ Our base case drives a ETR of 9%. We see balanced risk reward with our bull/bear case scenarios driving ETR of 14%/-7% respectively.

- **Valuation Scenar**

	Bear	Base	Bull
2024 EPS	$2.04	$2.16	$2.19
P/E Multiple	16.2x	18.0x	18.9x
Target Price	**$33**	**$39**	**$41**
ETR(inluding dividend)	-7%	9%	14%

- **Stock Catalysts.** OK rate cases filed in Jan, final decision expected in 2H2022

➢ Energy Transfer unit exit: OGE has been saying it plans to sell the “majority” of its ET units this year, with a full planned exit in the near future

➢ AR formula rate extension filing. The Company’s initial FRP term ends when then the 12-months ending March 31, 2023 is complete. The FRP extension period will end March 31, 2028. OGE is also requesting a 10 basis point increase to the target ROE, from the current target ROE of 9.5% to 9.6%. The Company requested an order by April 1, 2022.

Source: Reflects 1/21/22 closing price. FactSet, Evercore ISI Research

This report is prepared solely for the use of Chris Turnure

Group Valuation

Source: Evercore ISI Research

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Utilities Stock Performance:

- Utilities underperformed the SP500 in FY 2021 (up ~17% vs. up 27%). 3 of the 24 stocks in our regulated universe did beat the SP500 return for FY '21. YTD in '22, utilities have outperformed the SP500 (down 2% vs. down 8%).

- Stock selection matters!
  - In FY '21 the top 5 best regulated performers were up 30% on average whilst the bottom 5 were down ~0.4%.. Top five: FE was up ~41%, EXC was up ~40%. CNP +32%, EVRG +28% and OGE +26%

  - In terms of group leadership in '21, only 1 was top 10 performers in '20: NEE.

  - The regulated names in the top 10 in '21 that were index or worse performers in '20: FE, CNP, OGE, NI, ED and HE.

	FY 19 - 12/31/18 to 12/31/19		FY 20 - 12/31/19 to 12/31/20		FY 21 - 12/31/20 to 12/31/21		YTD - 12/31/21 to 1/21/22	
1	S&P 500	28.9%	S&P 500	16.3%	S&P 500	26.9%	Regulated	(1.9%)
2	Regulated	23.4%	Diversified	6.3%	Diversified	21.5%	Index	(2.4%)
3	Index	21.7%	Index	(5.2%)	IPPs	18.5%	Diversified	(3.1%)
4	Diversified	20.9%	Regulated	(6.3%)	Regulated	17.4%	IPPs	(6.8%)
5	IPPs	1.7%	IPPs	(7.3%)	Index	15.7%	S&P 500	(7.7%)

	FY 19 - 12/31/18 to 12/31/19		FY 20 - 12/31/19 to 12/31/20		FY 21 - 12/31/20 to 12/31/21		YTD - 12/31/21 to 1/21/22	
1	SO	50.6%	NEE	29.7%	FE	41.0%	SRE	2.0%
2	SRE	43.6%	AES	21.0%	EXC	40.4%	HE	1.5%
3	ETR	43.4%	PCG	14.6%	CNP	32.0%	AEP	1.1%
4	NEE	42.2%	XEL	7.7%	EVRG	27.5%	D	1.0%
5	AES	41.4%	DUK	4.6%	OGE	25.5%	XEL	0.8%
6	EIX	37.2%	ES	4.4%	NI	24.2%	PCG	0.7%
7	WEC	36.6%	AEE	4.2%	NEE	23.0%	PNW	0.1%
8	ES	34.1%	WEC	2.5%	ED	22.3%	WEC	(0.1%)
9	FE	33.5%	PEG	2.0%	HE	21.1%	NI	(0.3%)
10	PPL	32.5%	SO	0.4%	DTE	19.5%	FE	(0.6%)
11	XEL	32.1%	CMS	(0.3%)	VST	18.9%	PNM	(0.6%)
12	HE	31.5%	PNM	(1.9%)	DUK	18.8%	DTE	(0.9%)
13	AEP	30.1%	NRG	(2.5%)	NRG	18.2%	SO	(1.1%)
14	CMS	29.6%	DTE	(3.3%)	PEG	18.0%	PPL	(1.3%)
15	PNM	26.2%	EXC	(4.0%)	AEE	16.8%	AEE	(1.4%)
16	ED	22.2%	D	(5.0%)	ETR	16.7%	EXC	(1.7%)
17	DTE	21.2%	PNW	(7.6%)	SO	15.9%	OGE	(1.7%)
18	D	21.0%	AGR	(7.7%)	AGR	13.6%	DUK	(1.8%)
19	AEE	20.7%	AEP	(8.9%)	EIX	12.9%	PEG	(1.9%)
20	EVRG	18.1%	EVRG	(11.6%)	PPL	12.5%	CMS	(2.0%)
21	OGE	17.3%	VST	(12.1%)	AEP	10.4%	CNP	(2.0%)
22	PEG	17.1%	SRE	(13.1%)	CMS	9.5%	ETR	(2.9%)
23	NI	13.0%	EIX	(13.3%)	WEC	8.4%	ED	(3.1%)
24	DUK	10.0%	ETR	(13.5%)	ES	8.0%	ES	(4.3%)
25	PNW	9.1%	NI	(14.6%)	D	7.8%	VST	(4.6%)
26	AGR	5.6%	ED	(16.7%)	SRE	7.3%	AES	(5.6%)
27	EXC	4.3%	PPL	(16.8%)	AES	6.0%	EVRG	(6.5%)
28	VST	2.6%	CNP	(17.9%)	XEL	4.3%	AGR	(7.5%)
29	NRG	0.7%	HE	(21.7%)	PCG	(2.6%)	NRG	(9.0%)
30	CNP	0.7%	OGE	(24.8%)	PNM	(3.3%)	NEE	(11.5%)
31	PCG	(54.2%)	FE	(33.8%)	PNW	(7.5%)		

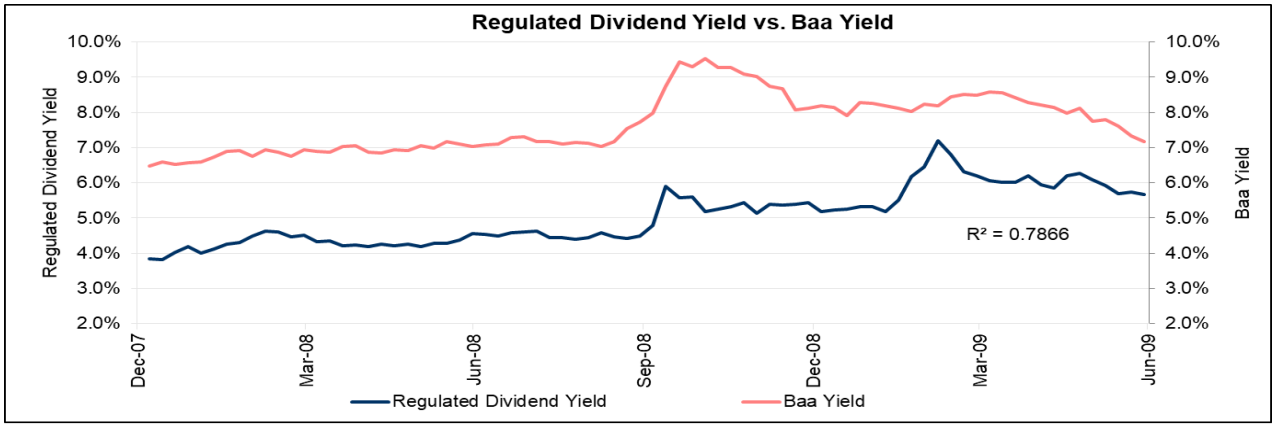
Updated as of 1/21/22; columns during or after '18 exclude PCG from regulated performance average

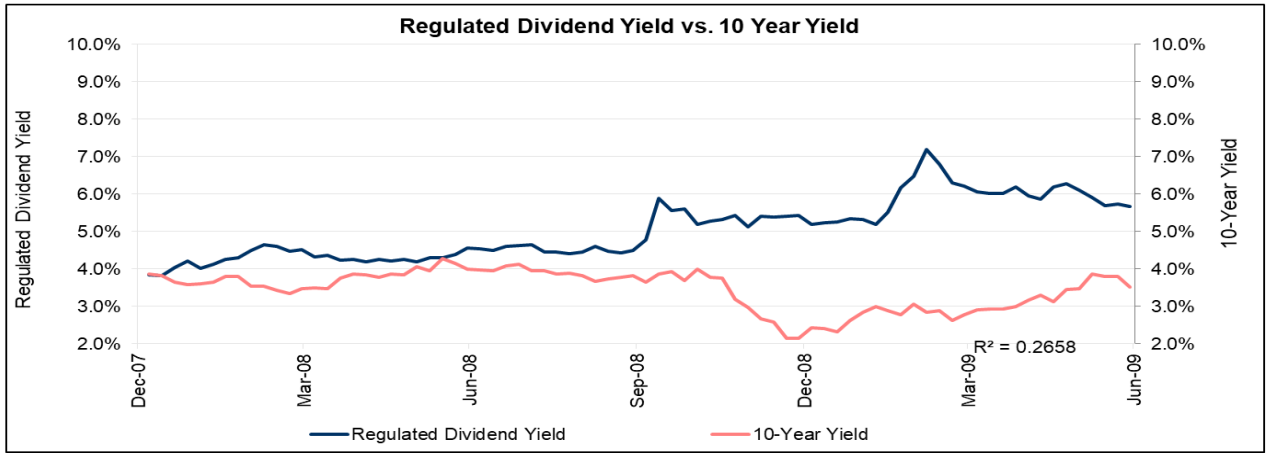
Source: FactSet, Evercore ISI Research

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Regulated Dividend Yields vs. 10Y UST and Baa Yields During '08/'09 Financial Crisis

- During the last recession, correlation between regulated dividend yield and Moody's Baa Yield was at ~79% vs. ~27% correlation for dividend yield and 10yr Treasury Yield.





Source: FactSet, Evercore ISI Research

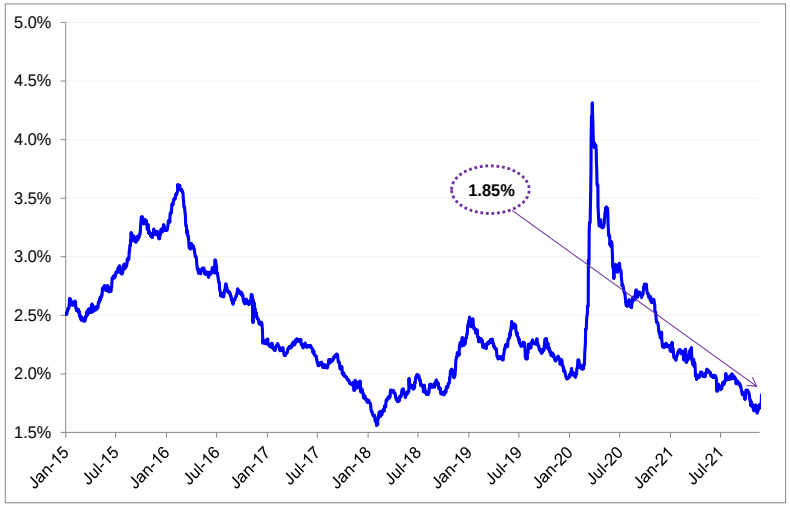
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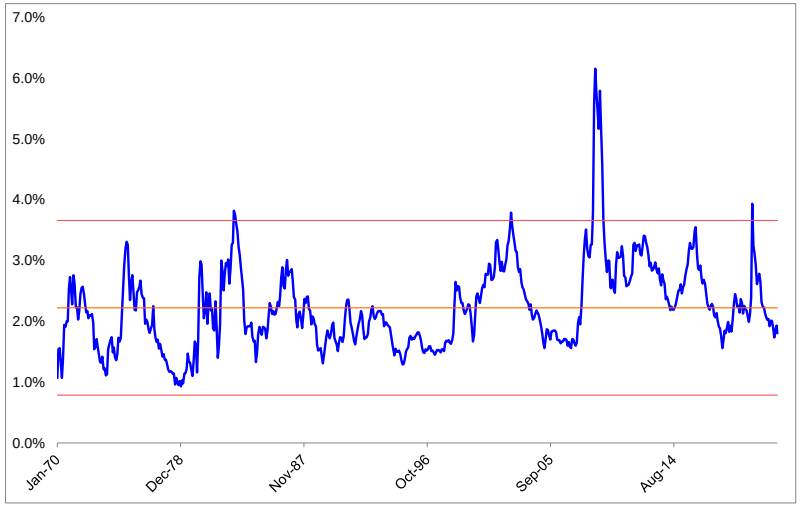
The Spread Between Corporates And Treasuries Is Below the Historical Average

- The spread between corporates and Treasuries has averaged 222bp since 1970.
- At the beginning of 2015 the 10-year was ~2.2% and corporates were 4.7%, a spread of 250bp.
- The wide spread between US Treasuries and corporates was the key factor that made utilities look fully priced in our bond model from October 2015 through early April 2016.
- Prior to COVID, that spread peaked last at 363bp on 2/16/16, with the 10-year yield at 1.74% and corporate bond yield average at 5.37%. On 3/20/20 during COVID, the spread peaked at ~450bp.
- On 12/31/18 the spread was 245bp and is currently at **185bp**.

Daily Moody's Baa / 10 Year Spread



Monthly Moody's BAA / 10 Year Spread



Updated as of 1/21/22

Source: FactSet, Evercore ISI Research

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Utilities are 13% cheap on '23 Yields Assuming Yields Remain Unchanged

Utility Valuation			10 YR	1.77%
1/21/22			Baa	3.62%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2022 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	0.76%	1.17%	56.4x	190.0%
	0.98%	1.32%	49.9x	156.4%
	1.20%	1.47%	44.7x	129.7%
	1.42%	1.63%	40.5x	108.1%
	1.64%	1.78%	37.0x	90.2%
	1.86%	1.93%	34.1x	75.1%
- 68% Confidence Interval	2.08%	2.09%	31.6x	62.3%
	2.30%	2.24%	29.4x	51.2%
	2.52%	2.39%	27.5x	41.5%
	2.74%	2.54%	25.9x	33.0%
	2.96%	2.70%	24.4x	25.5%
	3.18%	2.85%	23.1x	18.7%
	3.40%	3.00%	21.9x	12.7%
Predicted Valuation	3.62%	3.16%	20.9x	7.2%
Current Valuation	3.84%	3.31%	19.9x	2.2%
	4.06%	3.46%	19.0x	-2.3%
	4.28%	3.62%	18.2x	-6.4%
	4.50%	3.77%	17.5x	-10.2%
	4.72%	3.92%	16.8x	-13.7%
+ 68% Confidence Interval	4.94%	4.08%	16.2x	-17.0%
	5.16%	4.23%	15.6x	-20.0%
	5.38%	4.38%	15.0x	-22.8%
	5.60%	4.53%	14.5x	-25.4%
	5.82%	4.69%	14.0x	-27.8%
	6.04%	4.84%	13.6x	-30.1%
+ 95% Confidence Interval	6.26%	4.99%	13.2x	-32.2%

Utility Valuation			10 YR	1.77%
1/21/22			Baa	3.62%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2023 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	0.76%	1.17%	55.9x	205.3%
	0.98%	1.32%	49.4x	169.9%
	1.20%	1.47%	44.3x	141.8%
	1.42%	1.63%	40.1x	119.1%
	1.64%	1.78%	36.7x	100.2%
	1.86%	1.93%	33.7x	84.4%
- 68% Confidence Interval	2.08%	2.09%	31.3x	70.8%
	2.30%	2.24%	29.1x	59.1%
	2.52%	2.39%	27.3x	49.0%
	2.74%	2.54%	25.6x	40.0%
	2.96%	2.70%	24.2x	32.1%
	3.18%	2.85%	22.9x	25.0%
	3.40%	3.00%	21.7x	18.6%
Predicted Valuation	3.62%	3.16%	20.7x	12.8%
	3.84%	3.31%	19.7x	7.6%
Current Valuation	4.06%	3.46%	18.8x	2.9%
	4.28%	3.62%	18.0x	-1.5%
	4.50%	3.77%	17.3x	-5.5%
	4.72%	3.92%	16.6x	-9.2%
+ 68% Confidence Interval	4.94%	4.08%	16.0x	-12.6%
	5.16%	4.23%	15.4x	-15.7%
	5.38%	4.38%	14.9x	-18.7%
	5.60%	4.53%	14.4x	-21.4%
	5.82%	4.69%	13.9x	-24.0%
	6.04%	4.84%	13.5x	-26.4%
+ 95% Confidence Interval	6.26%	4.99%	13.1x	-28.7%

Regulated utilities now look ~7% cheap on current yields

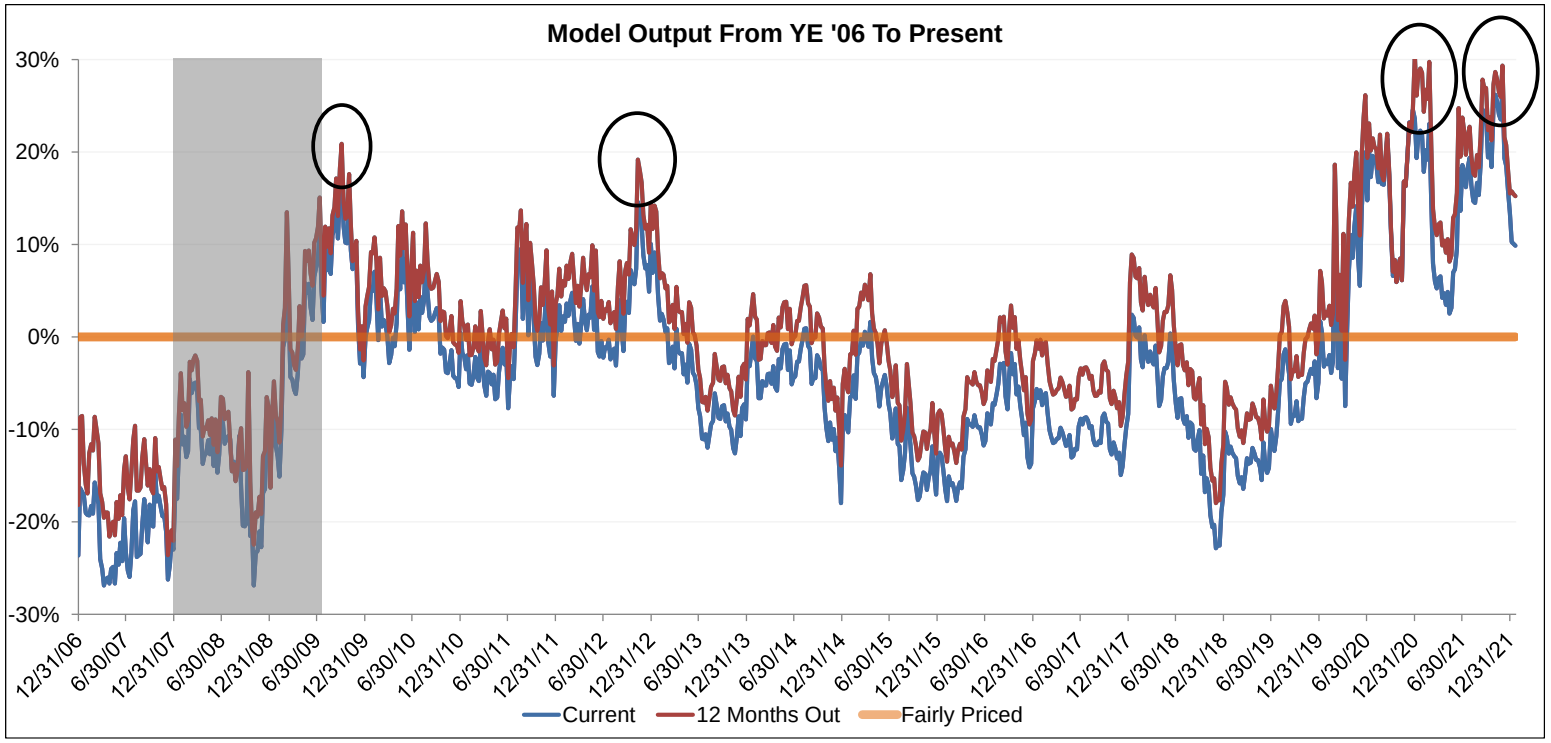
If rates stay unchanged for the next 12 months, regulated utilities now ~13% cheap

Updated as of 1/21/22

Source: FactSet, Evercore ISI Research

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Utes have closed the valuation gap and now are 13% cheap vs ~20% cheap as of early 2021



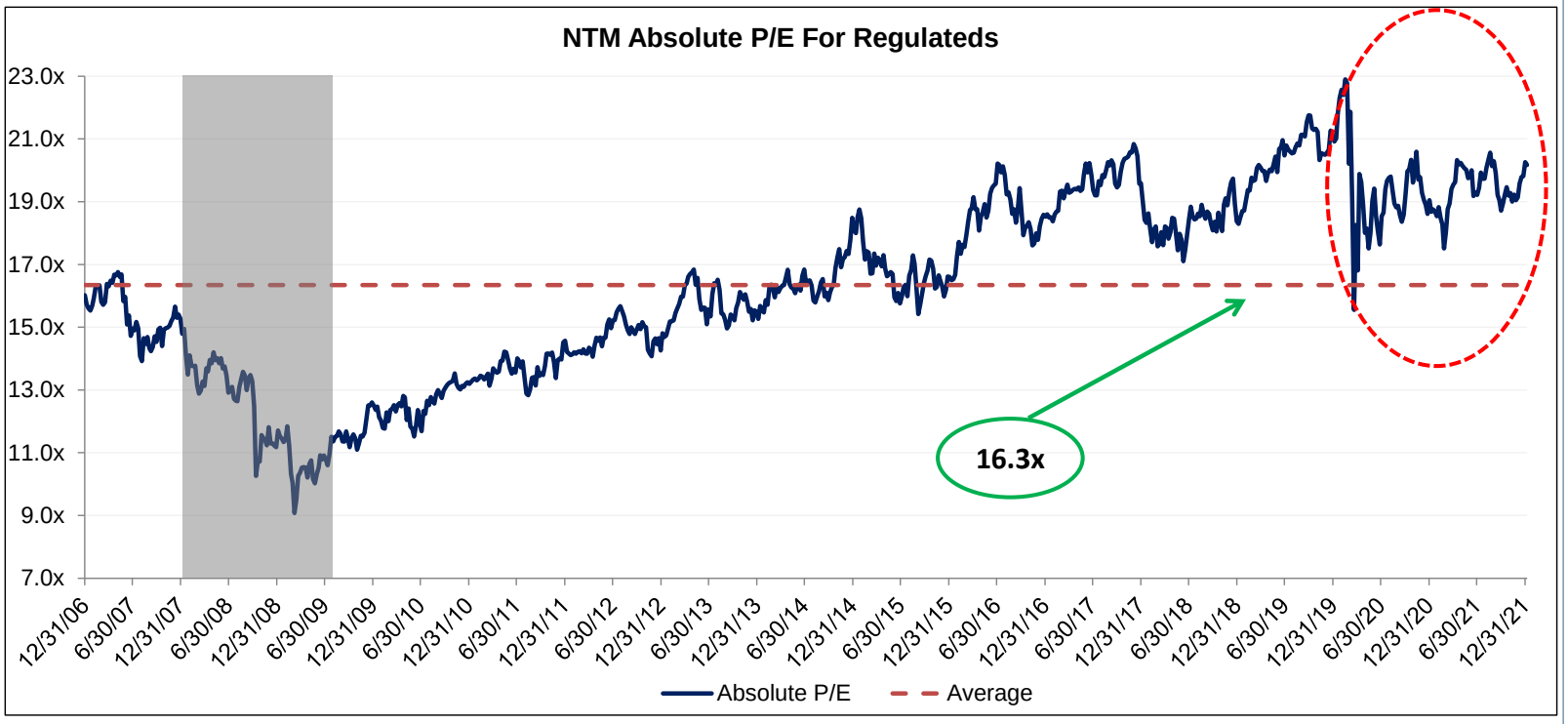
Updated as of 1/21/22

Source: FactSet, Evercore ISI Research

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Utility valuation has a ~3.6x potential downside to reach historical average

- On 1/21/22, NTM absolute P/E was **19.9x** using FactSet consensus, slightly below the 20.0x from last week. The NTM absolute P/E had peaked on 02/16/20 at ~22.9x and on 7/15/16 (post-Brexit) at 19.93x.
- Since '06 the average NTM absolute P/E is ~16.3x. Since '95 it is ~14.4x.



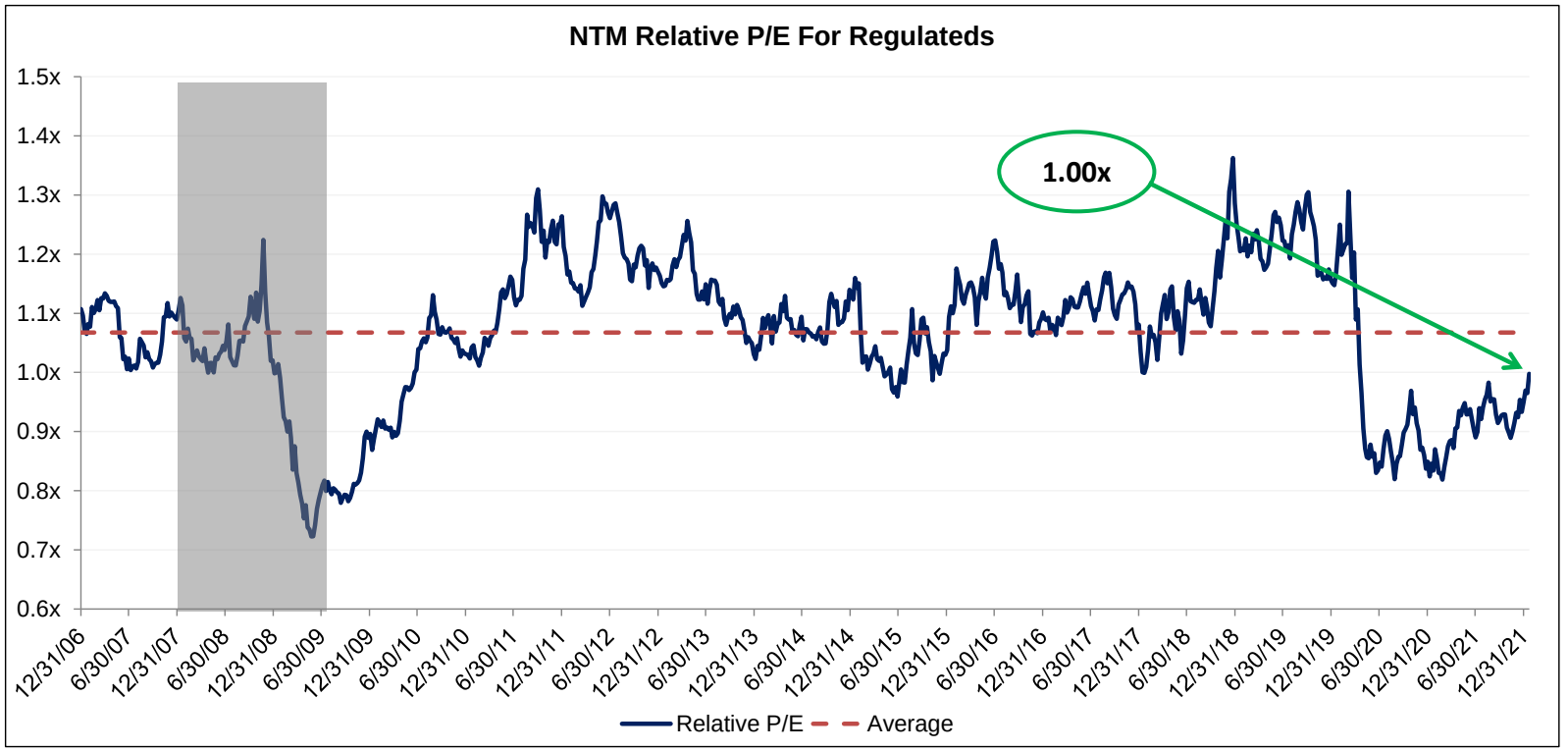
Updated as of 1/21/22

Source: FactSet, Evercore ISI Research

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NTM Relative P/E Below Historical Average

- The average relative P/E since 2006 is 1.07x. Since ’95 it is 0.93x.
- On 1/21/22, the relative P/E was **1.00x**, higher than last week at **0.97x** and versus the 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 1/21/22

Source: FactSet, Evercore ISI Research

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The Group Looks Cheap on Relative P/E

- YTD regulated utilities are down ~2%, outperforming the SP500, which is down ~8%.
  - The top 10 are flat on average.
  - The bottom 10 are down ~5%.

- On 1/21/22, the FactSet consensus NTM absolute P/E was ~19.9x, significantly lower the all-time high of ~22.9x, reached on 2/16/20.
  - The peaks prior to Jan ’20 were 9/29/19 at 21.76x and 7/15/16 (Post Brexit) at 19.93x.
  - Since ’06 the average NTM absolute P/E is ~16.3x. Since ’95 it is ~14.4x.

- On 1/21/22, the FactSet consensus NTM relative P/E to the SP500 was 1.00x,
  - Post Brexit vote that number was 1.17x, which we hit again mid-Nov ’18.
  - Since ’06 the average relative P/E has been 1.07x. Since ’95 it has been 0.93x.
  - FactSet consensus NTM relative P/E to the SP500 peaked on 12/13/18 at 1.31x. On 5/1/19 it was 1.17x.

- The group is now ~7% cheap in our bond model on ’22 dividend yields and 13% cheap on ’23 yields.

- The group discounting 10 yr at 1.90% one year forward

Source: FactSet, Evercore ISI Research

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Technical Analysis

By Rich Ross

Source: Evercore ISI Research

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EVRISI Technical Analyst Rich Ross On Utilities



Source: Bloomberg, Evercore ISI Research

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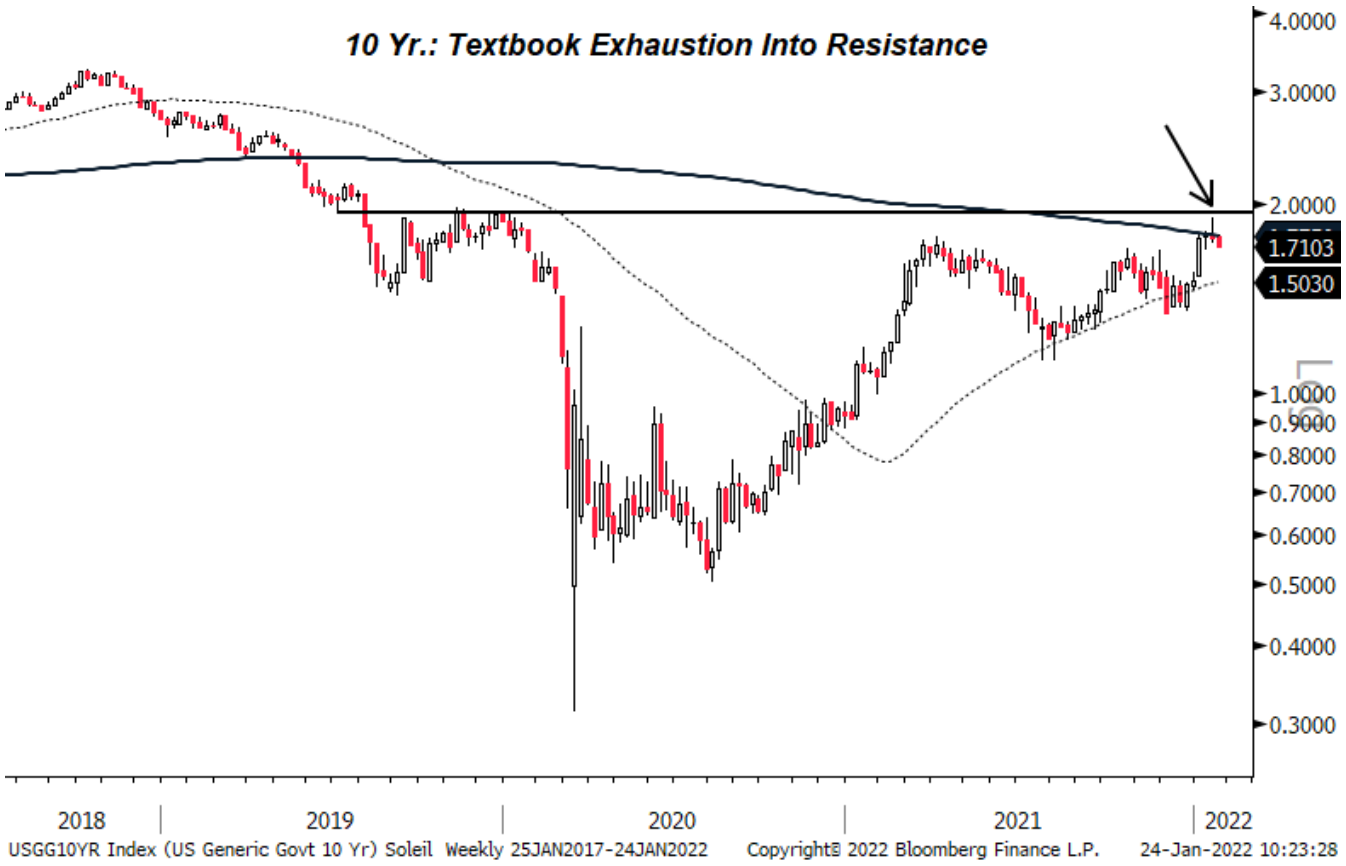
EVRISI Technical Analyst Rich Ross On Utilities



Source: Bloomberg, Evercore ISI Research

This report is prepared solely for the use of Chris Turnure

EVRISI Technical Analyst Rich Ross On The 10YR UST: Supportive Of Utility Valuation



Source: Bloomberg, Evercore ISI Research

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EVRISI Technical Analyst Rich Ross On The 10YR UST: Supportive Of Utility Valuation



Source: Bloomberg, Evercore ISI Research

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2022 Eco Outlook

By Ed Hyman

Source: Evercore ISI Research

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2022 Economic Outlook by Ed Hyman: U.S. economy is likely to be strong

- Our Evercore ISI economist Ed Hyman published a report on 12/28/21 laying out 2022 Economic Outlook. He pointed out that reflecting monetary stimulus, nominal GDP growth is likely to be strong, which will keep upward pressure on inflation and lead to strong S&P earnings. The team is forecasting +4.5% real GDP and +3.5% inflation for 2022, resulting in +8.0% nominal GDP, which suggests a strong 2022 increase in corporate profits. He also listed top 10 reasons why U.S. economy is likely to be strong in 2022 as below.

Q/Q % A.R.

	2021	2022			
	4Q f	1Q f	2Q f	3Q f	4Q f
Real GDP	+6.0%	+3.0%	+4.5%	+4.5%	+4.5%
GDP Price Deflator	+7.0%	+4.0%	+3.5%	+3.5%	+3.0%
Nominal GDP	+13.0%	+7.0%	+8.0%	+8.0%	+7.5%
Fed Funds*	0.25%	0.25%	0.50%	0.75%	1.00%
Bond Yields*	1.50%	1.75%	2.00%	2.25%	2.50%
S&P Earnings*	$220	$225	$233	$240	$250

*End of quarter

1. *Massive monetary stimulus.*
2. *Rapid M2 growth.*
3. *Unprecedented surge in consumer wealth.*
4. *Momentum, strength-leading-to-strength.*
5. *More reopening.*
6. *Supply chain problems ease.*
7. *Excess consumer saving.*
8. *Inventory rebuilding.*
9. *Strong corporate profits.*
10. *Higher wages help consumer spending.*

Source: Evercore ISI Research

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Portfolio Strategy

By Julian Emanuel

Source: Evercore ISI Research

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Our Portfolio Strategist Julian Emanuel favors Value Over Growth; Outperform – Financials, Health Care, Industrials; Underperform – Communication Services, Consumer Discretionary, Utilities

Sectors – Value Over Growth; Outperform – Financials, Health Care, Industrials; Underperform – Communication Services,Consumer Discretionary, Utilities: The tilt toward Value with strong growth and rising rates informs our preference for Financials,historically underweighted vs. SPX. Health Care benefits from attractive valuation, favorable demographics and immunity to interest rate and geopolitical gyrations. Industrials, which tend to outperform in strong economic growth, play "catch up" to a disappointing 2H21 as supply chain disruptions ease. Communication Services faces headwinds from regulatory scrutiny; Consumer Discretionary is expensive and lags when Consumer Sentiment remains guarded and savings rates have declined**; and Utilities, proving not all "Value" is created equal, are exposed to higher interest rates with an unattractive ROE profile.**

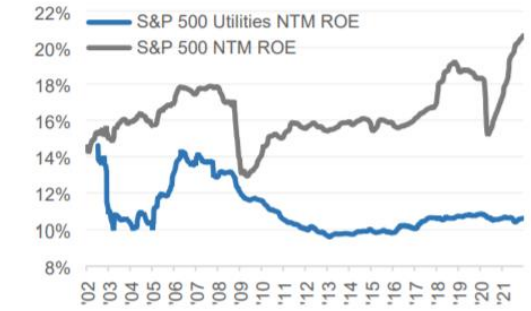
Utilities

Utilities underperformed the broader market in 2021 amid headwinds from strong growth, high inflation, and investor risk tolerance unfavorable to Defensives (11/28, Utes Still Not In Vogue, Durgesh Chopra). The sector is likely to remain challenged in the year ahead with 20.4x NTM P/E near its all-time record and with its dividend yield, while still generous among sectors, at the lower end of its historical range – both as interest rates are set to rise with the Fed looking to exit extraordinary easy monetary policy.

Valuation and interest rate headwinds may be further aggravated by the sector's rather stagnant profitability profile. While the broader market has seen forward adjusted ROEs over the past decade rise to more than 20%, Utilities' profitability has remained largely the same as it was 15 years ago (Figure 101).

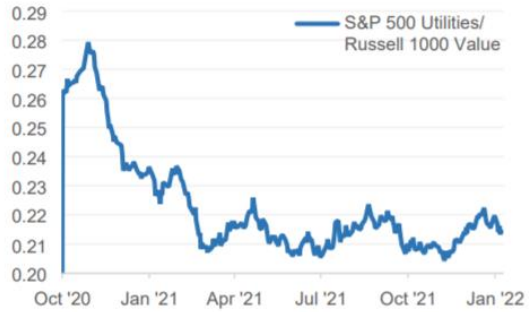
Over the past year Utilities underperformance vs. Cyclicals highlighted that all Value is not equal (Figure 102). We expect this to carry into 2022 as the economy continues its above trend pace and inflation remains elevated.

Figure 101: Utilities Profitability Stagnant



Source: Factset, Evercore ISI Research

Figure 102: Not All Value Is Equal – Utilities Lag Cyclicals



Source: Bloomberg, Evercore ISI Research

Source: Evercore ISI Research note published 01/09/22

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Fed Forecast

By Krishna Guha

Source: Evercore ISI Research

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Federal Reserve Forecast: 4+qt In 22 With Hikes Plausibly At Consecutive Meetings In Mar And May

Our Global Policy & Central Bank Strategist Krishna Guha revised his Fed outlook on 01/10/22 given plummeting unemployment, strong wages, and anticipation of another hot inflation print and now expects four hikes plus QT(Quantitative Tightening) in 2022.

The conventional way to distribute this is via quarterly hikes in March, June, September and December, with QT slotting in around July. This is a very plausible outcome.

But if the data continues in the current vein that timeline may be too back-loaded and we are beginning to think the Fed may end up delivering consecutive tightening actions (rate hikes and/or QT) in March, May and June, before slowing down in 2H, assuming the data is moderating by then.

Krishna thinks some reprieve across inflation, unemployment and wages by Q2 will be required for the conventional timeline to hold and the more front-loaded March, May, June, September and December sequence is actually a bit more likely, though this will entirely depend on how the data plays out.

This might involve hikes in March and May, QT in June, then hikes in September and December. Krishna expects the Fed will quickly phase in $750bn a year of QT with a view to reducing the balance sheet by $3 trillion over roughly four years.

Source: Evercore ISI Research

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Clean Energy Policy Update

By Tobin Marcus

Source: Evercore ISI Research

This report is prepared solely for the use of Chris Turnure

Update on Build Back Better From Our Global Policy/Political Analysis Team - Tobin Marcus

Tobin believes there has been some misinterpretation of Biden's comments and the outlook for the Democratic spending bill. His view is that Biden's reference to "breaking up" BBB is about breaking off the viable parts into a smaller package, not about breaking up subcomponents of the viable parts into a series of smaller bills on discrete topics.

Overall, Tobin sees last week's developments as constructive, as the White House and Democrats in Congress seem to be accepting the need for major cuts to try to win Senator Manchin's support for the package. He also reads Manchin's comment on Thursday last week that further talks would start with a "clean sheet of paper" as an effort to de-anchor expectations from the House bill he does not support, rather than a literal indication that negotiations will re-start from scratch.

The team expects negotiations will resume in earnest in early February, initially focused on a single scaled-back bill oriented around clean energy, universal pre-K, and ACA exchange subsidies. Most of the revenue proposals from the House bill will likely stay on the table—one possibility would be to include more revenue than needed to pay for the bill's spending, so the bill would be deficit reducing over 10 years as a way to address Manchin's concerns about fiscal sustainability.

Efforts to salvage the bill will probably extend well into March, despite Democratic hopes to pass something before President Biden's State of the Union address on March 1. If negotiations fail around this Plan B of a slimmed down bill that still covers several different policy areas, we could see a Plan C of an even-narrower climate and energy bill continue into April or May.

Tobin continues to believe that at least some components of the package are likely to be enacted.

Source: Evercore ISI Research

This report is prepared solely for the use of Chris Turnure

Estimates & Target Price Changes

Source: Evercore ISI Research

This report is prepared solely for the use of Chris Turnure

We Are Updating '21-'23 EPS Estimates & Introducing '24 EPS Forecasts

- Below is a summary of our updated EPS forecasts for '21-'23 and our new estimates for '24. While we have factored into our analysis the most recent company disclosures, we expect to adjust further over the course of the next several weeks, as companies report FY '21 EPS and give updated medium and long-term guidance.

Company	2021 EPS			2022 EPS			2023 EPS			2024 EPS			'20-'24
	Change	New	Old	Change	New	Old	Change	New	Old	Change	New	Old	CAGR
AEE	-0.15	3.85	$4.00	-0.30	4.00	4.30	-0.30	4.30	4.60		4.60	0.0	7.1%
AEP	($0.30)	$4.70	$5.00	($0.30)	$5.00	$5.30	($0.35)	$5.30	$5.65		$5.65	$0.00	6.2%
AES	-0.20	1.50	$1.70	-0.09	1.70	1.80	-0.10	1.80	1.90		1.90	0.0	7.2%
CMS	-0.21	2.65	2.86	-0.28	2.86	3.14	-0.20	3.14	3.34		3.34	0.0	5.7%
CNP	-0.02	1.35	1.37	-0.11	1.37	1.48	-0.12	1.48	1.60		1.60	0.0	3.4%
D	-0.27	3.88	4.15	-0.28	4.15	4.43	-0.27	4.43	4.70		4.70	0.0	5.4%
DTE	0.05	5.92	5.87	-0.37	5.87	6.24	-0.32	6.24	6.56		6.56	0.0	1.8%
DUK	-0.25	5.20	5.45	-0.30	5.45	5.75	-0.40	5.75	6.15		6.15	0.0	4.7%
ED	-0.15	4.25	4.40	-0.30	4.40	4.70	-0.19	4.70	4.90		4.90	0.0	4.0%
EIX	-0.18	4.47	4.65	-0.30	4.65	4.95	-0.30	4.95	5.25		5.25	0.0	3.8%
ES	-0.28	3.84	4.12	-0.23	4.12	4.35	-0.25	4.35	4.60		4.60	0.0	5.9%
ETR	-0.29	6.00	6.30	0.00	6.30	6.70	-0.36	6.70	7.05		7.05	0.0	5.6%
EVRG	0.05	3.55	3.50	-0.25	3.50	3.75	-0.25	3.75	4.00		4.00	0.0	6.6%
EXC	0.55	2.80	2.25	-0.16	2.25	2.41	-0.16	2.41	2.57		2.57	0.0	(5.5%)
FE	0.20	2.60	2.40	-0.13	2.40	2.53	-0.14	2.53	2.67		2.67	0.0	2.8%
HE	-0.09	2.15	2.24	-0.12	2.24	2.36	-0.11	2.36	2.47		2.47	0.0	8.1%
NEE	-0.20	2.55	2.75	-0.19	2.75	2.95	-0.25	2.95	3.20		3.20	0.0	8.5%
NI	-0.08	1.36	1.44	-0.09	1.44	1.53	-0.19	1.53	1.71		1.71	0.0	6.7%
OGE	-0.11	2.18	2.29	0.11	2.29	2.18	0.02	2.18	2.16		2.16	0.0	0.9%
PEG	0.18	3.63	3.45	-0.20	3.45	3.65	-0.20	3.65	3.85		3.85	0.0	3.1%
PNW	1.40	5.30	3.90	-0.15	3.90	4.05	-0.30	4.05	4.35		4.35	0.0	(2.8%)
SO	-0.20	3.40	3.60	-0.25	3.60	3.85	-0.25	3.85	4.10		4.10	0.0	6.0%
SRE	-0.15	8.35	8.50	-0.45	8.50	8.95	-0.45	8.95	9.40		9.40	0.0	4.0%
WEC	-0.20	4.07	4.27	-0.28	4.27	4.55	-0.36	4.55	4.91		4.91	0.0	0.0%
XEL	-0.21	2.98	3.19	-0.20	3.19	3.39	-0.21	3.39	3.60		3.60	0.0	0.0%
Group Average CAGR													**5.1%**

Updated as of 1/21/22

Source: FactSet, Evercore ISI Research

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Summary Of Rating & Price Target Changes

We set our target prices using an anchor P/E multiple of ~18x '24 EPS which is Scenario 1 of our DDM Model (page 38)

- Our Outperform-rated stocks are expected to post a 12-month total return of 12%.
- Our Underperform-rated stocks are expected to post a 12-month total return of -6%.
- Average 12-month total return for our coverage universe is projected to be ~**10%**

Company	Rating			Target Price			Dividend Return	Price Return	Total Return
	Change	New	Old	Change	New	Old			
AEE		Outperform	Outperform	$5	$95	$90	3%	8%	11%
AEP		Outperform	Outperform	3	102	99	3%	13%	17%
AES		Outperform	Outperform	0	30	30	3%	8%	10%
CMS		In Line	In Line	5	67	62	3%	5%	8%
CNP		Outperform	Outperform	4	31	27	2%	13%	16%
D		Outperform	Outperform	4	86	82	3%	8%	12%
DTE		Outperform	Outperform	1	128	127	3%	8%	11%
DUK		In Line	In Line	9	105	96	4%	2%	6%
ED		Underperform	Underperform	3	75	72	4%	(9%)	(6%)
EIX		In Line	In Line	-2	71	73	4%	13%	17%
ES		In Line	In Line	0	91	91	3%	4%	7%
ETR		Outperform	Outperform	11	121	110	4%	10%	14%
EVRG	-	In Line	Outperform	-2	68	70	3%	7%	10%
EXC		Outperform	Outperform	7	63	56	3%	7%	10%
FE		Outperform	Outperform	0	46	46	4%	11%	15%
HE		In Line	In Line	3	41	38	3%	(3%)	1%
NEE		In Line	In Line	12	90	78	2%	9%	11%
NI	+	Outperform	In Line	3	30	27	3%	9%	12%
OGE	-	In Line	Outperform	4	39	35	4%	4%	8%
PEG	+	Outperform	In Line	8	71	63	3%	2%	5%
PNW		In Line	In Line	1	67	66	5%	(6%)	(1%)
PPL		In Line	In Line	3	34	31	6%	13%	19%
SO	+	In Line	Underperform	5	66	61	4%	(2%)	2%
SRE		Outperform	Outperform	6	149	143	3%	10%	14%
WEC		In Line	In Line	1	97	96	3%	0%	3%
XEL	+	Outperform	In Line	5	75	70	3%	9%	12%
Group Average							**3%**	**6%**	**9%**

Updated as of 1/21/22

Source: FactSet, Evercore ISI Research

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Utilities are trading slightly below our Case 1. Post COVID valuations should diverge towards Case 2 longer term.

- Our historic base case ("case 1") assumed an orderly transition to higher interest rates, with authorized ROEs falling to 9.25% from 9.75%, and 10- year Treasury yields rising over the next several years, resulting at the end in a **2.50%** spread between the return on equity and the calculated cost of equity.
  - When you look at the current valuation of 17x '24, slightly below our "case 1" scenario of 17.5x, as described above it implies moderation in authorized ROEs and gradual increase in treasury yields.
- The perceived "best in class" earnings compounders and COVID-19 immune names (WEC, NEE, ES, XEL, CMS) trade a multiple that discounts both a more or less status quo authorized ROE regime and a longer runway for sustained rate base growth. That is "case 3".
- In our "case 4" scenario we assume authorized ROEs moderate and interest rates rise more rapidly, resulting in a more meaningful near-term reduction in profitability, along with a steeper decline in rate base growth, which drives utilities back to a P/E multiple that is closer to long-term historic averages.
- We set our target prices on "market-agnostic" basis using an anchor P/E multiple of ~18.x '24 EPS so investors can better see where we see good relative value. Near term we could see some pressure on multiples if spreads widen, long term we see multiples diverging back towards Case 2 as the economy recovers.

	Case 1	Case 2	Case 3	Case 4
DDM Model ROE and Cost of Equity Assumptions	Base Case	Rates Low Long Time	Rates Low Long Time	ROEs Fade Rates Rise
ROE (Year 1)	9.75%	9.75%	9.75%	9.75%
Annual ROE Change (+/-)	-0.10%	-0.10%	-0.10%	-0.10%
Final ROE	9.25%	9.25%	9.25%	9.25%
Years Until LT Cost of Equity Spread	5	5	5	5
Implied Annual Cost of Equity Change (+/-)	0.28%	0.21%	0.21%	0.33%
LT ROE / Cost of Equity Spread	2.50%	2.85%	2.85%	2.25%
LT Cost of Equity	6.75%	6.40%	6.40%	7.00%

	Case 1	Case 2	Case 3	Case 4
DDM Model Growth Assumptions	Base Case	Base Case	Higher Growth	Lower Growth
RB Growth (Year 1-5)	5.50%	5.50%	6.50%	4.00%
RB Growth (Year 6-10)	3.50%	3.50%	5.50%	2.00%
RB Growth (Year 11+ and Terminal)	2.50%	2.50%	3.00%	1.25%
Terminal Value (Yes/No)	Yes	Yes	Yes	Yes
35 Year Average Payout Ratio - Implied	71.2%	71.2%	67.5%	82.6%
'24 P/E Multiple	**17.5x**	**19.5x**	**22.0x**	**15.0x**

Source: Evercore ISI Research

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2022 Key Themes

Source: Evercore ISI Research

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Key 2022 Sector Themes

- **Clean Energy Policy Initiatives.** With Build Back Better stalled industry leaders remain optimistic about Democrats' ability to pass a slimmed-down version of the bill with clean energy incentives largely intact. Recall that the $2.4T reconciliation bill included 560B in clean energy investments and a 15% alternative minimum tax (AMT). Clean energy tax credits (PTC, ITC, transmission, nuclear) totaling ~$200B made up the largest individual portion of the clean energy investments

- **High Inflation.** From a fundamental standpoint, we foresee inflation having minimal/no impact on near-term earnings profile of the group as regulated entities can offset the impact of inflation with cost savings/efficiencies or ultimately pass through price increases onto customers through rate cases and regulatory mechanisms. For companies with non-regulated subsidiaries and renewable development backlogs, the majority of the equipment needed over the next twelve to fourteen months is mostly secured and our dialogue with industry players suggests immaterial impact near term. Longer-term, however, persistently higher inflation 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 utilities tend to underperform the broader market, as we discussed earlier.

- **Impacts Of COVID.** Despite COVID related headwinds, majority of utilities in our coverage universe met/exceeded expectations in 2020 delivering 5% or higher EPS growth over 2019 helped by favorable weather, regulatory mechanisms like revenue decoupling and cost management. In 2021, EPS is projected to grow at low/mid-single digits versus prior year for most companies where in the second half we have seen improvement in lower-margin commercial & industrial load given the economic reopening, partially offset by a reduction in higher-margin residential sales with some people returning to the office. As we head into 2022, the investor focus will be on the rapidly spreading Omicron variant, for which we could potentially see a reversal back to more remote work and another increase in residential sales and decrease in commercial & industrial. Also, rate case activity and customer bill impacts will be on the spotlight as regulators balance the need for infrastructure with affordability.

- **Portfolio Optimization.** With a focus towards enhancing shareholder value, several companies have announced strategic reviews, asset sales and internal reorganization/spin off transactions in the last two years including AEP, AWK, CNP,DUK,FE, PEG, PPL, DTE, EXC, SRE and others, We view these actions by company boards/management teams as showing prudency which should garner incremental investor interest into the sector. In our view Portfolio Optimizations/ spin-offs and changing organization structures may be easier to execute and we expect consolidation/larger M&A to continue albeit at a slower pace with regulatory approvals as the gating factor.

Source: FactSet, Evercore ISI Research

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Key 2022 Sector Themes Continued

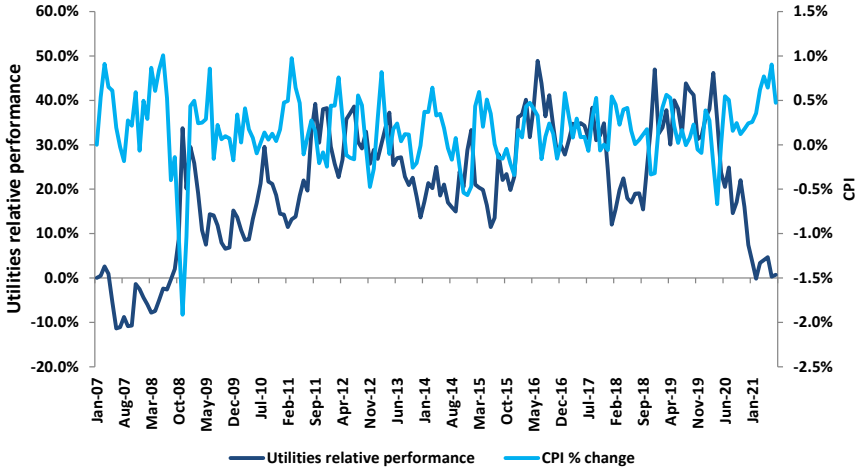
- **Focus on ESG Metrics**: Over the past couple of years, ESG themes have emerged rapidly in the investment community, as have their fund flows. In the utilities sector, there is a particular focus on the Environmental, with many companies over the last couple of years having set or accelerated net-zero carbon emission targets for the 2040-2050 timeframe with some even setting carbon-free ones. While this process was already in motion under the Trump administration, it is expected to only accelerate and increase in prominence under the new administration. In recent years, trading multiples have begun to reflect ESG premiums that were not present in recent past, mainly applied to companies with significant renewable portfolios or development plans and little fossil fuel generation. Companies with significant energy exposure have been penalized and encouraged to divest those assets, in part because of a vision of a de-carbonized world. The prospects of renewable hydrogen has come into focus and utilities have been increasing their investment in not just renewables but also energy efficiency, smart meters, electric vehicle infrastructure and safety. To a lesser extent, on the Social and Governmental fronts, some utilities have touted executive compensation that is tied not only to financial objectives but also to employee and public safety, the environment and sustainability, operational performance and the customer experience. Companies have also spoken about workforces and Board of Directors that are increasingly diverse with minorities, women and independence. In addition, they have touted their contributions to the community and low employee incident rates. Given how topical ESG has become, in 2018, the Edison Electric Institute and American Gas Association created standardized templates to report ESG metrics for utilities. We expect these metrics to gain even more focus in the coming years.

Source: FactSet, Evercore ISI Research

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Weekly Feature: Utilities vs. Inflation

- From a fundamental standpoint, we foresee inflation having minimal/no impact on near term earnings profile of the group as regulated entities can offset the impact of inflation with cost savings/efficiencies or ultimately pass through price increases onto customers through rate cases and regulatory mechanisms. For companies with non-regulated subsidiaries and renewable development backlogs, majority of the equipment needed over the next twelve to fourteen months is mostly secure and our dialogue with industry players suggests nonmaterial impact near term. Longer term however persistently higher inflation 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 utilities tend to underperform the broader market.
- We plot the utilities relative performance to S&P 500 vs change in consumer price index (CPI) going back to 2007.The top five inflationary periods in our analysis saw an average of 2.9% increase in CPI and a 4.0% average underperformance by utilities. Three of the top five inflationary periods saw meaningful underperformance by utilities but two (first half of 2008 and first half of 2011) saw outperformance.



Top 5 Inflationary Periods				
	CPI % change	Uts Relative performance	Baa yield % change	10yr Treasury % Change
First half 2008	3.7%	2.0%	4.6%	12.8%
First half 2021	3.3%	-3.4%	14.8%	75.3%
First half 2007	2.9%	-11.4%	5.7%	5.9%
First half 2011	2.5%	7.7%	-3.3%	-17.9%
First half 2009	2.2%	-15.2%	-13.0%	15.1%
Average	**2.9%**	**-4.0%**	**1.8%**	**18.2%**

As of 08/29/21

Source: FactSet, Evercore ISI Research

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Our Universe: We Cover 24 Regulated Utilities, 3 Diversified Utilities, 2 IPPs

- Utilities are trading at risk-off P/E multiples, expecting higher interest rates and/or inflation.
- P/E multiples average 19.7x '22, 18.6x '23, and 17.5x '24 EPS.
  - All of those P/E multiple averages remove the extreme discounts of three stocks: EIX, PCG, and PPL.

Valuation & Earnings Snapshot (Trading Comps)

Regulated Utilities

Ticker	Company Name	1/21/22 Price	ISI Rating	Shares Out	Market Cap	2022 Div Yld	2022 Payout	ISI EPS Estimate 2022	2023	2024	P/E Multiple 2022	2023	2024	Price to Book	Prem. to Group
NEE	NextEra Energy, Inc.	$82.60	In Line	2,008	165,882	2.1%	62%	2.75	2.95	3.20	30.0x	28.0x	**25.8x**	3.9x	47%
WEC	WEC Energy Group	$96.99	In Line	316	30,678	3.0%	67%	4.27	4.55	4.91	22.7x	21.3x	**19.8x**	2.6x	13%
CMS	CMS Energy Corp	$63.74	In Line	291	18,542	2.9%	65%	2.86	3.14	3.34	22.3x	20.3x	**19.1x**	2.8x	9%
AEE	Ameren Corp	$87.72	Outperform	266	23,350	2.6%	57%	4.00	4.30	4.60	21.9x	20.4x	**19.1x**	2.0x	9%
XEL	Xcel Energy Inc	$68.22	Outperform	534	36,447	3.2%	68%	3.19	3.39	3.60	21.4x	20.1x	**18.9x**	2.2x	8%
ES	Eversource Energy	$87.11	In Line	351	30,551	3.0%	62%	4.12	4.35	4.60	21.1x	20.0x	**18.9x**	1.9x	8%
DTE	DTE Energy Co	$118.46	Outperform	205	24,246	3.2%	65%	5.87	6.24	6.56	20.2x	19.0x	**18.0x**	2.3x	3%
OGE	OGE Energy Corp	$37.31	In Line	200	7,477	4.5%	74%	2.28	2.18	2.16	16.3x	17.1x	**17.2x**	1.9x	-2%
CNP	CenterPoint Energy Inc	$27.34	Outperform	611	16,696	2.3%	46%	1.37	1.48	1.60	19.9x	18.5x	**17.1x**	2.1x	-2%
HE	Hawaiian Electric Industries, Inc.	$42.12	In Line	111	4,669	3.3%	62%	2.24	2.36	2.47	18.8x	17.8x	**17.1x**	1.8x	-3%
ED	Consolidated Edison Inc	$82.66	Underperform	363	30,005	3.8%	71%	4.40	4.70	4.90	18.8x	17.6x	**16.9x**	1.4x	-4%
D	Dominion Resources Inc	$79.31	Outperform	817	64,833	3.4%	65%	4.15	4.43	4.70	19.1x	17.9x	**16.9x**	2.2x	-4%
DUK	Duke Energy Corp	$102.98	In Line	778	80,145	3.9%	73%	5.45	5.75	6.15	18.9x	17.9x	**16.8x**	1.6x	-4%
SO	Southern Company Inc	$67.81	In Line	1,095	74,236	4.0%	75%	3.60	3.85	4.10	18.8x	17.6x	**16.5x**	2.0x	-6%
PNW	Pinnacle West Capital Corp	$70.69	In Line	123	8,680	4.9%	89%	3.90	4.05	4.35	18.1x	17.5x	**16.3x**	1.3x	-7%
NI	NiSource Inc	$27.53	Outperform	447	12,312	3.3%	64%	1.44	1.53	1.71	19.2x	18.0x	**16.1x**	2.5x	-8%
EVRG	Evergy	$64.12	In Line	230	14,760	3.4%	62%	3.50	3.75	4.00	18.3x	17.1x	**16.0x**	1.9x	-9%
AEP	American Electric Power Co Inc	$89.97	Outperform	521	46,840	3.4%	61%	5.00	5.30	5.65	18.0x	17.0x	**15.9x**	1.8x	-9%
ETR	Entergy Corp	$109.42	Outperform	209	22,824	3.7%	65%	6.30	6.70	7.05	17.4x	16.3x	**15.5x**	1.8x	-11%
FE	FirstEnergy Corp	$41.33	Outperform	552	22,817	3.9%	68%	2.40	2.53	2.67	17.2x	16.3x	**15.5x**	2.5x	-12%
SRE	Sempra Energy	$134.90	Outperform	324	43,697	3.5%	55%	8.50	8.95	9.40	15.9x	15.1x	**14.4x**	1.6x	-18%
EIX	Edison International	$62.98	In Line	414	26,079	4.2%	57%	4.65	4.95	5.25	13.5x	12.7x	**12.0x**	1.1x	-31%
PCG	PG&E Corp	$12.23	ating Suspende	529	6,470	0.0%	0%	4.30	4.65	4.95	2.8x	2.6x	**2.5x**	0.4x	-86%
Regulated Group Average (Excludes PCG for Div Values)						**3.5%**	**65.2%**				**18.4x**	**17.4x**	**16.4x**	**1.95x**	
Regulated Group Average (Excluding Stocks: PPL, EIX, and PCG)						3.4%	65.6%				19.7x	18.6x	17.5x	2.08x	
Regulated Group Max (Excludes PCG for Div Values)						5.6%	89.4%				30.0x	28.0x	25.8x	3.9x	
Regulated Group Min (Excludes PCG for Div Values)						2.1%	45.5%				2.8x	2.6x	2.5x	0.4x	

Diversified Utilities

Ticker	Company Name	1/21/22 Price	ISI Rating	Shares Out	Market Cap	2022 Div Yld	2022 Payout	ISI EPS Estimate 2022	2023	2024	P/E Multiple 2022	2023	2024	Price to Book	Prem. to Group
EXC	Exelon Corp	$56.77	Outperform	987	56,013	2.8%	71%	2.25	2.41	2.57	25.2x	23.6x	**22.1x**	1.5x	34%
PEG	Public Service Enterprise Group	$65.44	Outperform	504	32,982	3.2%	62%	3.45	3.65	3.85	19.0x	17.9x	**17.0x**	2.1x	3%
AES	AES Corp	$22.95	Outperform	667	15,301	2.7%	37%	1.70	1.80	1.90	13.5x	12.8x	**12.1x**	3.8x	-27%
Diversified Group Average						**2.9%**	**57%**				**19.2x**	**18.1x**	**17.1x**	**2.5x**	
Diversified Group Max						3.2%	71%				25.2x	23.6x	22.1x	3.8x	
Diversified Group Min						2.7%	37%				13.5x	12.8x	12.1x	1.5x	

Updated as of 1/21/22

Source: FactSet, Evercore ISI Research

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TIMESTAMP

(Article 3(1)e and Article 7 of MAR)

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ANALYST CERTIFICATION

The analysts, Durgesh Chopra, Michael Lonegan, primarily responsible for the preparation of this research report attest to the following: (1) that the views and opinions rendered in this research report reflect his or her personal views about the subject companies or issuers; and (2) that no part of the research analyst's compensation was, is, or will be directly related to the specific recommendations or views in this research report.

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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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Coverage Universe			**Investment Banking Services I Past 12 Months**		
Ratings	**Count**	**Pct.**	**Ratings**	**Count**	**Pct.**
Buy	539	62	Buy	109	20
Hold	289	33	Hold	28	10
Sell	16	2	Sell	0	0
Coverage Suspended	11	1	Coverage Suspended	2	18
Rating Suspended	13	1	Rating Suspended	6	46

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Price Charts

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Goldman Sachs | Equity Research

6 February 2022 | 6:03PM EST

NiSource Inc. (NI): Robust organic growth with optionality from business review; Buy

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We reiterate our Buy rating on mid-cap regulated utility NiSource (NI) as we see the stock's modest discount to Regulated Utilities — even after recent outperformance — as under-appreciating the company's robust rate base and EPS growth visibility driven by electric and gas asset de-carbonization. In addition, we believe the recent CEO change announcement and commentary on strategic initiatives could offer a range of options to further unlock value. We raise our price target to $31 (from $29 prior), representing an 8% total return versus 5% for regulated utility peers.

Our continued positive view on NI stems from the following factors:

- **Above-average EPS growth through 2024 with an improving balance sheet.** We see NI possessing one of the highest EPS growth rates in our coverage universe through 2024, supported by coal-to-renewable generation investments at its Indiana electric utility (~35% of earnings) as well as gas distribution pipe replacement efforts at its six regulated gas utilities (~65% of earnings). Our 2021-2024 EPS estimates ($1.35/$1.47/$1.58/$1.73) reflect near-9% EPS CAGR and at the high end of its 7-9% CAGR forecast, all while achieving an improved 14-15% adjusted FFO/debt by 2024 without any new bulk equity needs; we assume $300mn ATM issuance in 4Q2022 and embed $840mn of equity units that convert in 2H2023.
- **Looking for long-term regulated growth forecast, but potential visibility exists.** One concern for investors stems from lack of regulated growth visibility beyond 2024, the last year guided by management, and whether NI could sustain a relatively healthy growth rate into the mid-2020s versus the current 10-12% rate base growth forecast. We believe NI could maintain a high single-digit rate base growth based on its current $1.9-$2.2bn annual capital run-rate (excluding renewable investments); in addition, the recently filed Integrated Resource Plan (IRP) in Indiana could add over $700mn in replacement generation capital per our estimate (Exhibit 3), or almost 4% of 2023E rate base. Combined with ongoing gas utility investments, cost management efforts and the improving balance sheet mentioned earlier (helping to moderate potentially future equity needs), we remain positive on NI's ability to sustain an above-average rate base/earnings growth rate longer-term; we note the company plans to host an Analyst Day in 1H2022 that could serve as a potential catalyst.

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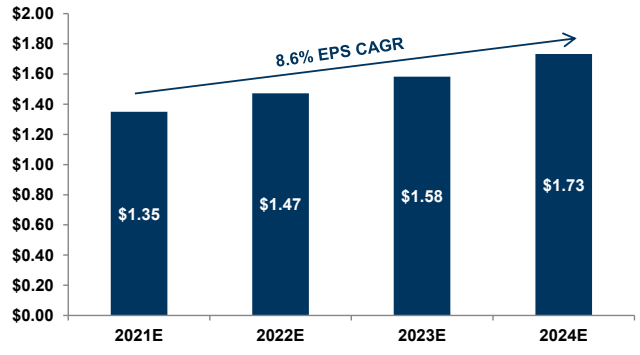
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- **CEO transition and business review could offer various potential options to further enhance NI's value proposition.** With the recent CEO transition announcement, the company noted plans to conduct a business review and to discuss strategic initiatives later this year. We believe the review could entail consideration of various options, both organic and inorganic. From a broader perspective, we look for management to assess the company's appropriate portfolio mix, and which assets — either electric vs gas or between utility jurisdictions — offer the best earnings and value upside opportunity. To that end, NI could look to refine the $40bn long-term utility capital opportunity discussed at the 2020 Analyst Day, while helping investors to bridge the next phase of growth beyond the 2024 time frame. Another option could entail monetization of one more of its existing gas utilities, something management previously stated as a possibility if the move is accretive to overall growth. We note that among four recent utility M&A deals announced over the past 18 months, the two involving gas utility transactions reflected an implied LTM P/E of 38-40x (Exhibit 4), while publicly-traded gas utilities in recent years have de-rated versus regulated utility peers (Exhibit 5).

We increase our 12-month price target to $31 (from $29 prior) by raising our assigned electric/gas utility P/E multiple (on 2023E) by 1x to 20x/19x, which now represent a ~10%/5% premium to our 18x industry base multiple for regulated utilities. The higher premium is justified in our view given the company's above-average organic growth proposition longer-term with increasing visibility. **Key downside risks** include 1) regulatory approval process for the planned renewable investments in Indiana, 2) unfavorable outcome in the outstanding and upcoming rate cases which lowers allowed returns (especially in OH), 3) NI fails to realize rate base additions and instead has more PPA generation, and 5) NI announces strategic initiatives that is dilutive to EPS.

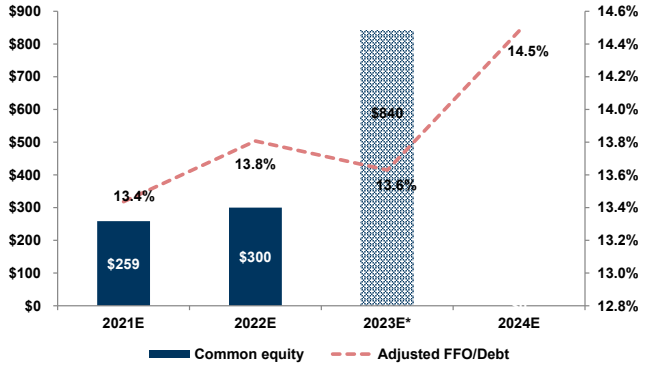
NI in Exhibits

Exhibit 1: We see NI's EPS growth through 2024 at one of the highest rates among our coverage universe...
EPS 2021-2024



Source: Goldman Sachs Global Investment Research

Exhibit 2: ...while improving its balance sheet without material new equity needs
Equity issuances and adjusted FFO/debt



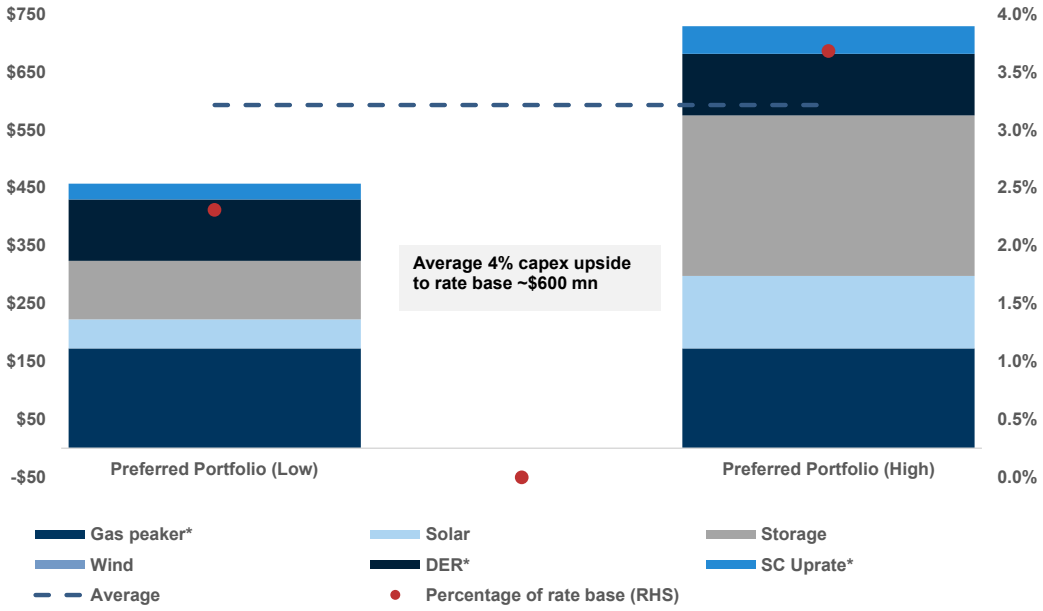
*2023 embeds conversion of forward equity units/converts priced in 2021

Source: Company reports, Goldman Sachs Global Investment Research

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Exhibit 3: We believe incremental generation fleet transition investments could offer growth upside beyond 2024

Capital investments under the preferred portfolio highlighted in NIPSCO's November 2021 IRP filing, $ millions



*Assuming equal split between utility-owned/PPA for capacity investments except for Gas Peaker, Sugar Creek Uprate & Distributed Energy Resources (DER), where 100% of investments are assumed to be utility-owned. Calculation of % of rate base utilitizes 2023E rate base figures.

Source: Goldman Sachs Global Investment Research, NIPSCO

Exhibit 4: Among recent utility M&A deals announced, the two involving gas utilities reflected implied LTM P/E of 38-40x...

Recent utility M&A transactions announced

Date Announced	Type	Price ($mn)	Buyer	Target	Seller (if applicable)	LTM P/E	Comments
4/29/2021	Gas	2,150	Summit Utilities	OK, AR LDCs	CNP	38.0x	38x multiple on 2020 earnings; Arkansas and Oklahoma LDCs
3/18/2021	Electric	3,800	PPL	Narragansett Electric	National Grid	28.8x	$3.8bn equity value
1/28/2021	Electric	2,050	GIC	Duke Indiana	DUK	27.7x	19.9% stake sale; 27.7x on LTM earnings ending Sept 30, 2020
12/30/2020	Gas	400	UGI	Mountaineer Gas Corp		39.7x	39.7x implied P/E on 2020 net income for Mountaineer
Mean						**33.6x**	
Median						**33.4x**	
Mean (LDC)						**38.9x**	

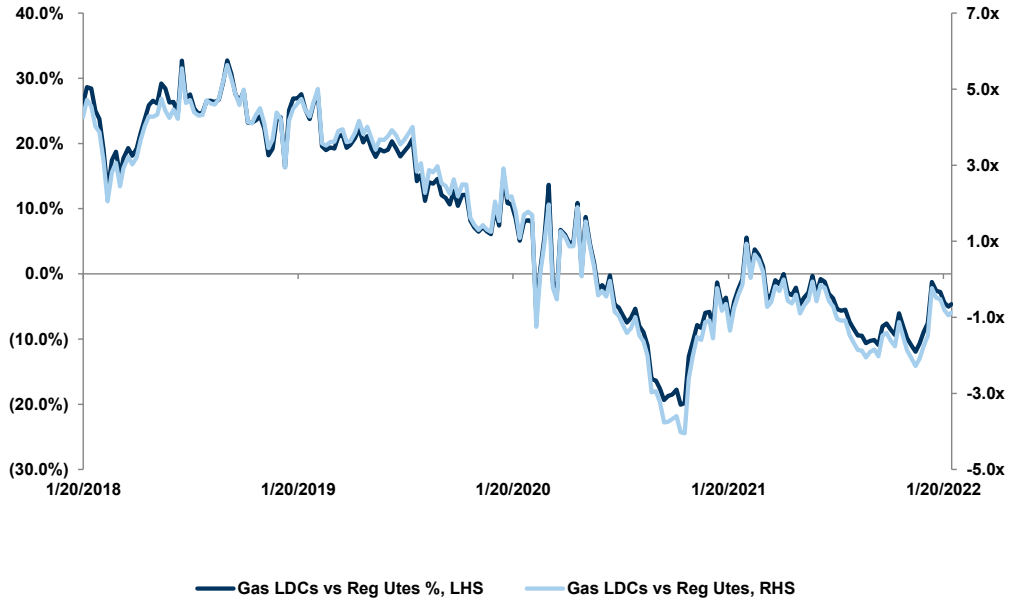
CNP and UGI deals are completed; PPL and DUK (2nd phase) deals remain pending

Source: Company reports, S&P Global Market Intelligence, compiled by Goldman Sachs Global Investment Research

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Exhibit 5: ...while we note regulated gas utilities have de-rated versus its electric counterparts in recent years

Relative FY2 P/E - Gas Utilities vs Electric Utilities

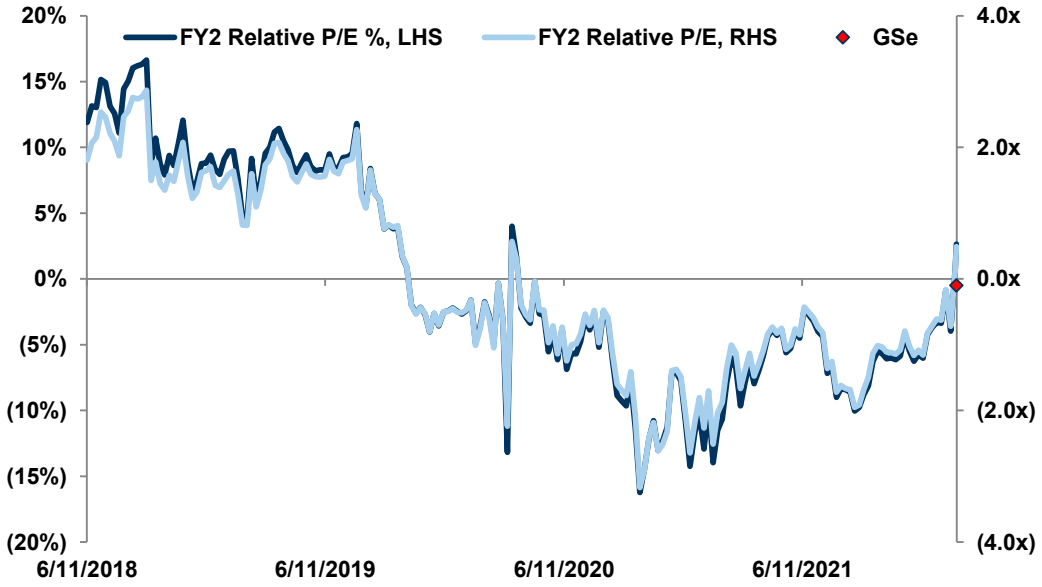


Gas LDCs include ATO, CPK, SWX, SR, OGS, NWN, NJR, SJI

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 6: Despite recent outperformance versus Regulated Utilities, we believe NI warrants a premium multiple given increasing visilibity of long-term, above-average EPS growth

FY2 Relative P/E vs Regulated Utilities



Source: FactSet, Goldman Sachs Global Investment Research

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Exhibit 7: Our revised $31, 12-month price target assumes a blended 19.4x P/E multiple on 2023 EPS, or an 8% premium to our 18x industry base multiple

NI Valuation Table

NI valuation			
Deriving Blended Multiple			
	Gas	**Electric**	**Total**
2021 EBIT	654.6	397.8	1,052.5
% 2021 EBIT	62.2%	37.8%	
Target Multiple	19.00x	20.00x	19.4x
Price Target			
2022 EPS			$1.58
Target Multiple			19.4x
Price Target			**$31**

Source: Goldman Sachs Global Investment Research

NI	12m Price Target: **$31.00**	Price: **$29.35**	Upside: **5.6%**

Buy

Market cap: $11.5bn
Enterprise value: $23.0bn
3m ADTV: $134.9mn
United States
Americas Utilities
M&A Rank: 3

GS Forecast

	12/20	**12/21E**	**12/22E**	**12/23E**
Revenue ($ mn)	4,681.7	4,738.7	4,986.8	5,289.2
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 ($)	1.32	1.35	1.47	1.58
P/E (X)	18.6	21.7	19.9	18.5
EV/EBITDA (X)	11.9	13.0	12.1	11.9
FCF yield (%)	(6.9)	(4.7)	(8.2)	(15.0)
Dividend yield (%)	3.4	3.0	3.2	3.4
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 Feb 2022 close.

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Reg AC

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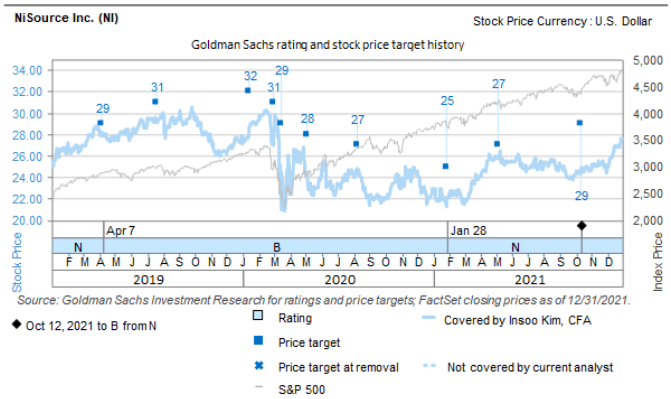
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North American Utilities

Natural Gas LDC Green Ranker II: Green and Bear It

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As ESG themes continue to grow across the utilities sector, we update our natural gas local distribution company (LDC) green ranker to analyze green attributes for covered LDCs. Similar to this week's electric green ranker update, this framework builds on our initial LDC green ranker, refreshing the data for the latest industry and company disclosures and incorporating minor methodology tweaks. Relative valuation remains volatile, with meaningful swings in LDC multiples relative to regulated electric utilities over the past several years, and we see a coherent long-term environmental message as a key quality to keeping pace with electric peers. As of YE21, the group stands at a -11% discount to regulated electric peers, versus a peak 2021 discount of -15% in September (consistent with 2020 relative lows) and near parity in March. Among green ranker updates, NJR realized the most significant improvement on a "Green Rate of Change" basis, now screening as the #2 name. In keeping with these themes into 2022, we expect 1) a focus on ESG messaging/transparency, methane emissions reductions, and decarbonization goals, 2) the potential for group interest to expand where companies have credible clean energy investments whether RNG, hydrogen, or traditional renewables, and 3) continued questions on RNG and hydrogen strategy to position local systems for a long-term use case in a low to zero net carbon future. Across LDCs, we prefer ATO and NI into 2022.

- **Green Ranker II: NJR improves.** NJR realized the most significant improvement on a "Green Rate of Change" basis, now screening as the #2 name. We find this unsurprising given local EE prioritization under the NJ Energy Master Plan and NJR's meaningful solar franchise, with NJ gas LDC peer SJI benefitting from similar dynamics (including a multi-year ramp of non-reg RNG capital investment). "Green Now" results remain largely tied to system pipe vintage and current methane emissions data, where small revisions did not substantially change the ultimate ranker output.

- **Looking to 2022.** Into 2022, we expect 1) a focus on ESG messaging/transparency, methane emissions reductions, and decarbonization goals, 2) the potential for group interest to expand where companies have credible clean energy investments whether RNG, hydrogen, or traditional renewables, and 3) continued questions on RNG and hydrogen strategy to position local systems for a long-term use case in a low to zero net carbon future. Across the LDCs, **NI** and **SJI** appear best positioned for incremental environmental updates, with the likely formal incorporation into its capital plan of **NI's** 2021 IRP-related investments and further ramping of **SJI's** RNG development activities. While we see **NJR** as largely a solar execution story following modest 2021 delays, potential RNG legislative efforts in NJ, if successful, could expand **NJR** and **SJI's** regulated investment opportunities into RNG. Separately, **ATO's** F4Q21 update supports its robust growth outlook, top-tier state portfolio, and lower energy transition risk that command a clear premium, in our view. We expect **ATO** to benefit from returning to business-as-usual operations on the back of TX securitization progress for Winter Storm Uri. Finally, attention for **SR** and **SWX** remains largely focused outside of environmental issues. **SR** is subject to idiosyncratic regulatory issues with the STL Pipeline and negative MO rate case order. For **SWX**, a focus on the company's consolidated growth outlook following 2021 RDC and Questar Pipelines acquisitions plus its high profile fight with investor Carl Icahn overshadow these themes.

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Analyzing Green Attributes: LDCs

Following up on our initial natural gas LDC green ranker in May 2021, we refresh our data for the latest industry and company disclosures and incorporate minor methodology tweaks. We take a quantitative approach utilizing a wide range of data sets to capture relevant themes, incorporate potential future areas of focus as LDC disclosures increase, and highlight other clean energy leverage that may broaden company interest. While current and future greenhouse gas emissions generally catch the most stakeholder attention, we also consider pipe system characteristics, energy efficiency efforts, system incidents, and clean energy investments. Since our last publication, we now incorporate the latest system pipe vintage and incident data. Additionally, while the emissions data stands largely unchanged from our initial publication, this analysis does reflect new disclosures.

We calculate 'Green' rankings using two pre-established weighting scales for scores after ranking each LDC within the six categories of 1) methane emissions, 2) stated methane reduction goals, 3) pipe vintage, 4) energy efficiency, 5) system incidents, and 6) clean energy leverage. We developed two ranking systems in an effort to better understand which LDCs score best on a historical basis, "Green Now Rankings," and to identify utilities best positioned for future improvement, "Green Rate of Change Rankings." We see these differences as important as a growing number of investors focus on deploying capital into positive change stories. The ability to identify companies best positioned for future rate of change may foreshadow future ESG compatibility in the sector. Below, we outline the weights applied for each category within both ranking systems.

Table 1: Natural Gas LDCs Forced Ranker Weightings

Scoring System	System Pipe Vintage	Current Methane Emissions	Emission Reduction Goal	Energy Efficiency	Clean Energy Leverage	System Incidents
Green Now	30%	50%	0%	0%	15%	5%
Green Rate of Change	20%	0%	20%	35%	25%	0%

Source: Company Reports and J.P. Morgan.

Changes versus prior. When compared to our prior weightings, we now more heavily weight clean energy leverage across both "Green Now" and "Green Rate of Change." This change is in acknowledgment of the sustained and growing market interest in renewable/RNG/hydrogen and other clean energy investments, even for companies like the natural gas LDCs that carry a narrower inherent overlay to these themes. Moreover, we increase our weighting for energy efficiency and current methane emissions. We see these categories as representative of active steps each LDC is either taking or can execute in the near term to support environmental goals. Of the categories that correspondingly decreased, we lowered emission reduction goals given they are more aspirational in nature, with fewer near-term deliverables relative to other categories.

Table 2 shows the output of our Green Rankings analysis. As previously mentioned, we highlight LDC green qualities through multiple lenses to give a full perspective for how different LDCs screen on a 'Green' basis.

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Table 2: Natural Gas LDCs Green Forced Ranker

Green Now

Ticker	System Pipe Vintage	Current Methane Emissions	Clean Energy Leverage	System Incidents	Total
NJR	5	5	6	3	5.1
SWX	6	6	1	1	5.0
NI	4	4	4	5	4.1
SR	3	3	1	4	2.8
SJI	2	2	5	6	2.7
ATO	1	1	1	2	1.1

Green Rate of Change

Ticker	System Pipe Vintage	Emission Reduction Goal	Energy Efficiency	Clean Energy Leverage	Total
SJI	5	6	6	5	5.6
NJR	2	1	5	6	3.9
SR	4	5	4	1	3.5
NI	3	2	3	4	3.1
ATO	6	4	2	1	3.0
SWX	1	3	1	1	1.4

Source: J.P. Morgan calculations. System pipe vintage scoring differs for Green Now versus Green Rate of Change.

Forced Ranker output versus prior. NJR realized the most significant change on a "Green Rate of Change" basis, now screening as the #2 name. We find this unsurprising given local EE prioritization under the NJ Energy Master Plan and NJR's meaningful solar franchise, with NJ gas LDC peer SJI benefitting from similar dynamics (including a multi-year ramp of non-reg RNG capital investment). "Green Now" results remain largely tied to system pipe vintage and current methane emissions data, where small revisions did not substantially change the ultimate ranker output.

Company Breakdown

Overall ESG messaging has steadily gained prominence on earnings calls, meetings, and in company materials, and we expect continued attention on nascent hydrogen and RNG opportunities in particular in 2022. Pilot programs and initial partnerships vary dramatically and include hydrogen blending, RNG sourcing from the agriculture industry, and customized tariffs, among others. These near-term decarbonization opportunities remain minor and longer-dated overall relative to pipeline replacement work to eliminate fugitive methane emissions, but may eventually comprise a larger portion of the LDCs' environmental opportunity. Below we summarize our thoughts on these and other relevant qualities across covered LDCs.

- **ATO** has favorable overall utility qualities that include 1) accelerated infrastructure replacement programs, 2) ATO's relative positioning to capitalize on future system safety and reliability needs across Texas and other key jurisdictions, and 3) a defensive service territory that values natural gas infrastructure. While the company's pure-play regulated gas operations drive a more limited opportunity set versus other diversified LDCs and weighs on ATO's "Green Now" score, we see its robust growth outlook, top-tier state portfolio, and lower energy transition risk commanding a clear premium. The company's F4Q21 update supports this outlook, in our view, with ATO poised to return to business-as-usual operations, including executing on peer leading rate base growth, on the back of TX securitization progress for Winter Storm Uri.

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- **NI** benefits from its IN electric operations and associated investments in premium rate based renewables (~20% of NI's five-year capital plan). Additionally, the company's 2021 IRP outlines post-2024 renewables opportunities within $750mm of IRP-related investments in advance of Michigan City's 2026-2028 retirement, representing an extended clean energy investment runway. At EEI, management outlined a supportive backdrop for these investments and NI's targeted >50% ownership, which we expect the company will formally incorporate into its capital plan in 1H22. We see NI standing somewhat apart from LDC peers given its 60/40 regulated gas/electric business mix and regulated electric 'green hue.'

- **NJR's** decarbonizing utility investments and significant solar growth appear defensive in a market valuing LDCs at a P/E discount to regulated electrics. Solar capex represents roughly a third of NJR's 2021-2024 capital plan, although the plan relies on a significant investment ramp versus historical levels and expansion outside of NJR's core NJ market. Separately, NJ represents a test case for potentially moderate de-prioritization of the state's natural gas system as outlined in the state's 2019 Energy Master Plan (EMP). We expect this dynamic has informed NJR's ESG messaging, in part reflected by its top-2 "Green Now" and "Green Rate of Change" scores.

- **SJI's** plan targets increasing non-utility clean energy capex with $250mm of renewables and $500mm of RNG investments. At the company's 2021 investor day, management spent meaningful time outlining RNG opportunities through SJI's REV investment and ROFR agreements to develop 25 dairy farms. We see company leverage here as differentiated versus peers, which could drive alt energy/ESG interest should SJI fully realize the opportunity. However, this strategy remains early stage and unproven, in our view. The company's RNG disclosures have improved, in our view, with project development updates alongside 3Q21 earnings. We expect SJI to continue ramping development efforts into 2022-2023.

- **SR** screens as a more traditional pipe replacement and methane reduction opportunity given strong local demand for system expansion and favorable energy policy across jurisdictions. We highlight the company's top-2 emissions reduction target and management commentary on SR's ONE Future membership as positive ESG efforts. However, idiosyncratic regulatory issues with the STL Pipeline and SR's negative MO rate case order remain key items into 2022 that the company must address before any environmental message can sustain market interest, in our view.

- **SWX** has a relatively new system and leads the group in pipe vintage and current methane emissions scores as a result. RNG opportunities are small, but SWX appears to have increasing local momentum here. Management outlined growing customer interest as well as work with legislators and regulators on RNG. While we expect customer demand could meaningfully increase, the overall opportunity set is difficult to estimate currently. Additionally, we see the company's consolidated growth outlook for its 2021 RDC and Questar Pipelines acquisitions plus SWX's high profile fight with investor Carl Icahn largely overshadowing these environmental themes in 2022.

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Looking to 2022

Into 2022, we expect 1) a focus on ESG messaging/transparency, methane emissions reductions, and decarbonization goals, 2) the potential for group interest to expand where companies have credible clean energy investments whether RNG, hydrogen, or traditional renewables, and 3) continued questions on RNG and hydrogen strategy to position local systems for a long-term use case in a low to zero net carbon future. Across the LDCs, NI and SJI appear best positioned for incremental environmental updates, with the likely formal incorporation into its capital plan of NI's 2021 IRP-related investments and further ramping of SJI's RNG development activities. While we see NJR as largely a solar execution story following modest 2021 delays, potential RNG legislative efforts in NJ, if successful, could expand NJR and SJI's regulated investment opportunities into RNG. Separately, ATO's F4Q21 update supports its robust growth outlook, top-tier state portfolio, and lower energy transition risk that command a clear premium, in our view. We expect ATO to benefit from returning to business-as-usual operations on the back of TX securitization progress for Winter Storm Uri. Finally, attention for SR and SWX remains largely focused outside of environmental issues. SR is subject to idiosyncratic regulatory issues with the STL Pipeline and negative MO rate case order. For SWX, a focus on the company's consolidated growth outlook following 2021 RDC and Questar Pipelines acquisitions plus its high profile fight with investor Carl Icahn overshadow these themes.

Methodology

We see this framework as a first step in analyzing the sustainability characteristics of gas utility operations, and multiple factors contribute to debates in assigning scores to each respective category. Challenges include 1) less standardization to reporting despite improving overall disclosures under the American Gas Association (AGA) ESG template and competing standards, 2) greater debate on ESG guardrails for the LDCs versus clear electric utility boundaries around coal use and future renewables, or side issues such as nuclear, and 3) group idiosyncrasies that leave ATO as the only pure-play regulated gas utility within our LDC coverage.

Going forward, we expect increasing attention and stakeholder interest will drive improvements to company reporting. The LDCs have already shown clear progress over the past year, mirroring developments witnessed across electric utility ESG messaging.

- **Methane Emissions.** With methane's climate impact roughly 25 times that of CO2, LDCs' ability to manage system leaks represents an important environmental goal. This analysis uses current system methane emissions, expressed in carbon dioxide equivalent terms, as disclosed in either the most recent company sustainability reports or in the AGA ESG template, normalized by total system miles to improve comparability.
- **Stated Methane Reduction Goals.** As a factor alongside current methane emissions, methane emissions reduction targets represent an essential element to measuring 'green rate of change' or the future system outlook. To account for varying base years, we normalize emissions reduction targets to percentage reductions from reported 2019 emissions levels by calculating an implied

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emissions level in the target year. As such, normalized targets reflect the percentage reduction from 2019 to the target year.

- **Pipe Vintage.** System composition, as measured by pipe vintage, contributes to overall leak rate, operational risk, and safety, among other factors. Additionally, replacement opportunities represent a significant portion of LDC capex, coupling rate base growth with an improving system profile across multiple factors that help inform a 'green rate of change' analysis. Using 2020 AGA data, we break down each LDC's distribution system and derive a system score based on the relative material composition of legacy cast iron and unprotected steel versus protected/coated steel and plastic. Given this metric's opposing qualities under "Green Now" (older vintage is negative from a system leak perspective) and "Green Rate of Change" (older vintage is positive for magnitude of future benefits from ongoing pipe replacement activity) analyses, we reverse this category's rank order from "Green Now" to "Green Rate of Change." In short, the top scorer for this metric under "Green Now" is naturally the bottom scorer for this metric under "Green Rate of Change."

- **Energy efficiency.** Across the LDCs, energy efficiency investments and targets represent a key element of improving green attributes. Given current cost considerations limit RNG use, LDCs do not have the same ability as electric utilities for supply 'greening.' As a result, investments that limit current and future GHG emissions by conserving energy represent a wider group opportunity, in our view. With a wide variation in company-reported EE data (disclosures span avoided carbon, therms, CO2, and dollars), we normalized to metric tons of avoided CO2 per customer to derive an EE score. For LDCs with defined ongoing programs, we applied stated program targets. Where no targets are available, our analysis assumes the most recent historical EE reporting as an annual run rate going forward.

- **System incidents.** Large gas system incidents have received increasing national scrutiny over the past decade, with attention in part focused on methane emissions during events or other environmental impacts. As such, we believe system safety represents an important factor in this overall analysis. This work incorporates incident data and required reporting to PHMSA's Office of Pipeline Safety. To calculate a safety score, we filter this data from the last 10 years and count incidents caused by 'Incorrect Operation,' 'Equipment Failure,' 'Material Failure,' and 'Corrosion Failure.' We then rank each LDC based on this filter per system miles.

- **Clean energy leverage.** Given substantial investor focus on clean energy across the utilities space, leverage to renewables, RNG, and hydrogen may drive ultimate differentiation across LDCs as early stage RNG and hydrogen efforts mature. Group idiosyncrasies largely define associated opportunities, such as NI's electric utility operations, SJI and NJR's locational advantage in NJ's highly subsidized solar market, and ATO's pure-play regulated natural gas operations in defensive and overall favorable natural gas jurisdictions. We utilize disclosed company capital plans and assign credit to relevant investments as a percentage of total company capital spending where >10% of consolidated capex.

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Companies Discussed in This Report (all prices in this report as of market close on 04 January 2022)
Atmos Energy(ATO/$106.26/OW), New Jersey Resources(NJR/$40.66/N), NiSource Inc.(NI/$27.62/OW), South Jersey Industries(SJI/$26.33/N), Southwest Gas Holdings Inc.(SWX/$69.00/N), Spire Inc(SR/$65.40/N)

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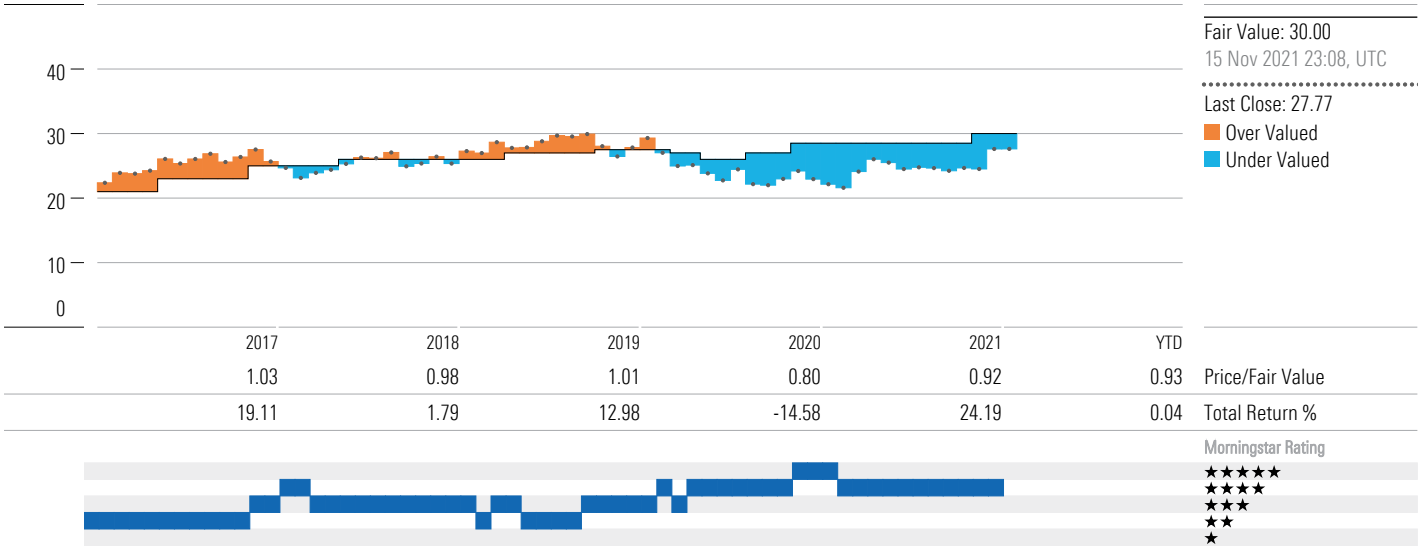
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NiSource Inc NI ★★★★ 4 Jan 2022 22:21, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Moat Trend™	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
27.77 USD	30.00 USD	0.93	10.85 USD Bil	Narrow	Stable	Low	Standard	
5 Jan 2022	15 Nov 2021 23:08, UTC		4 Jan 2022					1 Dec 2021 06:00, UTC

Price vs. Fair Value



	2017	2018	2019	2020	2021	YTD
Price/Fair Value	1.03	0.98	1.01	0.80	0.92	0.93
Total Return %	19.11	1.79	12.98	-14.58	24.19	0.04

Total Return % as of 4 Jan 2022. Last Close as of 5 Jan 2022. Fair Value as of 15 Nov 2021 23:08, UTC.

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The primary analyst covering this company does not own its stock.

[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.

NiSource Kicks Off 2022 Regulatory Year With Constructive Rulings in Kentucky, Pennsylvania

Analyst Note Travis Miller, Strategist, 5 Jan 2022

We are reaffirming our $30 per share fair value estimate for NiSource after Kentucky regulators approved an $18.3 million, or 12%, increase in gas base rates, mostly in line with a settlement reached in October. We are also reaffirming our narrow moat and stable moat trend ratings.

The constructive outcome in Kentucky shortly after Pennsylvania regulators approved a $58.5 million, or 12%, gas rate increase is a good early indication of regulatory support as NiSource faces several critical regulatory tests this year. We expect regulators to sign off on large gas rate increases during the second half of the year in Ohio and Indiana to support NiSource's infrastructure investments. These rate increases support our 8% earnings growth forecast for 2022.

This also is a critical year for NiSource's Indiana electric utility, which we think has the best long-term growth potential. NiSource 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 will likely determine whether NiSource hits the high end or low end of management's 7%-9% annual average earnings growth range through 2024.

We assume electric and gas systemwide customer growth and core investment support 5% earnings growth through 2024. We expect additional earnings growth to come from NiSource's potential $750

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Sector
Utilities

Industry
Utilities - Regulated Gas

Business Description

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.

million of clean energy investments to replace retiring coal generation through 2028, particularly in Indiana. We also assume regulators approve $600 million of investment for NiSource with the rest of the generation secured through earnings-neutral power purchase agreements.

We expect dividend growth to stay near 5% in 2022-23 before a potential step-up in 2024, assuming constructive regulatory outcomes.

Business Strategy & Outlook Travis Miller, Strategist, 5 Jan 2022

After decades of deriving most of its income from natural gas distribution and midstream businesses, NiSource has transitioned to a more diversified earnings mix. About 60% of NiSource's operating income comes from its six natural gas distribution utilities and 40% from its electric utility in Indiana following the 2015 separation from Columbia Pipeline Group.

NiSource's utilities have constructive regulatory frameworks that allow it to collect a cash return of and a cash return on the bulk of its capital investments within 18 months. We expect NiSource to invest more than $10 billion over the next four years, including what could be nearly $3 billion of renewable energy projects in Indiana, where NiSource enjoys favorable regulation.

That growth could extend even longer. Over the next 20 years, NiSource has identified $40 billion of infrastructure improvement projects on its gas and electric networks. Roughly 50% of these investments are expected to be for replacing steel and cast-iron pipe with plastic at its natural gas distribution utilities. Almost all of these investments receive favorable regulatory treatment. This allows NiSource to earn returns on these investments near its regulatory allowed returns and consistently above its cost of capital.

In October 2020, NiSource sold its Columbia Gas of Massachusetts utility and received $1.1 billion of proceeds that it used to strengthen the balance sheet and prepare for its planned infrastructure investments. The sale came nearly two years after a natural gas explosion on NiSource's Massachusetts system killed one person north of Boston. Insurance covered roughly half of the almost $2 billion of claims, penalties, and other expenses.

Earnings are set to rebound quickly from their low in 2020 when COVID-19 pandemic costs, lower energy use, the Massachusetts utility sale, and a large equity issuance weighed on earnings. We expect modest customer growth combined with NiSource's infrastructure growth investments to support 8% annual earnings growth and 6% annual dividend growth from 2021 to 2025.

Bulls Say Travis Miller, Strategist, 5 Jan 2022

- We expect the dividend to grow near 5% annually during the next few years before accelerating to keep pace with earnings in 2024 and beyond.

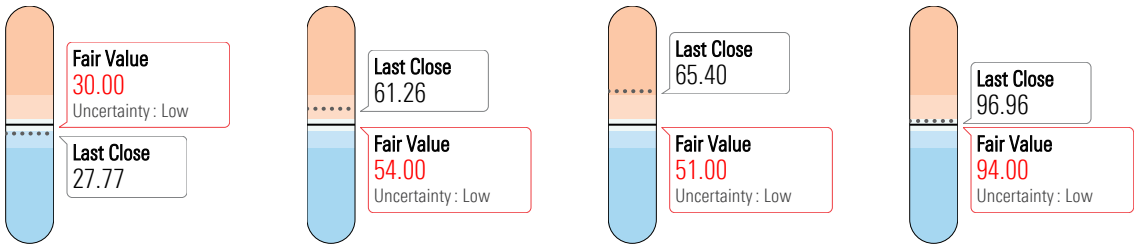
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Competitors



	NiSource Inc NI	Alliant Energy Corp LNT	CMS Energy Corp CMS	WEC Energy Group Inc WEC
Economic Moat	Narrow	Narrow	Narrow	Narrow
Moat Trend	Stable	Stable	Stable	Stable
Currency	USD	USD	USD	USD
Fair Value	30.00 15 Nov 2021 23:08, UTC	54.00 10 Aug 2021 14:17, UTC	51.00 28 Oct 2021 20:45, UTC	94.00 2 Nov 2021 20:21, UTC
1-Star Price	37.50	67.50	63.75	117.50
5-Star Price	24.00	43.20	40.80	75.20
Assessment	Under Valued 4 Jan 2022	Over Valued 4 Jan 2022	Significantly Over Valued 4 Jan 2022	Fairly Valued 4 Jan 2022
Morningstar Rating	★★★★4 Jan 2022 22:21, UTC	★★4 Jan 2022 22:21, UTC	★4 Jan 2022 22:21, UTC	★★★4 Jan 2022 22:21, UTC
Analyst	Travis Miller, Strategist	Andrew Bischof, Senior Equity Analyst	Travis Miller, Strategist	Andrew Bischof, Senior Equity Analyst
Capital Allocation	Standard	Standard	Standard	Exemplary
Price/Fair Value	0.93	1.13	1.28	1.03
Price/Sales	2.40	4.28	2.56	3.77
Price/Book	2.27	2.54	3.19	2.77
Price/Earning	25.34	24.00	22.67	23.10
Dividend Yield	3.19%	2.65%	2.69%	2.83%
Market Cap	10.85 Bil	15.20 Bil	18.71 Bil	30.23 Bil
52-Week Range	21.09—27.88	45.99—62.35	53.19—65.79	80.55—99.86
Investment Style	Mid Value	Mid Value	Mid Value	Mid Core

- NiSource should benefit from Indiana policymakers' desire to cut the state's carbon emissions by replacing coal generation with renewable energy, energy storage, and possibly hydrogen.
- New legislation has improved the regulatory framework in Indiana for NiSource's electric and natural gas distribution utilities.

Bears Say Travis Miller, Strategist, 5 Jan 2022

- Industrial customers account for over half of NiSource's electric sales, higher than most utilities. Industrial sales are more sensitive to the economy than residential and commercial sales.
- Renewable energy could be a long-term threat for NiSource's natural gas distribution business if policymakers in states it serves pursue aggressive carbon emissions cuts.
- NiSource has issued nearly $3 billion of equity and preferred stock during the last four years, resulting in little earnings growth since 2018.

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Economic Moat Travis Miller, Strategist, 5 Jan 2022

Service territory monopolies and efficient scale advantages are the primary moat sources for NiSource's regulated utilities. State and federal regulators typically grant regulated utilities exclusive rights to charge customers rates that allow the utilities to earn a fair return on and return of the capital they invest to build, operate, and maintain their infrastructure. In exchange for regulated utilities' service territory monopolies, state and federal regulators set returns at levels that aim to minimize customer costs while offering fair returns for capital providers.

This implicit contract between regulators and capital providers should, on balance, allow NiSource's regulated utilities to achieve at least their costs of capital, though observable returns might vary in the short run based on demand trends, investment cycles, operating costs, and access to financing.

NiSource derives roughly 60% of its operating earnings from its natural gas distribution utilities and 40% from its integrated electric business in Indiana. In all cases, state and federal regulators set customer rates that allow NiSource to recover its operating and capital costs.

NiSource has no commodity price risk that could weaken its moat. Customers may elect to purchase natural gas from independent retail energy suppliers and use and pay for distribution services only. NiSource exited the no-moat retail energy supply business in 2010.

Fair Value and Profit Drivers Travis Miller, Strategist, 5 Jan 2022

Our fair value estimate is $30 per share.

We assume NiSource invests more than $10 billion in 2022-25, including nearly $3 billion of investment in renewable energy projects in Indiana to keep it on track to close its last coal-fired power plant in 2028. Investment in the gas distribution systems, primarily for pipeline replacement, should remain well above maintenance-level spending for several more years, resulting in rate increases across all its gas utilities.

In total, we expect 11% average annual rate base growth and 8% average annual earnings growth through 2025 when combining the planned electric and gas system investments. The key factor in our growth outlook is a favorable outcome in NiSource's planned 2023-24 electric rate case in Indiana. Renewable energy and gas distribution infrastructure investments also should support strong dividend growth, a better ESG profile, and lower risk for investors.

We use a 6.1% cost of capital in our discounted cash flow valuation, which incorporates a 7.5% cost of equity. Our cost of equity is lower than the 9% rate of return we expect investors will demand of a diversified equity portfolio. We believe our cost of equity reflects the risk associated with regulated electric and natural gas distribution utilities operating in states that have average to above-average

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regulatory frameworks.

Risk and Uncertainty Travis Miller, Strategist, 5 Jan 2022

Regulatory risk remains the key uncertainty. However, NiSource's regulatory exposure is diversified with operations in six states and its federal-regulated electric transmission system. NiSource has reduced some of the regulatory uncertainty related to its planned natural gas distribution and electric utilities investments by securing preapprovals and favorable rate mechanisms that provide for automatic rate increases as the utility makes its infrastructure investments.

In 2020, NiSource announced it would eliminate all coal-fired generation from its power plant fleet by 2028, significantly reducing ESG risk. This transition will require signing power purchase agreements for renewable energy, building new solar and wind farms, and making modifications to its electric grid. There is a modest amount of execution risk to this dramatic transition from coal.

Capital Allocation Travis Miller, Strategist, 5 Jan 2022

We assign NiSource a Standard capital allocation rating primarily due to management's plan to direct future investment toward clean energy and gas system modernization projects in constructive regulatory jurisdictions.

Current and former management made two key capital allocation decisions in recent years that we think were favorable for shareholders and positioned the company to execute its current growth plan. The first move was forming Columbia Pipeline Partners and executing Columbia Pipeline Group's tax-free separation. The second move was selling Columbia Gas of Massachusetts to Eversource Energy in 2020 after regulators determined NiSource was responsible for a gas explosion north of Boston. Even though the incident had a negative effect on shareholder value, NiSource resolved the issues quickly and received an attractive price to exit a region that was farthest from its core Midwest utilities.

CEO Joe Hamrock succeeded Bob Skaggs in mid-2015 when Skaggs, a 32-year NiSource veteran, chose to lead the newly formed Columbia Pipeline Group. Hamrock has experience in the gas distribution business with NiSource and the electric distribution business with American Electric Power before joining NiSource. CFO Donald Brown joined NiSource in April 2015. Previously, he was with UGI Utilities and Constellation Energy. Hamrock and Brown helped create the financial and regulatory foundation for the current growth plan, and we don't expect any significant strategic changes.

Analyst Notes Archive

NiSource's Earnings Growth Will Start to Take Shape in 2022; Raising Fair Value Estimate Travis Miller, Strategist, 10 Nov 2021

We are raising our fair value estimate to $30 per share from $28.50 after reviewing NiSource's latest

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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 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.

NiSource Keeps Filling in Pieces of Its Long-Term Growth Plan Travis Miller, Strategist, 4 Nov 2021
We are reaffirming our $28.50 per share fair value estimate after NiSource reported $0.11 earnings per share in the third quarter and $0.98 EPS for the first nine months on an adjusted basis. Earnings are on track to meet our full-year estimate within management's $1.32 to $1.36 guidance range. We are reaffirming our narrow moat and stable moat trend ratings.

Year-to-date earnings are flat from 2020 primarily reflecting the sale of Columbia Gas of Massachusetts in October 2020 and the $835 million of equity units NiSource issued in April. We expect growth to pick up in 2022 and accelerate beyond 2022. Management initiated 2022 earnings guidance of $1.42 to $1.48 per share, slightly above our estimate. Our 8% average annual earnings growth estimate beyond 2022 is in line with management's 7%-9% target.

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NiSource continues to gain regulatory support for its long-term growth plan. NiSource's preferred integrated resource plan at its Indiana electric utility includes an opportunity for $750 million of investment to continue transitioning its coal generation fleet to renewable energy. Most of NiSource's planned $2 billion renewable energy investments will come in 2022 and 2023, setting up sizable revenue growth in 2023 and 2024.

NiSource's gas utilities continue reaching constructive regulatory outcomes that support our estimate for $1.5 billion of annual capital investment systemwide. The outcome of rate increase requests in Ohio and Indiana, NiSource's two largest gas utilities, will be a good indication of regulatory support for its growth plan. We expect constructive outcomes based on ratemaking structures that minimize the time between NiSource's capital investments and customer rate adjustments.

Regulatory support enhances cash flow and should allow NiSource to pay a robust and growing dividend even as it executes its growth plan. We expect the board to approve at least a 5% dividend increase early next year.

Indiana Renewable Energy Investment Approval Provides Increased Confidence in NiSource's EPS Growth Charles Fishman, CFA, Equity Analyst, 4 Aug 2021

We are reaffirming our $28.50 per share fair value estimate after NiSource reported flat 2021 second-quarter operating EPS, reaffirmed operating earnings guidance, and provided an update to its planned renewable energy investment. Operating EPS in the recently ended quarter were $0.13, the same as in the second quarter of 2020.

We have reaffirmed our 2021 EPS estimate of $1.34, at the midpoint of NiSource's $1.32-$1.36 guidance. We believe flat second-quarter EPS was particularly positive, given the large equity issuance in April that increased average diluted common shares by 10%, to 423 million versus the same period last year. In addition, operating EPS in the second quarter excludes earnings from Columbia Gas of Massachusetts, which was sold in October 2020.

We also have increased confidence in our 7.9% annual EPS growth rate from 2021-24, near the midpoint of NiSource's 7%-9% target. Our increased confidence is due in large part to the fact that the eight renewable energy joint venture projects, which will require $2 billion from NiSource, have now all been approved by the Indiana Utility Regulatory Commission.

Although we think a tracking mechanism for the renewable projects would be more favorable for shareholders, pre-approval is a positive. Indiana regulation has been constructive and relatively consistent for investors with allowed returns modestly above industry averages. Assuming a favorable Indiana rate-case outcome, our 2024 EPS estimate of $1.68 is 12% higher than our 2023 EPS estimate of $1.50 due in large part to higher electric rates from the 2023 Indiana base rate case.

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Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Moat Trend™	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
27.77 USD 5 Jan 2022	30.00 USD 15 Nov 2021 23:08, UTC	0.93	10.85 USD Bil 4 Jan 2022	Narrow	Stable	Low	Standard	1 Dec 2021 06:00, UTC

Approval of Two Thirds of Renewable Energy Investment Increases Our Confidence in NiSource's Growth Charles Fishman, CFA, Equity Analyst, 5 May 2021

We are reaffirming our $28.50 per share fair value estimate after NiSource reported solid 2021 first-quarter operating EPS, increased and narrowed 2021 earnings guidance to the upper end of its previous range, and increased its planned four-year renewable energy investments. Management also reaffirmed its near- and long-term EPS growth rates established at the September 2020 Investor Day meeting.

NiSource upsized its planned renewable energy investments from 2021-24 to $2 billion, the upper end of its guidance range of $1.9 billion to $2 billion established in August 2020. During the conference call with investors, management indicated three more renewable energy projects received pre-approval by the Indiana Utility Regulatory Commission that day.

Two thirds of the $2 billion renewable energy investment has now been approved prior to the Indiana base rate case final decision expected in 2023. This increases our confidence in NiSource's ability to achieve its EPS growth target.

We believed the increase and narrowing of the 2021 earnings guidance range to $1.32-$1.36 from $1.28-$1.36 was especially positive due to the larger amount of equity to be recognized on the balance sheet and earlier issuance of the convertible securities than we assumed. In addition, the ongoing impact of COVID-19 on commercial and industrial customers is expected to be less than the $0.05 per share impact originally contemplated by management.

We increased our 2021 EPS estimate to $1.34 from $1.30 based on the revised outlook. NiSource also indicated that its 7%-9% targeted EPS growth rate from 2021 to 2024 is now anchored by the midpoint of the revised guidance, or $1.34. Our 2024 EPS estimate increased by $0.02 to $1.68, but our average annual growth rate estimate from the new 2021 guidance midpoint declined to 7.8% from 8%.

NiSource Reaffirms 2021 Earnings Guidance and Hints Renewable Energy Investments Could Go Higher Charles Fishman, CFA, Equity Analyst, 17 Feb 2021

We are reaffirming our $28.50 per share fair value estimate after NiSource reported solid 2020 operating EPS, reaffirmed 2021 guidance, and provided an update on its renewable energy projects in Indiana. The update on the utility's wind, solar, and energy storage projects increased our confidence in NiSource's investment plan.

The three solar-plus-storage projects announced in October are now awaiting approval by the Indiana Utility Regulatory Commission. Wholly owned Northern Indiana Public Service Company, or NIPSCO, plans to invest approximately $850 million in the joint ventures. Including the $400 million NIPSCO contributed to one operating wind farm and one wind farm under construction, NIPSCO is more than halfway to meeting its $1.8 billion to $2 billion renewable energy investment target.

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In addition to the $2 billion of planned projects, we thought it was especially positive that management indicated that its 2021 integration resource plan could create additional investment opportunities. NIPSCO plans to submit the IRP to Indiana regulators in the fourth quarter.

NiSource reported 2020 operating earnings of $1.32 per share, $0.02 higher than our estimate and the consensus estimate. The earnings were especially impressive when considering the $0.10 headwind due to lower commercial and industrial revenues and increased bad debt expense due to COVID-19.

NiSource reaffirmed its 2021 EPS guidance range of $1.28-$1.36 and our estimate of $1.32 at the midpoint of the range is unchanged. On Jan. 27, NiSource's board declared a 4.8% increase in its quarterly dividend that results in an annualized dividend of $0.88 per share. We forecast similar increases in 2022 and 2023 then accelerating growth when its Indiana renewable energy investments are recognized in rates in 2024.

Biden's Green Agenda Offers Growth Potential for Utilities Charles Fishman, CFA, Equity Analyst, 22 Jan 2021

We are reaffirming our fair value estimates, moat ratings, and moat trend ratings for U.S. utilities after President Joe Biden kicked off his environmental policymaking efforts. We consider the sector fairly valued.

We believe tighter environmental regulations are a net positive for most utilities. Growth investments in renewable energy, grid modernization, and electric vehicles should outweigh higher regulatory, operational, and financial risk. We forecast that the U.S. utilities we cover will invest $656 billion over the next five years, more than consensus expects and up from the $541 billion spent in the past five years. This supports our 5.5% average annual industry earnings growth outlook through 2024.

Biden's recommitment to the 2015 Paris Agreement won't have a material near-term impact on utilities. Most utilities' investment plans already reflect similar climate goals with support from state regulators and policymakers.

Investors should watch Biden's approach as the third president this decade to propose power plant emissions regulations. Courts have set a narrow path between Barack Obama's Clean Power Plan, which the Supreme Court stayed in 2016, and Donald Trump's Affordable Clean Energy rule, which was vacated by appeal on Jan. 19. We think it will be even tougher to get emissions legislation through Congress.

We expect emissions-reduction investments will remain a key growth driver for utilities because of state policies and demand from customers and investors. As the federal government has dithered, power plant carbon emissions have fallen 25% during the last decade due to economics and state

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policymaking. We forecast that natural gas generation will continue stealing market share from coal and renewable energy will double its market share by 2030.

We agree with consensus that Biden's interim goal of net-zero carbon emissions for the power industry by 2035 is unachievable with current technology and potential cost. A 2050 goal is more reasonable.

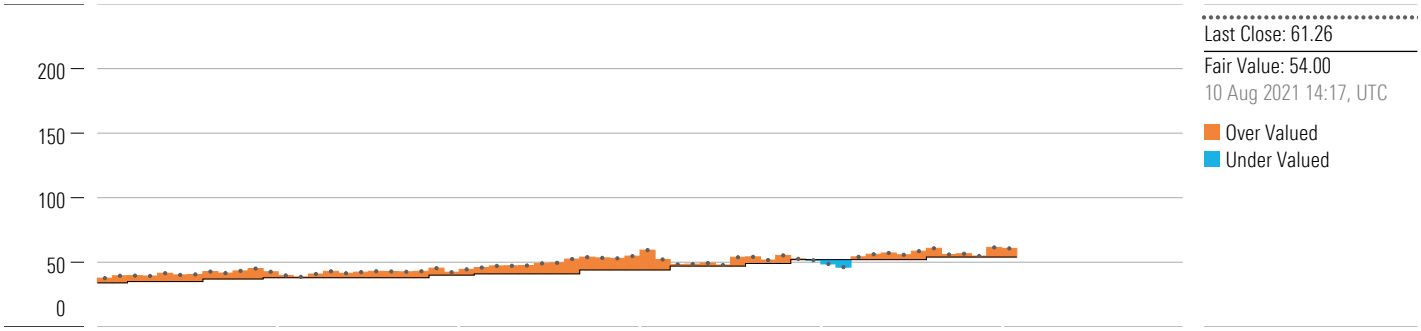
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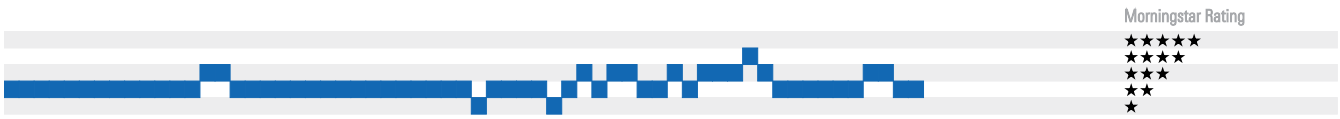
NiSource Inc NI ★★★★ 4 Jan 2022 22:21, UTC

Competitors Price vs. Fair Value

Alliant Energy Corp LNT

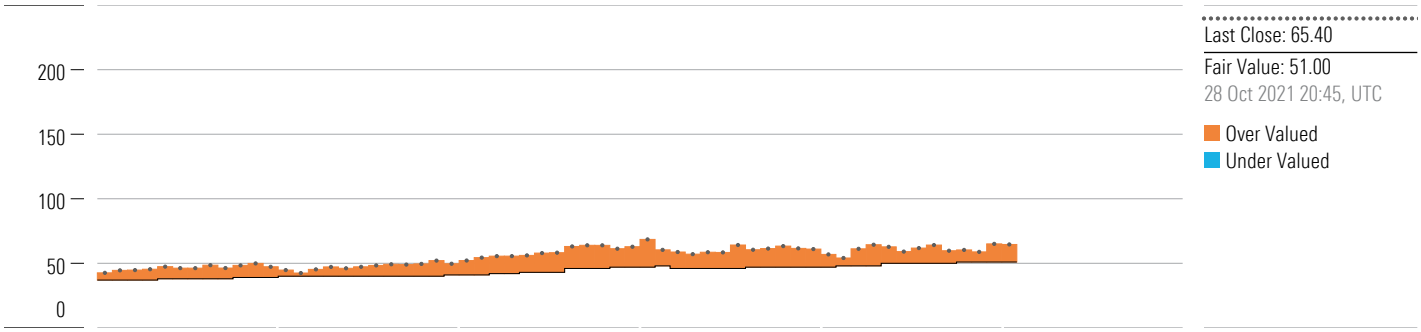


	2017	2018	2019	2020	2021	YTD	
	1.12	1.06	1.24	0.99	1.14	1.13	Price/Fair Value
	15.78	2.30	32.88	-3.05	22.41	-1.22	Total Return %

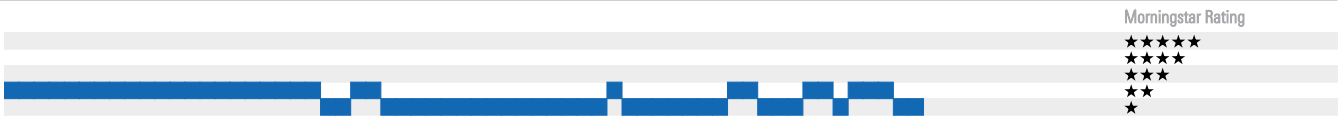


Total Return % as of 4 Jan 2022. Last Close as of 5 Jan 2022. Fair Value as of 10 Aug 2021 14:17, UTC.

CMS Energy Corp CMS



	2017	2018	2019	2020	2021	YTD	
	1.21	1.21	1.34	1.30	1.28	1.28	Price/Fair Value
	16.84	7.99	29.65	-0.32	9.47	-0.69	Total Return %



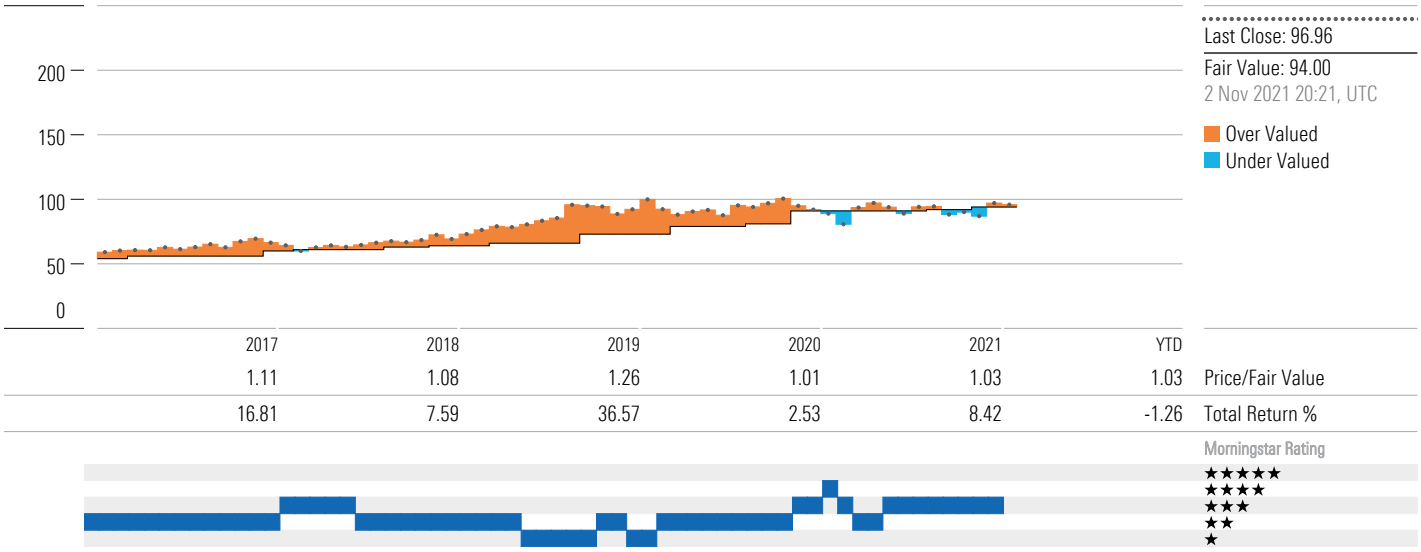
Total Return % as of 4 Jan 2022. Last Close as of 5 Jan 2022. Fair Value as of 28 Oct 2021 20:45, UTC.

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WEC Energy Group Inc WEC



	2017	2018	2019	2020	2021	YTD
Price/Fair Value	1.11	1.08	1.26	1.01	1.03	1.03
Total Return %	16.81	7.59	36.57	2.53	8.42	-1.26

Total Return % as of 4 Jan 2022. Last Close as of 5 Jan 2022. Fair Value as of 2 Nov 2021 20:21, UTC.

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5 Jan 2022	15 Nov 2021 23:08, UTC		4 Jan 2022					1 Dec 2021 06:00, UTC

Morningstar Historical Summary

Financials as of 30 Sep 2021

Fiscal Year, ends 31 Dec	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD	TTM
Revenue (USD K)	5,030,900	4,625,400	5,272,400	4,651,800	4,492,500	4,874,600	5,114,500	5,208,900	4,681,700	—	3,491,000	4,702,000
Revenue Growth %	-12.5	-8.1	14.0	-11.8	-3.4	8.5	4.9	1.8	-10.1	—	0.6	-3.4
EBITDA (USD K)	1,583,200	1,161,000	1,278,400	1,238,600	1,416,600	1,376,800	733,900	1,595,000	1,056,500	—	1,319,900	1,724,800
EBITDA Margin %	31.5	25.1	24.3	26.6	31.5	28.2	14.4	30.6	22.6	—	37.8	36.7
Operating Income (USD K)	1,004,100	699,200	792,100	801,500	865,100	926,700	125,900	1,305,200	961,400	—	729,400	958,300
Operating Margin %	20.0	15.1	15.0	17.2	19.3	19.0	2.5	25.1	20.5	—	20.9	20.4
Net Income (USD K)	416,100	532,100	530,000	286,500	331,500	128,500	-50,600	383,100	-17,600	—	419,000	503,400
Net Margin %	8.3	11.5	10.1	6.2	7.4	2.6	-1.3	6.3	-1.6	—	10.8	9.5
Diluted Shares Outstanding (K)	300,400	313,600	316,600	319,800	323,500	330,800	356,500	376,000	384,300	—	415,800	408,525
Diluted Earnings Per Share (USD)	1.39	1.70	1.67	0.90	1.02	0.39	-0.18	0.87	-0.19	—	0.91	1.09
Dividends Per Share (USD)	0.94	0.98	1.02	0.83	0.64	0.70	0.78	0.80	0.84	—	0.66	0.87

Valuation as of 31 Dec 2021

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Recent Qtr	TTM
Price/Sales	1.5	1.9	2.1	1.0	1.7	1.7	1.8	2.0	1.8	2.4	2.4	2.4
Price/Earnings	18.2	21.6	25.3	12.8	23.3	31.3	-87.7	22.6	-29.4	25.3	25.3	25.3
Price/Cash Flow	5.9	7.3	10.8	3.8	9.0	10.5	7.8	12.3	7.2	9.5	9.5	9.5
Dividend Yield %	3.78	2.98	2.4	4.25	2.89	2.73	3.08	2.87	3.66	3.19	3.19	3.19
Price/Book	1.4	1.8	2.2	1.6	1.9	2.0	2.0	2.1	2.0	2.3	2.3	2.3
EV/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Operating Performance / Profitability as of 30 Sep 2021

Fiscal Year, ends 31 Dec	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD	TTM
ROA %	2.0	2.4	2.2	1.4	1.8	0.7	-0.3	1.5	-0.3	—	—	2.0
ROE %	7.9	9.3	8.8	5.7	8.4	3.1	-1.4	6.6	-1.5	—	—	9.6
ROIC %	5.1	5.4	4.9	3.8	4.9	2.7	1.4	4.2	1.3	—	—	4.7
Asset Turnover	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	—	—	0.2

Financial Leverage

Fiscal Year, ends 31 Dec	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Recent Qtr	TTM
Debt/Capital %	55.1	56.3	56.9	60.8	59.8	63.5	55.3	56.8	61.6	—	58.6	—
Equity/Assets %	25.4	26.0	25.1	22.0	21.8	21.6	22.3	22.5	22.1	—	21.0	—
Total Debt/EBITDA	5.1	7.6	7.8	5.6	5.6	6.5	14.7	7.1	10.9	—	9.9	—
EBITDA/Interest Expense	4.0	3.2	3.5	3.3	4.0	3.8	2.0	4.3	2.9	Infinite	5.2	5.2

Morningstar Analyst Historical/Forecast Summary as of 05 Jan 2022

Financials

Fiscal Year, ends 31 Dec	2019	2020	Estimates 2021	2022	2023
Revenue (USD Mil)	4,682	4,836	5,065	5,329	5,646
Revenue Growth %	-10.1	3.3	4.7	5.2	5.9
EBITDA (USD Mil)	1,277	1,823	2,020	2,255	2,543
EBITDA Margin %	27.3	37.7	39.9	42.3	45.1
Operating Income (USD Mil)	551	1,073	1,180	1,325	1,513
Operating Margin %	11.8	22.2	23.3	24.9	26.8
Net Income (USD Mil)	508	566	640	692	796
Net Margin %	10.8	11.7	12.6	13.0	14.1
Diluted Shares Outstanding (Mil)	384	420	441	450	453
Diluted Earnings Per Share(USD)	1.32	1.35	1.45	1.54	1.76
Dividends Per Share(USD)	0.84	0.88	0.92	0.97	1.02

Forward Valuation

	2019	2020	Estimates 2021	2022	2023
Price/Sales	1.9	2.2	2.1	2.0	1.9
Price/Earnings	17.4	20.5	19.0	17.9	15.7
Price/Cash Flow	-13.7	-17.3	-13.3	-6.5	-77.7
Dividend Yield %	3.66	3.19	3.33	3.51	3.69
Price/Book	—	—	—	—	—
EV/EBITDA	16.0	12.2	11.0	9.8	8.7

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Research Methodology for Valuing Companies

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, indepth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss shortterm market-price movements), but we believe these negatives are mitigated by deep analysis and our longterm approach.

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 a 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 singlepoint 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.

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 workingcapital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes (EBI) and the net new investment (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 (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. 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

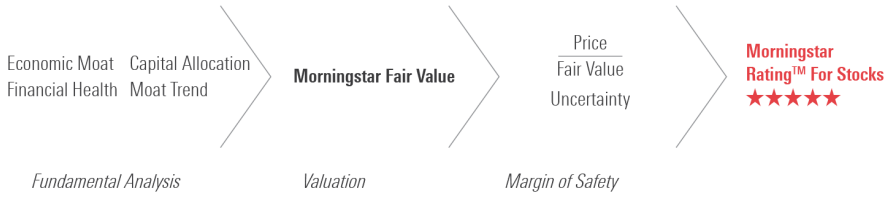
Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with 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 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

Morningstar Equity Research Star Rating Methodology



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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.

	Margin of Safety	
Qualitative Analysis Uncertainty Ratings	★★★★★Rating	★Rating
Low	20% Discount	25% Premium
Medium	30% Discount	35% Premium
High	40% Discount	55% Premium
Very High	50% Discount	75% Premium
Extreme	75% Discount	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 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. Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted.

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.

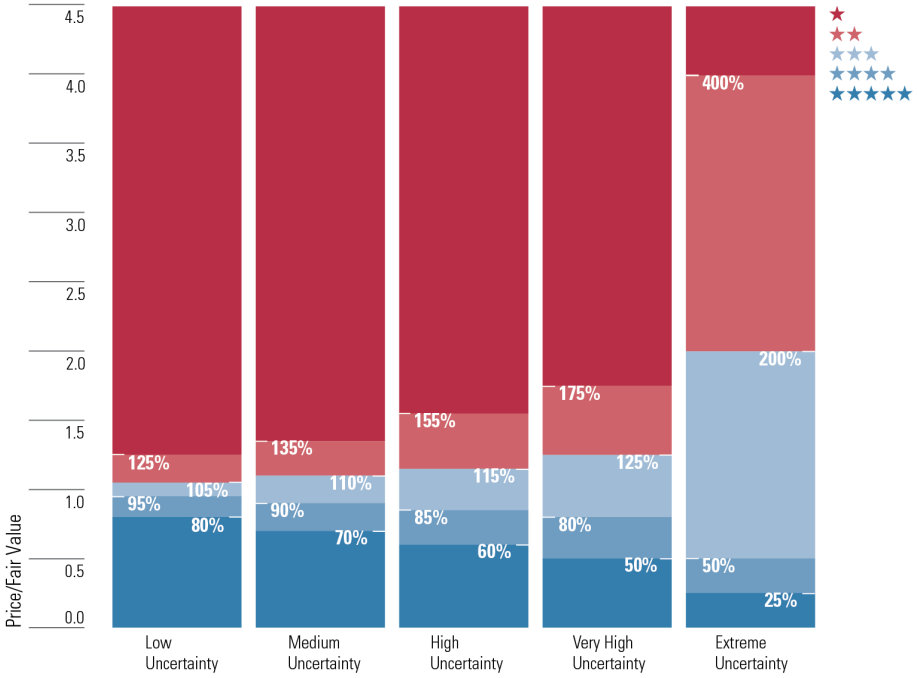
We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

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. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

Morningstar Equity Research Star Rating Methodology



★★★★ 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. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

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: "Exem-

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plary", "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.

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.

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Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environment, 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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NiSource Inc NI (NYSE) | ★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
27.62 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

NiSource Kicks Off 2022 Regulatory Year With Constructive Rulings in Kentucky, Pennsylvania

See Page 2 for the full Analyst Note from 05 Jan 2022

Travis Miller
Strategist
Morningstar

Business Strategy and Outlook 05 Jan 2022

After decades of deriving most of its income from natural gas distribution and midstream businesses, NiSource has transitioned to a more diversified earnings mix. About 60% of NiSource's operating income comes from its six natural gas distribution utilities and 40% from its electric utility in Indiana following the 2015 separation from Columbia Pipeline Group.

NiSource's utilities have constructive regulatory frameworks that allow it to collect a cash return of and a cash return on the bulk of its capital investments within 18 months. We expect NiSource to invest more than $10 billion over the next four years, including what could be nearly $3 billion of renewable energy projects in Indiana, where NiSource enjoys favorable regulation.

That growth could extend even longer. Over the next 20 years, NiSource has identified $40 billion of infrastructure improvement projects on its gas and electric networks. Roughly 50% of these investments are expected to be for replacing steel and cast-iron pipe with plastic at its natural gas distribution utilities. Almost all of these investments receive favorable regulatory treatment. This allows NiSource to earn returns on these investments near its regulatory allowed returns and consistently above its cost of capital.

In October 2020, NiSource sold its Columbia Gas of Massachusetts utility and received $1.1 billion of proceeds that it used to strengthen the balance sheet and prepare for its planned infrastructure investments. The sale came nearly two years after a natural gas explosion on NiSource's Massachusetts system killed one person north of Boston. Insurance covered roughly half of the almost $2 billion of claims, penalties, and other expenses.

Earnings are set to rebound quickly from their low in 2020 when COVID-19 pandemic costs, lower energy use, the Massachusetts utility sale, and a large equity issuance weighed on earnings. We expect modest customer growth combined with NiSource's infrastructure growth investments to support 8% annual earnings growth and 6% annual dividend growth from 2021 to 2025.

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Research as of 05 Jan 2022
Estimates as of 05 Jan 2022
Pricing data through 04 Jan 2022 00:00
Rating updated as of 04 Jan 2022 00:00

[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.
Rating as of 01 Dec 2021 00:00

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

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Vital Statistics

Market Cap (USD Mil)	10,847
52-Week High (USD)	27.88
52-Week Low (USD)	21.09
52-Week Total Return %	26.2
YTD Total Return %	0.0
Last Fiscal Year End	31 Dec 2020
5-Yr Forward Revenue CAGR %	4.5
5-Yr Forward EPS CAGR %	6.7
Price/Fair Value	0.92

Valuation Summary and Forecasts

Fiscal Year:	2019	2020	*2021(E)*	*2022(E)*
Price/Earnings	21.1	17.4	*20.5*	*19.0*
EV/EBITDA	13.0	16.0	*12.2*	*11.0*
EV/EBIT	23.5	37.1	*20.6*	*18.8*
Free Cash Flow Yield %	-2.1	-7.3	*-5.8*	*-7.5*
Dividend Yield %	2.8	3.7	*3.2*	*3.3*

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*	*4.7*
EBIT	891	551	*1,073*	*1,180*
EBIT YoY %	614.3	-38.2	*94.8*	*10.0*
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*	*93.1*

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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NiSource Inc NI (NYSE) | ★★★★

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Morningstar Analysis

NiSource Kicks Off 2022 Regulatory Year With Constructive Rulings in Kentucky, Pennsylvania 05 Jan 2022

We are reaffirming our $30 per share fair value estimate for NiSource after Kentucky regulators approved an $18.3 million, or 12%, increase in gas base rates, mostly in line with a settlement reached in October. We are also reaffirming our narrow moat and stable moat trend ratings.

The constructive outcome in Kentucky shortly after Pennsylvania regulators approved a $58.5 million, or 12%, gas rate increase is a good early indication of regulatory support as NiSource faces several critical regulatory tests this year. We expect regulators to sign off on large gas rate increases during the second half of the year in Ohio and Indiana to support NiSource's infrastructure investments. These rate increases support our 8% earnings growth forecast for 2022.

This also is a critical year for NiSource's Indiana electric utility, which we think has the best long-term growth potential. NiSource 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 will likely determine whether NiSource hits the high end or low end of management's 7%-9% annual average earnings growth range through 2024.

We assume electric and gas systemwide customer growth and core investment support 5% earnings growth through 2024. We expect additional earnings growth to come from NiSource's potential $750 million of clean energy investments to replace retiring coal generation through 2028, particularly in Indiana. We also assume regulators approve $600 million of investment for NiSource with the rest of the generation secured through earnings-neutral power purchase agreements.

We expect dividend growth to stay near 5% in 2022-23 before a potential step-up in 2024, assuming constructive regulatory outcomes.

Fair Value & Profit Drivers 05 Jan 2022

Our fair value estimate is $30 per share.

We assume NiSource invests more than $10 billion in 2022-25, including nearly $3 billion of investment in renewable energy projects in Indiana to keep it on track to close its last coal-fired power plant in 2028. Investment in the gas distribution systems, primarily for pipeline replacement, should remain well above maintenance-level spending for several more years, resulting in rate increases across all its gas utilities.

In total, we expect 11% average annual rate base growth and 8% average annual earnings growth through 2025 when combining the planned electric and gas system investments. The key factor in our growth outlook is a favorable outcome in NiSource's planned 2023-24 electric rate case in Indiana. Renewable energy and gas distribution infrastructure investments also should support strong dividend growth, a better ESG profile, and lower risk for investors.

We use a 6.1% cost of capital in our discounted cash flow valuation, which incorporates a 7.5% cost of equity. Our cost of equity is lower than the 9% rate of return we expect investors will demand of a diversified equity portfolio. We believe our cost of equity reflects the risk associated with regulated electric and natural gas distribution utilities operating in states that have average to above-average regulatory frameworks.

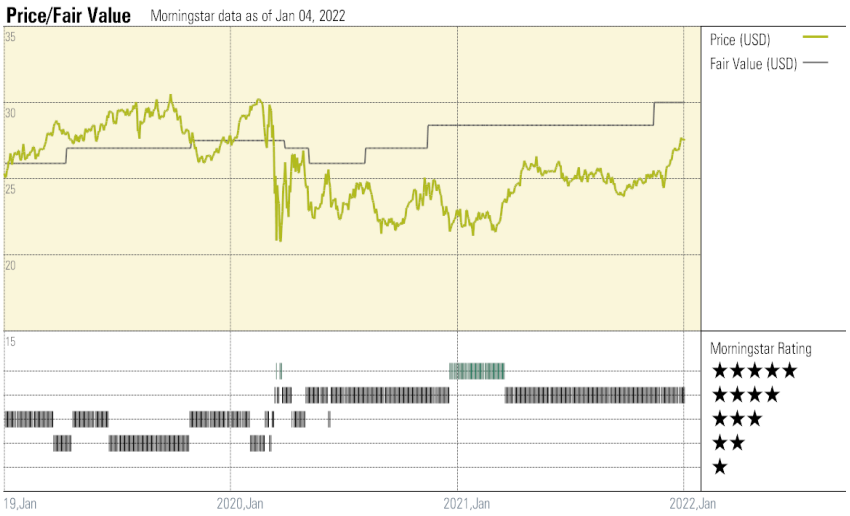
Scenario Analysis

Our bull and bear cases suggest a low uncertainty rating for NiSource. Our low uncertainty rating is due in large part to the favorable regulatory frameworks in the jurisdictions of NiSource's utility operations. In addition, we believe we

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27.62 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	



have captured potential ESG risk in our base-case scenario.

If we assume capital expenditures are 25% lower than our estimate during the next five years, then our annual EPS growth would decline about 5% and our fair value estimate would decrease approximately $3 per share. We estimate similar upside impact in our bull case if NiSource secures more growth investment opportunities during the next five years.

A 50-basis-point change in our cost of equity assumption changes our fair value estimate by $3 per share.

Economic Moat

Service territory monopolies and efficient scale advantages are the primary moat sources for NiSource's regulated utilities. State and federal regulators typically grant regulated utilities exclusive rights to charge customers rates that allow the utilities to earn a fair return on and return of the capital they invest to build, operate, and maintain their infrastructure. In exchange for regulated utilities' service territory monopolies, state and federal regulators set returns at levels that aim to minimize customer costs while offering fair returns for capital providers.

This implicit contract between regulators and capital providers should, on balance, allow NiSource's regulated utilities to achieve at least their costs of capital, though observable returns might vary in the short run based on demand trends, investment cycles, operating costs, and access to financing.

NiSource derives roughly 60% of its operating earnings from its natural gas distribution utilities and 40% from its integrated electric business in Indiana. In all cases, state and federal regulators set customer rates that allow NiSource to recover its operating and capital costs.

NiSource has no commodity price risk that could weaken its moat. Customers may elect to purchase natural gas from independent retail energy suppliers and use and pay for distribution services only. NiSource exited the no-moat retail energy supply business in 2010.

Moat Trend

We believe NiSource's moat trend is stable. We do not foresee a long-term change to the firm's business as a monopoly provider of natural gas and electricity, nor do we see changes to its compact with regulators. All operating earnings are from Federal Energy Regulatory Commission-regulated electric transmission and state-regulated natural gas and electric utilities. We think it is unlikely that the core FERC or state cost-of-service regulatory frameworks will change. As with almost all regulated utilities, we believe regulatory caps on revenue and returns preclude NiSource from establishing a wide economic moat.

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Bulls Say/Bears Say

Bulls Say

- We expect the dividend to grow near 5% annually during the next few years before accelerating to keep pace with earnings in 2024 and beyond.
- NiSource should benefit from Indiana policymakers' desire to cut the state's carbon emissions by replacing coal generation with renewable energy, energy storage, and possibly hydrogen.
- New legislation has improved the regulatory framework in Indiana for NiSource's electric and natural gas distribution utilities.

Bears Say

- Industrial customers account for over half of NiSource's electric sales, higher than most utilities. Industrial sales are more sensitive to the economy than residential and commercial sales.
- Renewable energy could be a long-term threat for NiSource's natural gas distribution business if policymakers in states it serves pursue aggressive carbon emissions cuts.
- NiSource has issued nearly $3 billion of equity and preferred stock during the last four years, resulting in little earnings growth since 2018.

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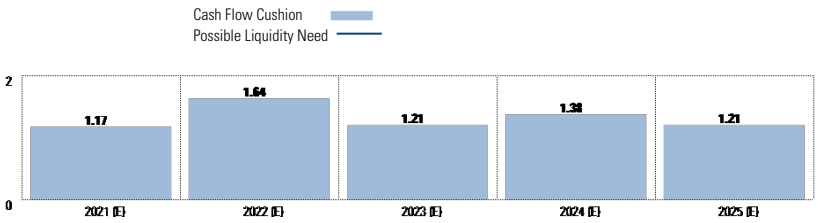
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Five Year Adjusted Cash Flow Forecast (USD Mil)

	2021(E)	2022(E)	2023(E)	2024(E)	2025(E)
Cash and Equivalents (beginning of period)	126	1,166	1,170	290	239
Adjusted Available Cash Flow	1,611	1,860	498	653	1,655
Total Cash Available before Debt Service	1,736	3,026	1,668	943	1,894
Principal Payments	-1,081	-1,428	-905	-178	-1,039
Interest Payments	-369	-389	-442	-476	-499
Other Cash Obligations and Commitments	-30	-30	-30	-30	-30
Total Cash Obligations and Commitments	-1,480	-1,847	-1,377	-684	-1,568

Cumulative Annual Cash Flow Cushion



Adjusted Cash Flow Summary

	USD Millions	% of Commitments
Beginning Cash Balance	126	1.8
Sum of 5-Year Adjusted Free Cash Flow	6,277	90.2
Sum of Cash and 5-Year Cash Generation	6,402	92.0
Revolver Availability	—	—
Asset Adjusted Borrowings (Repayment)	—	—
Sum of Cash, 5-Year Cash Generation, Revolver and Adjustments	6,402	92.0
Sum of 5-Year Cash Commitments	-6,956	—

Financial Strength

NiSource has issued a substantial amount of equity in the past few years in part to fund its large infrastructure growth projects and in part to cover liabilities arising from the Massachusetts gas explosion. This dilution and the sale of Columbia Gas of Massachusetts has kept earnings mostly flat since 2018.NiSource's debt/capital topped 67% at year-end 2017, but huge equity infusions have brought that down to more sustainable levels in the mid-50% range. NiSource issued over $1 billion of common stock and $880 million of preferred stock in 2018 and 2019. The Massachusetts utility sale in 2020 raised $1.1 billion, and NiSource issued $862.5 million of convertible preferred equity units in early 2021. We expect NiSource will still need $500 million of new equity during the next three years to fund its planned growth investments and maintain its current capital structure.NiSource has grown its dividend nearly 40% since the 2015 Columbia Pipeline Group spin-off, but the growth has not been consistent. The company increased its dividend in mid-2016 by 6.5% and again by 6.1% in the first quarter of 2017, then by 11.4% in 2018. But the 2019 dividend increase was only 2.6% following the Boston gas explosion.We expect a smoother dividend growth trajectory in line with the 5% increases in 2020 and 2021. We expect dividend growth might pick up in 2024 once NiSource is past the peak of its five-year capital spending plan and its equity needs shrink. We expect a long-term payout ratio near 60% is a secure target.

Risk & Uncertainty

Regulatory risk remains the key uncertainty. However, NiSource's regulatory exposure is diversified with operations in six states and its federal-regulated electric transmission system. NiSource has reduced some of the regulatory uncertainty related to its planned natural gas distribution and electric utilities investments by securing preapprovals and favorable rate mechanisms that provide for automatic rate increases as the utility makes its

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infrastructure investments.In 2020, NiSource announced it would eliminate all coal-fired generation from its power plant fleet by 2028, significantly reducing ESG risk. This transition will require signing power purchase agreements for renewable energy, building new solar and wind farms, and making modifications to its electric grid. There is a modest amount of execution risk to this dramatic transition from coal.

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Management & Ownership

Management Activity

Name	Position	Shares Held	Report Date*	InsiderActivity
MR. JOSEPH HAMROCK	Director, Director, and President & CEO,Director	556,988	03 Sep 2021	—
MS. VIOLET G. SISTOVARIS	EVP and President, NIPSCO	148,776	26 Feb 2021	—
MR. DONALD E. BROWN	EVP, CFO and Pres Corp Svcs	145,938	20 Aug 2021	—
MR. PABLO A. VEGAS	EVP, COO & President Utilities	101,224	01 Jul 2021	—
MS. EILEEN O'NEILL ODUM	EVP & Group CEO	97,086	24 Mar 2009	—
DR. CAROLYN Y. WOO	Director,Director	61,498	25 May 2021	—
DR. ARISTIDES S. CANDRIS	Director,Director	60,816	25 May 2021	—

*Represents the date on which the owner's name, position, and common shares held were reported by the holder or issuer.

Fund Ownership

Top Owners	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
T. Rowe Price Capital Appreciation Fund	4.08	0.76	-2,327	31 Dec 2021
Vanguard US Total Market Shares ETF	2.84	0.02	17	31 Dec 2021
Vanguard Total Stock Market Index Fund	2.84	0.02	17	31 Dec 2021
Vanguard Mid-Cap Index Fund	2.27	0.13	47	31 Dec 2021
Vanguard 500 Index Fund	2.12	0.02	37	31 Dec 2021
Concentrated Holders				
Beck Bode Income Growth	0.00	9.73	—	31 Dec 2021
Miller/Howard â€" Utilities Plus	0.00	4.69	—	31 Dec 2021
Maple-Brown Abbott Gbl Listed Infra Hd	0.16	4.58	-19	31 Dec 2021
Maple-Brown Abbott Global Listed Infra	0.38	4.56	—	31 Dec 2021
Maple-Brown Abbott Glb Infras	0.30	4.55	—	31 Dec 2021

Institutional Transactions

Top 5 Buyers	% of Shares Held	% of Fund Assets	Shares Bought/ Sold (k)	Portfolio Date
Barclays PLC	1.07	0.05	3,393	31 Dec 2021
BlackRock Advisors (UK) Ltd	0.98	0.07	3,272	31 Dec 2021
State Street Corporation	5.56	0.03	2,909	31 Dec 2021
Amvescap Plc.	1.65	0.04	2,532	31 Dec 2021
Thrivent Financial For Lutherans	0.49	0.09	1,892	31 Dec 2021
Top 5 Sellers				
T. Rowe Price Associates, Inc.	10.45	0.09	-6,105	31 Dec 2021
T. Rowe Price	2.64	8.23	-6,074	31 Dec 2021
MFS Investment Management	—	—	-2,816	31 Dec 2021
Fidelity Management & Research Company LLC	2.55	2.30	-2,609	31 Dec 2021
Two Sigma Investments LLC	—	—	-2,314	31 Dec 2021

Capital Allocation 05 Jan 2022

We assign NiSource a Standard capital allocation rating primarily due to management's plan to direct future investment toward clean energy and gas system modernization projects in constructive regulatory jurisdictions.

Current and former management made two key capital allocation decisions in recent years that we think were favorable for shareholders and positioned the company to execute its current growth plan. The first move was forming Columbia Pipeline Partners and executing Columbia Pipeline Group's tax-free separation. The second move was selling Columbia Gas of Massachusetts to Eversource Energy in 2020 after regulators determined NiSource was responsible for a gas explosion north of Boston. Even though the incident had a negative effect on shareholder value, NiSource resolved the issues quickly and received an attractive price to exit a region that was farthest from its core Midwest utilities.

CEO Joe Hamrock succeeded Bob Skaggs in mid-2015 when Skaggs, a 32-year NiSource veteran, chose to lead the newly formed Columbia Pipeline Group. Hamrock has experience in the gas distribution business with NiSource and the electric distribution business with American Electric Power before joining NiSource. CFO Donald Brown joined NiSource in April 2015. Previously, he was with UGI Utilities and Constellation Energy. Hamrock and Brown helped create the financial and regulatory foundation for the current growth plan, and we don't expect any significant strategic changes.

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Analyst Notes

NiSource Kicks Off 2022 Regulatory Year With Constructive Rulings in Kentucky, Pennsylvania 05 Jan 2022

We are reaffirming our $30 per share fair value estimate for NiSource after Kentucky regulators approved an $18.3 million, or 12%, increase in gas base rates, mostly in line with a settlement reached in October. We are also reaffirming our narrow moat and stable moat trend ratings.

The constructive outcome in Kentucky shortly after Pennsylvania regulators approved a $58.5 million, or 12%, gas rate increase is a good early indication of regulatory support as NiSource faces several critical regulatory tests this year. We expect regulators to sign off on large gas rate increases during the second half of the year in Ohio and Indiana to support NiSource's infrastructure investments. These rate increases support our 8% earnings growth forecast for 2022.

This also is a critical year for NiSource's Indiana electric utility, which we think has the best long-term growth potential. NiSource 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 will likely determine whether NiSource hits the high end or low end of management's 7%-9% annual average earnings growth range through 2024.

We assume electric and gas systemwide customer growth and core investment support 5% earnings growth through 2024. We expect additional earnings growth to come from NiSource's potential $750 million of clean energy investments to replace retiring coal generation through 2028, particularly in Indiana. We also assume regulators approve $600 million of investment for NiSource with the rest of the generation secured through earnings-neutral power purchase agreements.

We expect dividend growth to stay near 5% in 2022-23 before a potential step-up in 2024, assuming constructive regulatory outcomes.

NiSource's Earnings Growth Will Start to Take Shape in 2022; Raising Fair Value Estimate 10 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

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Analyst Notes

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 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.

NiSource Keeps Filling in Pieces of Its Long-Term Growth Plan 04 Nov 2021

We are reaffirming our $28.50 per share fair value estimate after NiSource reported $0.11 earnings per share in the third quarter and $0.98 EPS for the first nine months on an adjusted basis. Earnings are on track to meet our full-year estimate within management's $1.32 to $1.36 guidance range. We are reaffirming our narrow moat and stable moat trend ratings.

Year-to-date earnings are flat from 2020 primarily reflecting the sale of Columbia Gas of Massachusetts in October 2020 and the $835 million of equity units NiSource issued in April. We expect growth to pick up in 2022 and accelerate beyond 2022. Management initiated 2022 earnings guidance of $1.42 to $1.48 per share, slightly above our estimate. Our 8% average annual earnings growth estimate beyond 2022 is in line with management's 7%-9% target.

NiSource continues to gain regulatory support for its long-term growth plan. NiSource's preferred integrated resource plan at its Indiana electric utility includes an opportunity for $750 million of investment to continue transitioning its coal generation fleet to renewable energy. Most of NiSource's planned $2 billion renewable energy investments will come in 2022 and 2023, setting up sizable revenue growth in 2023 and 2024.

NiSource's gas utilities continue reaching constructive regulatory outcomes that support our estimate for $1.5 billion of annual capital investment systemwide. The outcome of rate increase requests in Ohio and Indiana, NiSource's two largest gas utilities, will be a good indication of regulatory support for its growth plan. We expect constructive outcomes based on ratemaking structures that minimize the time between NiSource's capital investments and customer rate adjustments.

Regulatory support enhances cash flow and should allow NiSource to pay a robust and growing dividend even as it executes its growth plan. We expect the board to approve at least a 5% dividend increase early next year.

Indiana Renewable Energy Investment Approval Provides Increased Confidence in NiSource's EPS Growth 04 Aug 2021

We are reaffirming our $28.50 per share fair value estimate after NiSource reported flat 2021 second-quarter operating EPS, reaffirmed operating earnings guidance, and provided an update to its planned renewable energy investment. Operating EPS in the recently ended quarter were $0.13, the same as in the second quarter of 2020.

We have reaffirmed our 2021 EPS estimate of $1.34, at the midpoint of NiSource's $1.32-$1.36 guidance. We believe flat second-quarter EPS was particularly positive, given the large equity issuance in April that increased average diluted common shares by 10%, to 423 million versus the same period last year. In addition, operating EPS in the second quarter excludes earnings from Columbia Gas of

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Analyst Notes

Massachusetts, which was sold in October 2020.

We also have increased confidence in our 7.9% annual EPS growth rate from 2021-24, near the midpoint of NiSource's 7%-9% target. Our increased confidence is due in large part to the fact that the eight renewable energy joint venture projects, which will require $2 billion from NiSource, have now all been approved by the Indiana Utility Regulatory Commission.

Although we think a tracking mechanism for the renewable projects would be more favorable for shareholders, pre-approval is a positive. Indiana regulation has been constructive and relatively consistent for investors with allowed returns modestly above industry averages. Assuming a favorable Indiana rate-case outcome, our 2024 EPS estimate of $1.68 is 12% higher than our 2023 EPS estimate of $1.50 due in large part to higher electric rates from the 2023 Indiana base rate case.

For more detail on our view of the future of NiSource's natural gas utilities and its renewable energy investment plan, see our November 2020 report, "Is Natural Gas Heating Going the Way of Buggy Whips?"

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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*	*4.7*	*4.5*
EBIT	*-15.4*	-86.3	614.3	-38.2	*94.8*	*10.0*	*23.4*
EBITDA	*-4.8*	-51.1	122.0	-20.6	*42.8*	*10.8*	*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*	*6.7*
Earnings Before Interest, after Tax	—	651.8	-417.7	10.7	*19.6*	*5.9*	*10.8*
Free Cash Flow	—	-13.4	-65.5	-190.7	*-161.6*	*93.1*	*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*	*5.2*	*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*	*5.13*
EBITDA/Interest Expense	*3.25*	2.05	4.24	3.44	*4.94*	*5.20*	*5.19*

Valuation Summary and Forecasts

	2019	2020	*2021(E)*	*2022(E)*
Price/Fair Value	1.01	0.80	—	—
Price/Earnings	21.1	17.4	*20.5*	*19.0*
EV/EBITDA	13.0	16.0	*12.2*	*11.0*
EV/EBIT	23.5	37.1	*20.6*	*18.8*
Free Cash Flow Yield %	-2.1	-7.3	*-5.8*	*-7.5*
Dividend Yield %	2.8	3.7	*3.2*	*3.3*

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	-1,313	-6.1	-3.01
Present Value Stage II	4,604	21.5	10.57
Present Value Stage III	18,105	84.6	41.55
Total Firm Value	**21,396**	**100.0**	**49.10**
Cash and Equivalents	126	—	0.29
Debt	-9,746	—	-22.37
Preferred Stock	-880	—	-2.02
Other Adjustments	1,631	—	3.74
Equity Value	**12,527**	**—**	**28.75**
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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NiSource Inc NI (NYSE) | ★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
27.62 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

Morningstar Analyst Forecasts

Income Statement (USD Mil)

Fiscal Year Ends in December	2018	2019	2020	Forecast 2021	Forecast 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***	***1,180***
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***	***1,180***
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***	***2,020***
Adjusted EBITDA	**724**	**1,608**	**1,277**	***1,823***	***2,020***

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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***	***26,035***
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***

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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***

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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]
27.62 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

Valuation Analysis

		Price/Earnings			EV/EBITDA			Price/Free Cash Flow			Price/Book			Price/Sales		
Company/Ticker	Price/Fair Value	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)
Xcel Energy Inc XEL USA	1.22	23.9	*23.2*	*21.6*	14.1	*14.1*	*12.4*	NM	*NM*	*NM*	—	—	—	3.1	*3.1*	*2.9*
WEC Energy Group Inc WEC USA	1.02	24.3	*23.6*	*22.1*	15.7	*15.1*	*14.0*	NM	*NM*	*NM*	—	—	—	4.0	*4.0*	*3.9*
CMS Energy Corp CMS USA	1.27	22.9	*24.5*	*22.5*	13.4	*11.9*	*11.6*	NM	*43.3*	*NM*	—	—	—	2.6	*2.7*	*2.7*
Alliant Energy Corp LNT USA	1.12	20.9	*22.8*	*21.9*	14.5	*15.7*	*14.5*	NM	*268.7*	*NM*	—	—	—	3.8	*4.3*	*4.2*
Average		23.0	*23.5*	*22.0*	14.4	*14.2*	*13.1*	—	*156.0*	—	—	—	—	3.4	*3.5*	*3.4*
NiSource Inc NI US	**0.92**	**17.4**	***20.5***	***19.0***	**16.0**	***12.2***	***11.0***	**NM**	***NM***	***NM***	**—**	**—**	**—**	**1.9**	***2.2***	***2.1***

Returns Analysis

		ROIC %			Adjusted ROIC %			Return on Equity %			Return on Assets %			Dividend Yield %		
Company/Ticker	Last Historical Year Total Assets (Mil)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)
Xcel Energy Inc XEL USA	53,957 USD	4.1	*4.2*	*4.5*	4.1	*4.2*	*4.5*	10.6	*10.6*	*10.8*	2.8	*2.9*	*3.0*	2.6	*2.7*	*2.8*
WEC Energy Group Inc WEC USA	37,028 USD	5.3	*7.0*	*6.9*	6.0	*7.8*	*7.7*	11.5	*11.8*	*12.0*	3.3	*3.4*	*3.4*	2.8	*2.8*	*3.0*
CMS Energy Corp CMS USA	29,666 USD	6.0	*6.0*	*5.7*	6.0	*6.0*	*5.7*	14.4	*14.4*	*13.6*	2.7	*2.7*	*2.7*	2.7	*2.7*	*2.9*
Alliant Energy Corp LNT USA	17,710 USD	5.5	*6.2*	*6.4*	5.5	*6.2*	*6.4*	11.3	*11.4*	*11.3*	3.6	*3.6*	*3.6*	3.0	*2.7*	*2.9*
Average		5.2	*5.9*	*5.9*	5.4	*6.1*	*6.1*	12.0	*12.1*	*11.9*	3.1	*3.2*	*3.2*	2.8	*2.7*	*2.9*
NiSource Inc NI US	**—** USD	**2.1**	***5.0***	***4.9***	**2.3**	***5.4***	***5.2***	**-7.5**	***10.2***	***9.8***	**-1.7**	***2.4***	***2.5***	**3.7**	***3.2***	***3.3***

Growth Analysis

		Revenue Growth %			EBIT Growth %			EPS Growth %			Free Cash Flow Growth %			Dividend/Share Growth %		
Company/Ticker	Last Historical Year Revenue (Mil)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)
Xcel Energy Inc XEL USA	11,526 USD	0.0	*3.3*	*5.9*	0.6	*3.0*	*13.5*	5.7	*5.8*	*7.0*	264.8	*-73.0*	*-58.3*	6.2	*6.4*	*6.0*
WEC Energy Group Inc WEC USA	7,242 USD	-3.7	*3.2*	*4.6*	11.4	*10.7*	*7.1*	5.9	*7.1*	*6.7*	-946.2	*-64.3*	*24.4*	7.2	*7.1*	*7.0*
CMS Energy Corp CMS USA	6,680 USD	-2.4	*4.9*	*0.1*	9.9	*13.3*	*0.5*	7.2	*-1.1*	*8.7*	71.2	*-204.9*	*-143.4*	6.5	*6.8*	*6.3*
Alliant Energy Corp LNT USA	3,416 USD	-6.4	*2.7*	*3.8*	-4.9	*7.1*	*11.5*	5.9	*7.9*	*4.2*	-48.1	*-143.7*	*-109.2*	7.0	*7.2*	*6.8*
Average		-3.1	*3.5*	*3.6*	4.3	*8.5*	*8.2*	6.2	*4.9*	*6.7*	-164.6	*-121.5*	*-71.6*	6.7	*6.9*	*6.5*
NiSource Inc NI US	**4,682** USD	**-10.1**	***3.3***	***4.7***	**-38.2**	***94.8***	***10.0***	**0.4**	***2.1***	***7.6***	**-190.7**	***-161.6***	***93.1***	**5.0**	***4.8***	***4.6***

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Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

Profitability Analysis

Company/Ticker	Last Historical Year Net Income (Mil)	Gross Margin %			EBITDA Margin %			Operating Margin %			Net Margin %			Free Cash Flow Margin %		
		2020	2021(E)	2022(E)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)
Xcel Energy Inc XEL USA	1,473 USD	63.2	64.0	65.7	35.4	36.4	38.9	18.4	18.3	19.6	12.8	13.4	13.6	-21.9	-7.0	-8.5
WEC Energy Group Inc WEC USA	1,201 USD	68.0	68.2	68.8	37.0	39.7	41.1	23.6	25.3	25.9	16.6	17.3	17.8	-0.9	-5.2	-5.7
CMS Energy Corp CMS USA	764 USD	62.5	63.7	63.1	36.1	37.9	38.7	20.4	22.0	22.1	11.4	10.8	11.8	-15.6	6.2	-15.9
Alliant Energy Corp LNT USA	614 USD	62.4	62.7	63.3	39.7	41.1	42.8	21.7	22.6	24.3	18.0	19.0	19.3	-25.3	1.6	-2.1
Average		64.0	64.7	65.2	37.1	38.8	40.4	21.0	22.1	23.0	14.7	15.1	15.6	-15.9	-1.1	-8.0
NiSource Inc NI US	**508** USD	**76.3**	***76.8***	***77.5***	**27.3**	***37.7***	***39.9***	**11.8**	***22.2***	***23.3***	**10.8**	***11.7***	***12.6***	**-14.0**	***-13.0***	***-16.1***

Leverage Analysis

Company/Ticker	Last Historical Year Total Debt (Mil)	Debt/Equity %			Debt/Total Cap %			EBITDA/Interest Exp.			Total Debt/EBITDA			Assets/Equity		
		2020	2021(E)	2022(E)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)
Xcel Energy Inc XEL USA	20,650 USD	141.7	146.6	151.6	58.6	59.5	60.3	5.1	5.2	5.4	5.1	5.2	5.0	3.7	3.6	3.6
WEC Energy Group Inc WEC USA	14,291 USD	134.0	138.2	141.7	57.3	58.0	58.6	5.4	5.3	5.1	5.3	5.2	5.2	3.5	3.5	3.5
CMS Energy Corp CMS USA	15,140 USD	275.5	265.0	270.4	73.4	72.6	73.0	4.3	4.4	4.5	6.3	5.9	6.2	5.4	5.1	5.1
Alliant Energy Corp LNT USA	7,166 USD	121.7	125.2	131.5	54.9	55.6	56.8	4.9	5.0	5.2	5.3	5.4	5.6	3.0	3.0	3.1
Average		168.2	168.8	173.8	61.1	61.4	62.2	4.9	5.0	5.1	5.5	5.4	5.5	3.9	3.8	3.8
NiSource Inc NI US	**9,746** USD	**169.4**	***122.2***	***126.2***	**62.9**	***55.0***	***55.8***	**3.4**	***4.9***	***5.2***	**7.6**	***5.3***	***5.3***	**3.8**	***3.1***	***3.1***

Liquidity Analysis

Company/Ticker	Market Cap (Mil)	Cash per Share			Current Ratio			Quick Ratio			Cash/Short-Term Debt			Payout Ratio %		
		2020	2021(E)	2022(E)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)
Xcel Energy Inc XEL USA	36,829 USD	0.24	0.20	0.25	0.77	0.82	0.83	0.65	0.68	0.69	0.13	0.11	0.14	61.7	62.0	61.4
WEC Energy Group Inc WEC USA	30,234 USD	0.08	0.47	0.49	1.14	1.30	1.15	1.02	1.17	1.03	0.01	0.07	0.06	66.8	66.8	67.0
CMS Energy Corp CMS USA	18,714 USD	0.65	1.72	1.09	0.78	0.89	0.75	0.59	0.70	0.57	0.12	0.33	0.21	61.9	60.8	64.4
Alliant Energy Corp LNT USA	15,202 USD	0.22	1.43	2.81	0.68	0.78	0.75	0.52	0.66	0.65	0.14	0.44	0.52	61.6	61.2	62.7
Average		0.30	0.96	1.16	0.84	0.95	0.87	0.70	0.80	0.74	0.10	0.24	0.23	63.0	62.7	63.9
NiSource Inc NI US	**10,847** USD	**0.33**	***2.78***	***2.65***	**0.73**	***1.25***	***1.23***	**0.55**	***1.07***	***1.06***	**0.24**	***2.22***	***2.22***	**-86.5**	***65.3***	***63.4***

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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

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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.

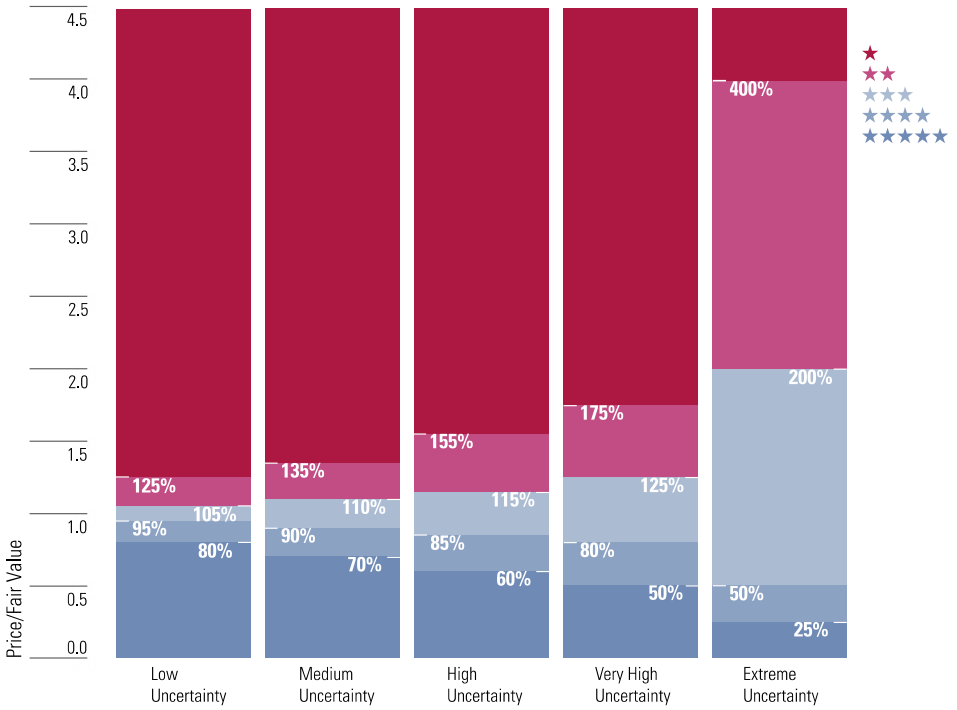
- Low–margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- Medium–margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- High–margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- Very 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.

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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/.

Ratings should not be used as the sole basis in evaluating a company or security. Ratings involve unknown risks and uncertainties which may cause our expectations not to occur or to differ significantly from what was expected and should not be considered an offer or solicitation to buy or sell a security.

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.

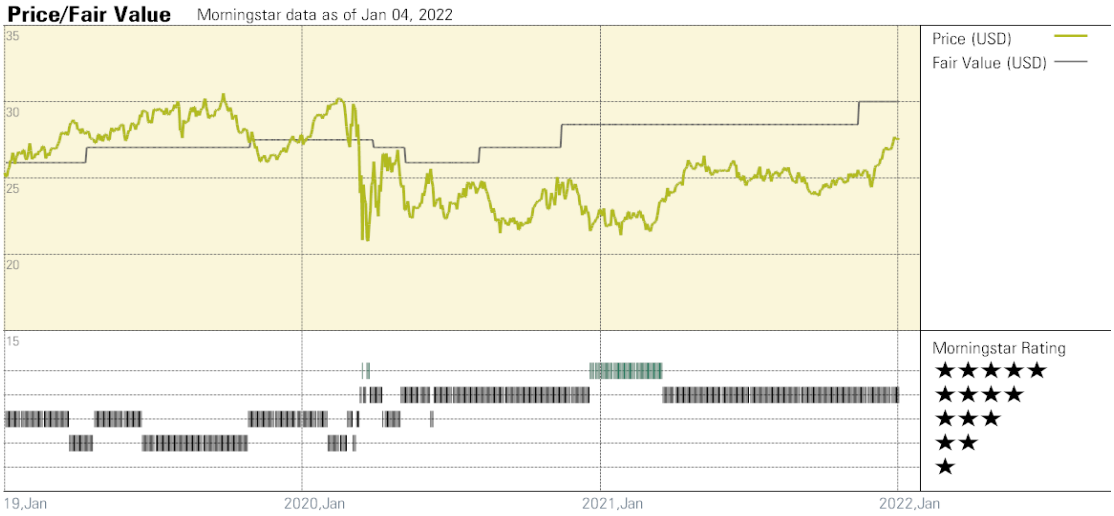
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NiSource Inc NI (NYSE) | ★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
27.62 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]
27.62 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]
27.62 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

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NiSource Kicks Off 2022 Regulatory Year With Constructive Rulings in Kentucky, Pennsylvania

Travis Miller
Strategist
Morningstar

Analyst Note 05 Jan 2022

We are reaffirming our $30 per share fair value estimate for NiSource after Kentucky regulators approved an $18.3 million, or 12%, increase in gas base rates, mostly in line with a settlement reached in October. We are also reaffirming our narrow moat and stable moat trend ratings.

The constructive outcome in Kentucky shortly after Pennsylvania regulators approved a $58.5 million, or 12%, gas rate increase is a good early indication of regulatory support as NiSource faces several critical regulatory tests this year. We expect regulators to sign off on large gas rate increases during the second half of the year in Ohio and Indiana to support NiSource's infrastructure investments. These rate increases support our 8% earnings growth forecast for 2022.

This also is a critical year for NiSource's Indiana electric utility, which we think has the best long-term growth potential. NiSource 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 will likely determine whether NiSource hits the high end or low end of management's 7%-9% annual average earnings growth range through 2024.

We assume electric and gas systemwide customer growth and core investment support 5% earnings growth through 2024. We expect additional earnings growth to come from NiSource's potential $750 million of clean energy investments to replace retiring coal generation through 2028, particularly in Indiana. We also assume regulators approve $600 million of investment for NiSource with the rest of the generation secured through earnings-neutral power purchase agreements.

We expect dividend growth to stay near 5% in 2022-23

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The primary analyst covering this company does not own its stock.

Research as of 05 Jan 2022
Estimates as of 05 Jan 2022
Pricing data through 04 Jan 2022 00:00
Rating updated as of 04 Jan 2022 00:00

[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.
Rating as of 01 Dec 2021 00:00

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

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Analyst Note 1
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Methodology for Valuing Companies

Vital Statistics

Market Cap (USD Mil)	10,847
52-Week High (USD)	27.88
52-Week Low (USD)	21.09
52-Week Total Return %	26.2
YTD Total Return %	0.0
Last Fiscal Year End	31 Dec 2020
5-Yr Forward Revenue CAGR %	4.5
5-Yr Forward EPS CAGR %	6.7
Price/Fair Value	0.92

Valuation Summary and Forecasts

Fiscal Year:	2019	2020	*2021(E)*	*2022(E)*
Price/Earnings	21.1	17.4	*20.5*	*19.0*
EV/EBITDA	13.0	16.0	*12.2*	*11.0*
EV/EBIT	23.5	37.1	*20.6*	*18.8*
Free Cash Flow Yield %	-2.1	-7.3	*-5.8*	*-7.5*
Dividend Yield %	2.8	3.7	*3.2*	*3.3*

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*	*4.7*
EBIT	891	551	*1,073*	*1,180*
EBIT YoY %	614.3	-38.2	*94.8*	*10.0*
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*	*93.1*

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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before a potential step-up in 2024, assuming constructive regulatory outcomes.

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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*	*4.7*	*4.5*
EBIT	*-15.4*	-86.3	614.3	-38.2	*94.8*	*10.0*	*23.4*
EBITDA	*-4.8*	-51.1	122.0	-20.6	*42.8*	*10.8*	*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*	*6.7*
Earnings Before Interest, after Tax	—	651.8	-417.7	10.7	*19.6*	*5.9*	*10.8*
Free Cash Flow	—	-13.4	-65.5	-190.7	*-161.6*	*93.1*	*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*	*5.2*	*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*	*5.13*
EBITDA/Interest Expense	*3.25*	2.05	4.24	3.44	*4.94*	*5.20*	*5.19*

Valuation Summary and Forecasts

	2019	2020	2021(E)	2022(E)
Price/Fair Value	1.01	0.80	—	—
Price/Earnings	21.1	17.4	*20.5*	*19.0*
EV/EBITDA	13.0	16.0	*12.2*	*11.0*
EV/EBIT	23.5	37.1	*20.6*	*18.8*
Free Cash Flow Yield %	-2.1	-7.3	*-5.8*	*-7.5*
Dividend Yield %	2.8	3.7	*3.2*	*3.3*

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	-1,313	-6.1	-3.01
Present Value Stage II	4,604	21.5	10.57
Present Value Stage III	18,105	84.6	41.55
Total Firm Value	**21,396**	**100.0**	**49.10**
Cash and Equivalents	126	—	0.29
Debt	-9,746	—	-22.37
Preferred Stock	-880	—	-2.02
Other Adjustments	1,631	—	3.74
Equity Value	**12,527**	**—**	**28.75**
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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NiSource Inc NI (NYSE) | ★★★★

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Morningstar Analyst Forecasts

Income Statement (USD Mil)

Fiscal Year Ends in December	2018	2019	2020	Forecast 2021	Forecast 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***	***1,180***
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***	***1,180***
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***	***2,020***
Adjusted EBITDA	**724**	**1,608**	**1,277**	***1,823***	***2,020***

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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***	***26,035***
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***

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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***

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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

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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.

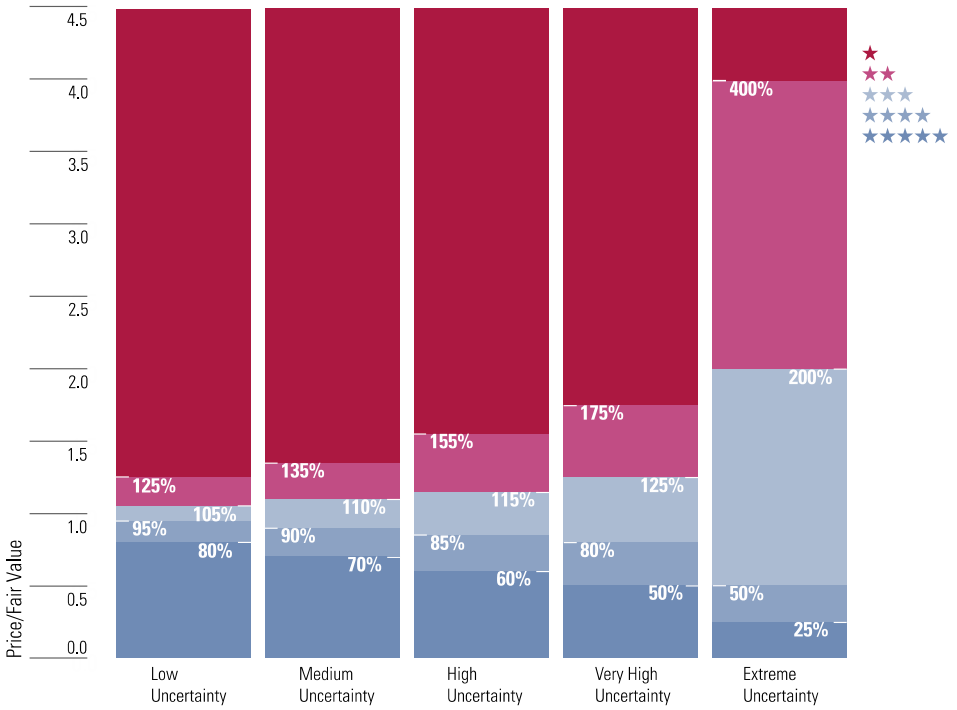
- Low–margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- Medium–margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- High–margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- Very 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.

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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/.

Ratings should not be used as the sole basis in evaluating a company or security. Ratings involve unknown risks and uncertainties which may cause our expectations not to occur or to differ significantly from what was expected and should not be considered an offer or solicitation to buy or sell a security.

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.

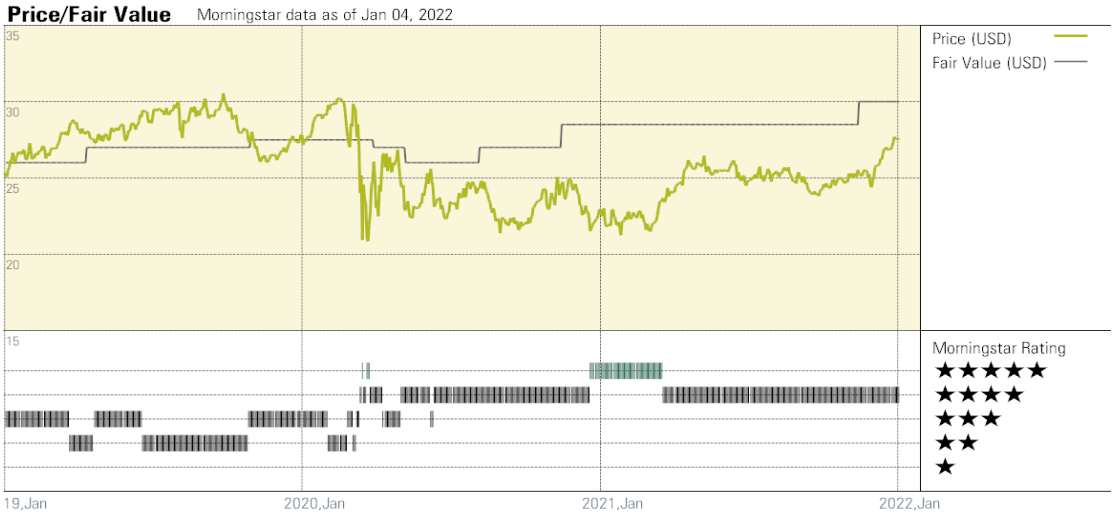
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Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
27.62 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	



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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]
27.62 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

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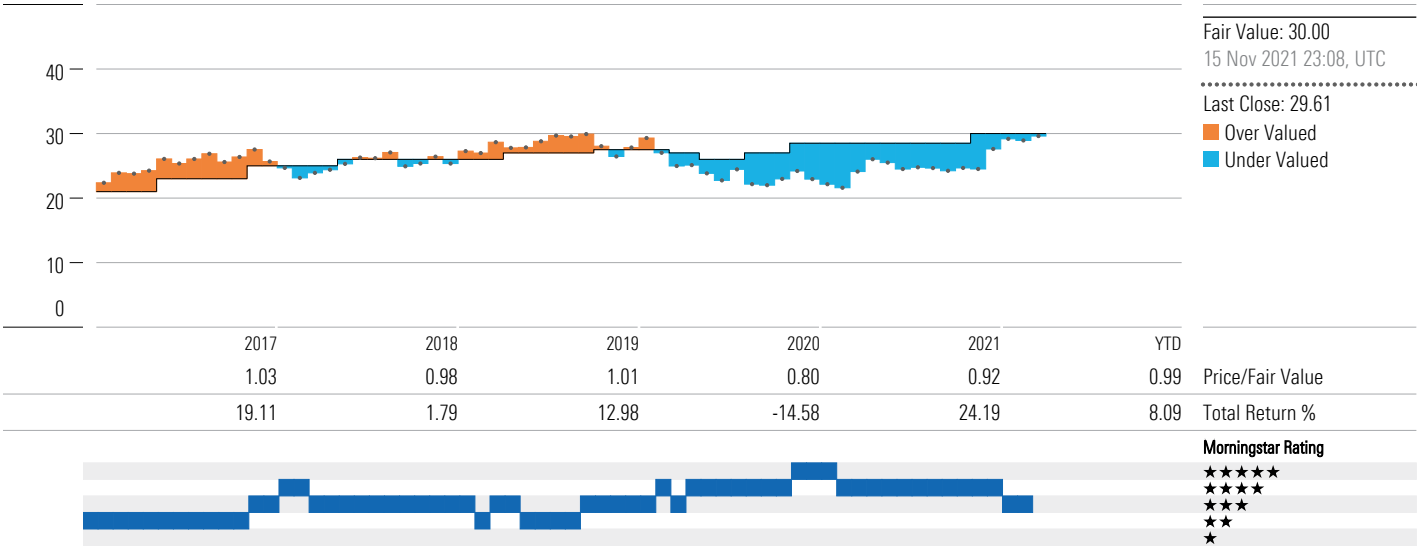
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NiSource Inc NI ★★★ 8 Mar 2022 22:26, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Moat Trend™	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
29.61 USD	30.00 USD	0.99	12.00 USD Bil	Narrow	Stable	Low	Standard	
8 Mar 2022	15 Nov 2021 23:08, UTC		8 Mar 2022					2 Mar 2022 06:00, UTC

Price vs. Fair Value



	2017	2018	2019	2020	2021	YTD
Price/Fair Value	1.03	0.98	1.01	0.80	0.92	0.99
Total Return %	19.11	1.79	12.98	-14.58	24.19	8.09

Total Return % as of 8 Mar 2022. Last Close as of 8 Mar 2022. Fair Value as of 15 Nov 2021 23:08, UTC.

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[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.

Utilities Could Start to Feel Pressure From Inflation, Higher Energy Prices

Analyst Note Travis Miller, Strategist, 9 Mar 2022

We are reaffirming our fair value estimates and moat ratings for the U.S. utilities we cover ahead of the U.S. Bureau of Labor Statistics' Consumer Price Index report March 10. We consider inflation to be the largest threat to utilities' long-term returns and ability to pay robust, growing dividends.

Utilities trade at a median 8% premium to our fair value estimates, which assume 2.3% long-term inflation. With utilities' market valuation multiples well above 20-year highs, we think the market is ignoring the potential for cuts in earnings growth and valuations by midyear if inflation remains above 3%.

Utilities are up 9% during the last two weeks, but we think that rally will be short-lived. The Morningstar US Utilities Index has underperformed the S&P 500 by 18 percentage points on average over two-year periods following months when the CPI rose more than 3% year over year. Core CPI was up 5.5% in December and 6.0% in January, the largest 12-month change since mid-1982, based on BLS data. A recent polling of economists estimate inflation near 8% for March, according to The Wall Street Journal.

Inflation hurts utilities' earnings and returns on capital because utilities generally have fixed revenue, high capital and labor costs, and large energy pass-through costs that raise customer bills without raising earnings. We estimate utilities' operating and core capital costs were more than 70% of net

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Sector
Utilities

Industry
Utilities - Regulated Gas

Business Description

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.

revenue on average in 2020. Rising costs make it critical that utilities receive timely rate adjustments, a particularly tough task when energy costs also are rising.

Low inflation and interest rates have helped most utilities increase earnings with only moderate customer bill impacts. Electric and gas utility bills have fallen from 2.2% of total household spending in 2008 to 1.6% in 2021. This is primarily due to mostly flat operating costs and lower interest costs offsetting a near doubling of capital investment during the last decade.

Business Strategy & Outlook Travis Miller, Strategist, 28 Jan 2022

After decades of deriving most of its income from natural gas distribution and midstream businesses, NiSource has transitioned to a more diversified earnings mix. About 60% of NiSource's operating income comes from its six natural gas distribution utilities and 40% from its electric utility in Indiana following the 2015 separation from Columbia Pipeline Group.

NiSource's utilities have constructive regulatory frameworks that allow it to collect a cash return of and a cash return on the bulk of its capital investments within 18 months. We expect NiSource to invest more than $10 billion over the next four years, including what could be nearly $3 billion of renewable energy projects in Indiana, where NiSource enjoys favorable regulation.

That growth could extend even longer. Over the next 20 years, NiSource has identified $40 billion of infrastructure improvement projects on its gas and electric networks. Roughly 50% of these investments are expected to be for replacing steel and cast-iron pipe with plastic at its natural gas distribution utilities. Almost all of these investments receive favorable regulatory treatment, allowing NiSource to earn near its regulatory allowed returns.

In October 2020, NiSource sold its Columbia Gas of Massachusetts utility and received $1.1 billion of proceeds that it used to strengthen the balance sheet and prepare for its planned infrastructure investments. The sale came nearly two years after a natural gas explosion on NiSource's Massachusetts system killed one person north of Boston. Insurance covered roughly half of the almost $2 billion of claims, penalties, and other expenses.

Earnings are set to rebound quickly from their low in 2020 when COVID-19 pandemic costs, lower energy use, the Massachusetts utility sale, and a large equity issuance weighed on earnings. We expect modest customer growth combined with NiSource's infrastructure growth investments to support 8% annual earnings growth and 6% annual dividend growth from 2022 to 2026.

Bulls Say Travis Miller, Strategist, 27 Jan 2022

- We expect the dividend to grow near 6% annually during the next few years before accelerating to keep pace with earnings in 2024 and beyond.

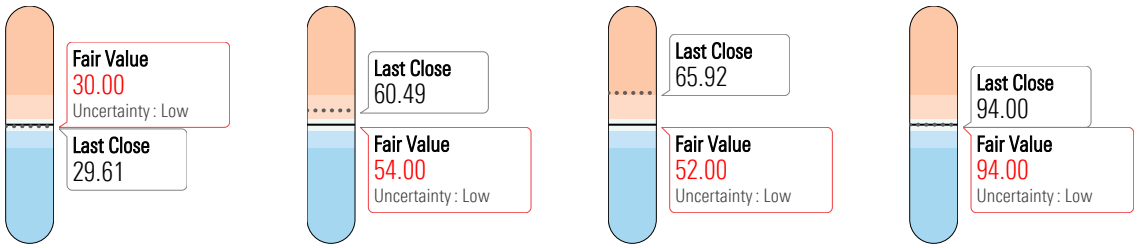
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NiSource Inc NI ★★★ 8 Mar 2022 22:26, UTC

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Competitors



	NiSource Inc NI	Alliant Energy Corp LNT	CMS Energy Corp CMS	WEC Energy Group Inc WEC
Economic Moat	Narrow	Narrow	Narrow	Narrow
Moat Trend	Stable	Stable	Stable	Stable
Currency	USD	USD	USD	USD
Fair Value	30.00 15 Nov 2021 23:08, UTC	54.00 10 Aug 2021 14:17, UTC	52.00 14 Feb 2022 15:32, UTC	94.00 2 Nov 2021 20:21, UTC
1-Star Price	37.50	67.50	65.00	117.50
5-Star Price	24.00	43.20	41.60	75.20
Assessment	Fairly Valued 8 Mar 2022	Over Valued 8 Mar 2022	Significantly Over Valued 8 Mar 2022	Fairly Valued 8 Mar 2022
Morningstar Rating	★★★8 Mar 2022 22:26, UTC	★★8 Mar 2022 22:26, UTC	★8 Mar 2022 22:26, UTC	★★★8 Mar 2022 22:26, UTC
Analyst	Travis Miller, Strategist	Andrew Bischof, Senior Equity Analyst	Travis Miller, Strategist	Andrew Bischof, Senior Equity Analyst
Capital Allocation	Standard	Standard	Standard	Exemplary
Price/Fair Value	0.99	1.12	1.27	1.00
Price/Sales	2.52	4.13	2.60	3.58
Price/Book	2.22	2.53	2.07	2.72
Price/Earning	23.31	23.00	25.55	22.87
Dividend Yield	3.02%	2.70%	2.68%	2.94%
Market Cap	12.00 Bil	15.15 Bil	19.10 Bil	29.65 Bil
52-Week Range	21.86—30.54	49.52—62.35	55.73—67.63	85.92—99.86
Investment Style	Mid Value	Mid Core	Mid Core	Mid Core

- NiSource should benefit from Indiana policymakers' desire to cut the state's carbon emissions by replacing coal generation with renewable energy, energy storage, and possibly hydrogen.
- New legislation has improved the regulatory framework in Indiana for NiSource's electric and natural gas distribution utilities.

Bears Say Travis Miller, Strategist, 27 Jan 2022

- Industrial customers account for over half of NiSource's electric sales, higher than most utilities. Industrial sales are more sensitive to the economy than residential and commercial sales.
- Renewable energy could be a long-term threat for NiSource's natural gas distribution business if policymakers in states it serves pursue aggressive carbon emissions cuts.
- NiSource has issued nearly $3 billion of equity and preferred stock during the last four years, resulting in little earnings growth since 2018.

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Economic Moat Travis Miller, Strategist, 27 Jan 2022

Service territory monopolies and efficient scale advantages are the primary moat sources for NiSource's regulated utilities. State and federal regulators typically grant regulated utilities exclusive rights to charge customers rates that allow the utilities to earn a fair return on and return of the capital they invest to build, operate, and maintain their infrastructure. In exchange for regulated utilities' service territory monopolies, state and federal regulators set returns at levels that aim to minimize customer costs while offering fair returns for capital providers.

This implicit contract between regulators and capital providers should, on balance, allow NiSource's regulated utilities to achieve at least their costs of capital, though observable returns might vary in the short run based on demand trends, investment cycles, operating costs, and access to financing.

NiSource derives roughly 60% of its operating earnings from its natural gas distribution utilities and 40% from its integrated electric business in Indiana. In all cases, state and federal regulators set customer rates that allow NiSource to recover its operating and capital costs.

NiSource has no commodity price risk that could weaken its moat. Customers may elect to purchase natural gas from independent retail energy suppliers and use and pay for distribution services only. NiSource exited the no-moat retail energy supply business in 2010.

Fair Value and Profit Drivers Travis Miller, Strategist, 27 Jan 2022

Our fair value estimate is $30 per share.

We assume NiSource invests more than $10 billion in 2022-25, including nearly $3 billion of investment in renewable energy projects in Indiana to replace its coal-fired power generation fleet by 2028. Investment in the gas distribution systems, primarily for pipeline replacement, should remain well above maintenance-level spending for several more years, resulting in earnings growth at all of its gas utilities.

In total, we expect 11% average annual rate base growth and 8% average annual earnings growth through 2025 when combining the planned electric and gas system investments. The key factor in our growth outlook is a favorable outcome in NiSource's planned 2023-24 electric rate case in Indiana. Renewable energy and gas distribution infrastructure investments also should support strong dividend growth, a better ESG profile, and lower risk for investors.

We use a 6.1% cost of capital in our discounted cash flow valuation, which incorporates a 7.5% cost of equity. Our cost of equity is lower than the 9% rate of return we expect investors will demand of a diversified equity portfolio. We believe our cost of equity reflects the risk associated with regulated electric and natural gas distribution utilities operating in states that have average to above-average regulatory frameworks.

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Risk and Uncertainty Travis Miller, Strategist, 27 Jan 2022

Regulatory risk remains the key uncertainty. However, NiSource's regulatory exposure is diversified with operations in six states and its federal-regulated electric transmission system. NiSource has reduced some of the regulatory uncertainty related to its planned natural gas distribution and electric utilities investments by securing preapprovals and favorable rate mechanisms that provide for automatic rate increases as the utility makes its infrastructure investments.

In 2020, NiSource announced it would eliminate all coal-fired generation from its power plant fleet by 2028, significantly reducing ESG risk. This transition will require signing power purchase agreements for renewable energy, building new solar and wind farms, and making modifications to its electric grid. There is a modest amount of execution risk to this dramatic transition from coal.

Capital Allocation Travis Miller, Strategist, 27 Jan 2022

We assign NiSource a Standard capital allocation rating primarily due to management's plan to direct future investment toward clean energy and gas system modernization projects in constructive regulatory jurisdictions.

Current and former management made two key capital allocation decisions in recent years that we think were favorable for shareholders and positioned the company to execute its current growth plan. The first move was forming Columbia Pipeline Partners and executing Columbia Pipeline Group's tax-free separation. The second move was selling Columbia Gas of Massachusetts to Eversource Energy in 2020 after regulators determined NiSource was responsible for a gas explosion north of Boston. Even though the incident had a negative effect on shareholder value, NiSource resolved the issues quickly and received an attractive price to exit a region that was farthest from its core Midwest utilities.

The CEO transition from Joe Hamrock to Lloyd Yates in February 2022 shouldn't change much about the company's strategy. Even though Yates is effectively an outsider, we think he is more than capable after overseeing Duke Energy's core Carolina operations, which are more than twice the size of NiSource. Yates joined the NiSource board in 2020 after retiring from Duke. He never worked in any other role at NiSource.

Hamrock championed NiSource's clean energy growth strategy after succeeding Bob Skaggs in mid-2015 when Skaggs, a 32-year NiSource veteran, chose to lead the newly formed Columbia Pipeline Group. Hamrock had started his career at American Electric Power and worked in NiSource's gas distribution business before becoming CEO. CFO Donald Brown joined NiSource in April 2015 after stints at UGI Utilities and Constellation Energy.

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Utilities Top Pick NiSource Sets Up Pivotal Year With Regulatory, Strategic Reviews Travis Miller, Strategist, 23 Feb 2022

We are reaffirming our $30 per share fair value estimate for NiSource after the company reported earning $1.37 per share on an adjusted basis in 2021, in line with our estimate and management guidance. We are reaffirming our narrow moat and stable moat trend ratings.

We think NiSource's combination of a 3.4% dividend yield and potential for more than 7% annual growth makes it among the most attractive utilities in our coverage. The stock trades at a 5% discount to our fair value estimate and a discount to other utilities with similar growth outlooks.

New CEO Lloyd Yates signaled that he is considering selling some of NiSource's six gas distribution companies, a key strategic shift in response to what we consider rich valuations for recent gas utility sales. Any transactions at comparable valuations would represent at least a 30% premium to NiSource's current consolidated valuation, creating significant shareholder value.

Its smaller gas utilities in Kentucky, Pennsylvania, and Maryland are well positioned for potential sales after achieving constructive regulatory outcomes during the last three months. Gas distribution represents about 60% of NiSource's consolidated earnings. We expect any sales proceeds would go to increase its share of electric utility earnings and renewable energy investment.

This is a critical year for NiSource's Indiana electric utility, its largest and the one we think has the best long-term growth potential. NiSource plans to request an electric rate increase late this year effective in late 2023. The outcome of this request will likely determine whether NiSource hits the high end or low end of management's 7%-9% annual average earnings growth range through 2024.

Management reaffirmed its $1.42 to $1.48 EPS guidance range for 2022, in line with our estimate. We assume NiSource invests $2.5 billion of its $8 billion capital investment plan in renewable energy during the next three years.

NiSource CEO Hamrock to Retire; Stock Remains a Top Utilities Pick Travis Miller, Strategist, 28 Jan 2022

We are reaffirming our $30 per share fair value estimate for NiSource after CEO Joe Hamrock announced he plans to retire Feb. 14. Lloyd Yates, a NiSource director and former Duke Energy executive, is set to succeed Hamrock. We are reaffirming our narrow moat and stable moat trend ratings.

We suspect this succession plan has been in the works for at least a year since Yates left Duke and joined the NiSource board in 2020. Yates is two years older than Hamrock and has never worked for NiSource, two distinctions that make this transition plan different than most utilities' succession plans

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that favor long-tenured insiders.

NiSource's stock remains one of the most undervalued in our U.S. utilities coverage, trading at a 7% discount to our fair value estimate with a 4-star rating. On Jan. 26, the board approved a 7% dividend increase to $0.94 annualized, a bigger raise than we expected. This implies a 3.4% yield as of Jan. 27, higher than the utilities sector 3.2% median yield. We think NiSource's combination of yield and long-term growth is among the most attractive in the sector.

We consider Yates well prepared for the role after managing Duke's core Carolina operations, which are more two times as large as NiSource. Yates' immediate task is ensuring NiSource continues to achieve constructive regulatory outcomes, especially in its largest service territory, Indiana. We expect regulators to rule on NiSource's gas rate increase request later this year and an electric rate increase in 2023. Constructive outcomes in these cases are critical to support our 8% annual earnings growth forecast.

We expect Yates will continue Hamrock's clean energy growth strategy. We assume NiSource invests $3 billion of its $10 billion capital investment plan in renewable energy during the next four years, primarily at its Indiana electric utility. This will make it one of the fastest-growing utilities in our coverage.

NiSource Kicks Off 2022 Regulatory Year With Constructive Rulings in Kentucky, Pennsylvania

Travis Miller, Strategist, 5 Jan 2022

We are reaffirming our $30 per share fair value estimate for NiSource after Kentucky regulators approved an $18.3 million, or 12%, increase in gas base rates, mostly in line with a settlement reached in October. We are also reaffirming our narrow moat and stable moat trend ratings.

The constructive outcome in Kentucky shortly after Pennsylvania regulators approved a $58.5 million, or 12%, gas rate increase is a good early indication of regulatory support as NiSource faces several critical regulatory tests this year. We expect regulators to sign off on large gas rate increases during the second half of the year in Ohio and Indiana to support NiSource's infrastructure investments. These rate increases support our 8% earnings growth forecast for 2022.

This also is a critical year for NiSource's Indiana electric utility, which we think has the best long-term growth potential. NiSource 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 will likely determine whether NiSource hits the high end or low end of management's 7%-9% annual average earnings growth range through 2024.

We assume electric and gas systemwide customer growth and core investment support 5% earnings

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NiSource Inc NI ★★★ 8 Mar 2022 22:26, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Moat Trend™	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
29.61 USD 8 Mar 2022	30.00 USD 15 Nov 2021 23:08, UTC	0.99	12.00 USD Bil 8 Mar 2022	Narrow	Stable	Low	Standard	2 Mar 2022 06:00, UTC

growth through 2024. We expect additional earnings growth to come from NiSource's potential $750 million of clean energy investments to replace retiring coal generation through 2028, particularly in Indiana. We also assume regulators approve $600 million of investment for NiSource with the rest of the generation secured through earnings-neutral power purchase agreements.

We expect dividend growth to stay near 5% in 2022-23 before a potential step-up in 2024, assuming constructive regulatory outcomes.

NiSource's Earnings Growth Will Start to Take Shape in 2022; Raising Fair Value Estimate Travis Miller, Strategist, 10 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 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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NiSource Keeps Filling in Pieces of Its Long-Term Growth Plan Travis Miller, Strategist, 4 Nov 2021

We are reaffirming our $28.50 per share fair value estimate after NiSource reported $0.11 earnings per share in the third quarter and $0.98 EPS for the first nine months on an adjusted basis. Earnings are on track to meet our full-year estimate within management's $1.32 to $1.36 guidance range. We are reaffirming our narrow moat and stable moat trend ratings.

Year-to-date earnings are flat from 2020 primarily reflecting the sale of Columbia Gas of Massachusetts in October 2020 and the $835 million of equity units NiSource issued in April. We expect growth to pick up in 2022 and accelerate beyond 2022. Management initiated 2022 earnings guidance of $1.42 to $1.48 per share, slightly above our estimate. Our 8% average annual earnings growth estimate beyond 2022 is in line with management's 7%-9% target.

NiSource continues to gain regulatory support for its long-term growth plan. NiSource's preferred integrated resource plan at its Indiana electric utility includes an opportunity for $750 million of investment to continue transitioning its coal generation fleet to renewable energy. Most of NiSource's planned $2 billion renewable energy investments will come in 2022 and 2023, setting up sizable revenue growth in 2023 and 2024.

NiSource's gas utilities continue reaching constructive regulatory outcomes that support our estimate for $1.5 billion of annual capital investment systemwide. The outcome of rate increase requests in Ohio and Indiana, NiSource's two largest gas utilities, will be a good indication of regulatory support for its growth plan. We expect constructive outcomes based on ratemaking structures that minimize the time between NiSource's capital investments and customer rate adjustments.

Regulatory support enhances cash flow and should allow NiSource to pay a robust and growing dividend even as it executes its growth plan. We expect the board to approve at least a 5% dividend increase early next year.

Indiana Renewable Energy Investment Approval Provides Increased Confidence in NiSource's EPS Growth Charles Fishman, CFA, Equity Analyst, 4 Aug 2021

We are reaffirming our $28.50 per share fair value estimate after NiSource reported flat 2021 second-quarter operating EPS, reaffirmed operating earnings guidance, and provided an update to its planned renewable energy investment. Operating EPS in the recently ended quarter were $0.13, the same as in the second quarter of 2020.

We have reaffirmed our 2021 EPS estimate of $1.34, at the midpoint of NiSource's $1.32-$1.36 guidance. We believe flat second-quarter EPS was particularly positive, given the large equity issuance in April that increased average diluted common shares by 10%, to 423 million versus the same period last year. In addition, operating EPS in the second quarter excludes earnings from Columbia Gas of

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Massachusetts, which was sold in October 2020.

We also have increased confidence in our 7.9% annual EPS growth rate from 2021-24, near the midpoint of NiSource's 7%-9% target. Our increased confidence is due in large part to the fact that the eight renewable energy joint venture projects, which will require $2 billion from NiSource, have now all been approved by the Indiana Utility Regulatory Commission.

Although we think a tracking mechanism for the renewable projects would be more favorable for shareholders, pre-approval is a positive. Indiana regulation has been constructive and relatively consistent for investors with allowed returns modestly above industry averages. Assuming a favorable Indiana rate-case outcome, our 2024 EPS estimate of $1.68 is 12% higher than our 2023 EPS estimate of $1.50 due in large part to higher electric rates from the 2023 Indiana base rate case.

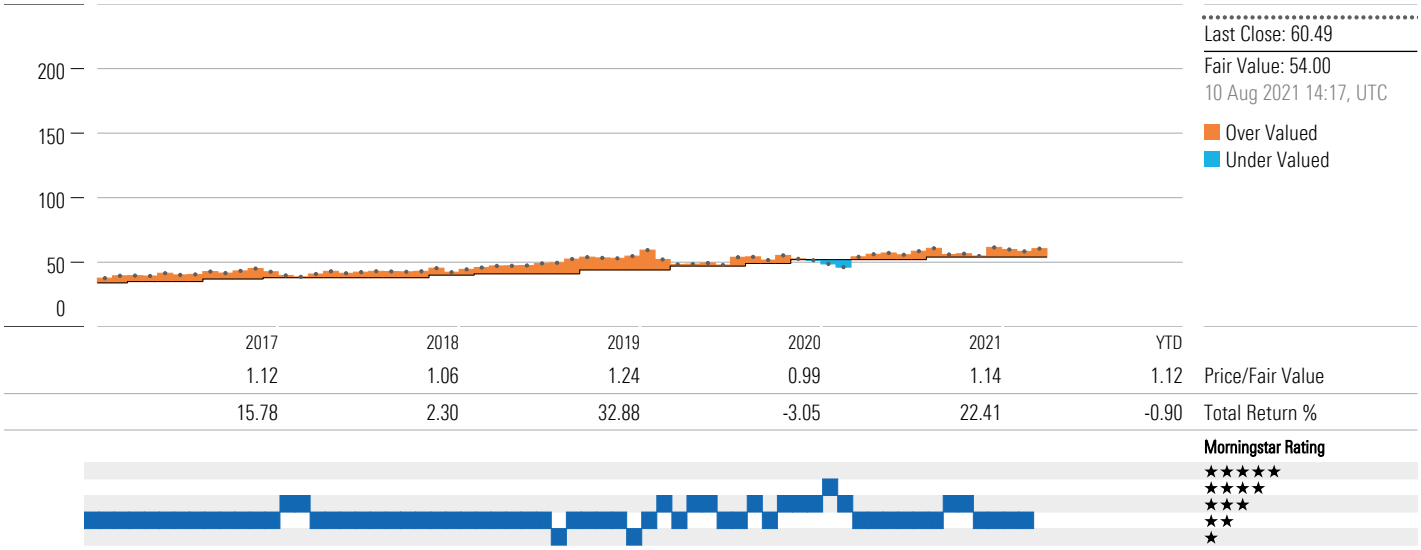
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Competitors Price vs. Fair Value

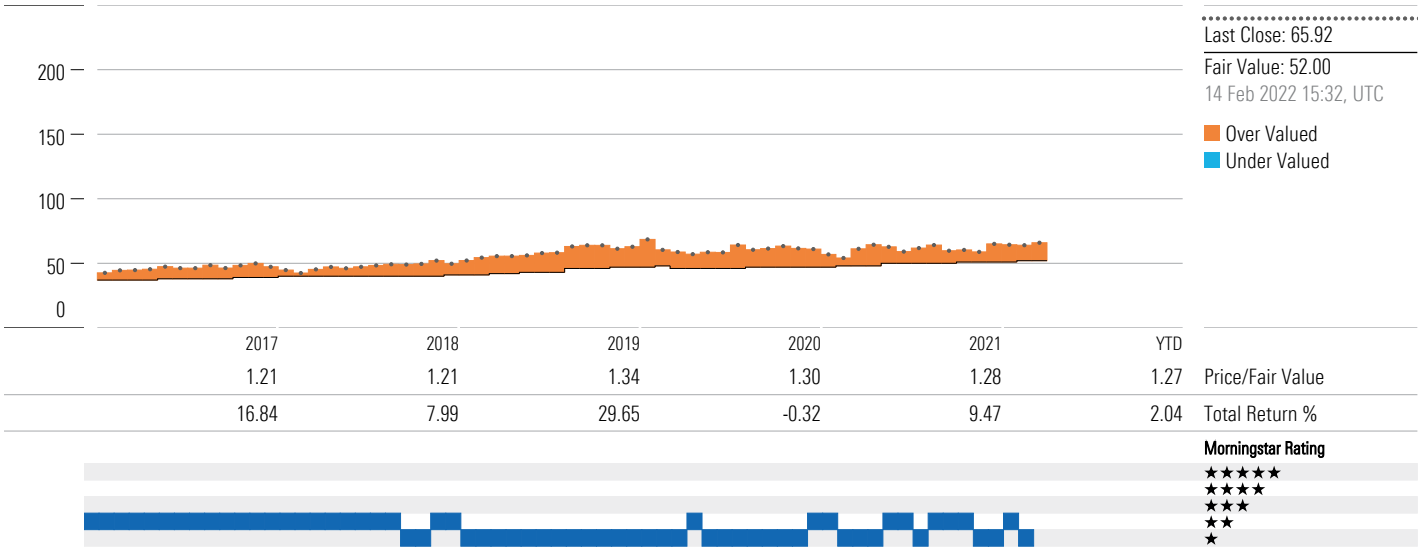
Alliant Energy Corp LNT



	2017	2018	2019	2020	2021	YTD	
	1.12	1.06	1.24	0.99	1.14	1.12	Price/Fair Value
	15.78	2.30	32.88	-3.05	22.41	-0.90	Total Return %

Total Return % as of 8 Mar 2022. Last Close as of 8 Mar 2022. Fair Value as of 10 Aug 2021 14:17, UTC.

CMS Energy Corp CMS



	2017	2018	2019	2020	2021	YTD	
	1.21	1.21	1.34	1.30	1.28	1.27	Price/Fair Value
	16.84	7.99	29.65	-0.32	9.47	2.04	Total Return %

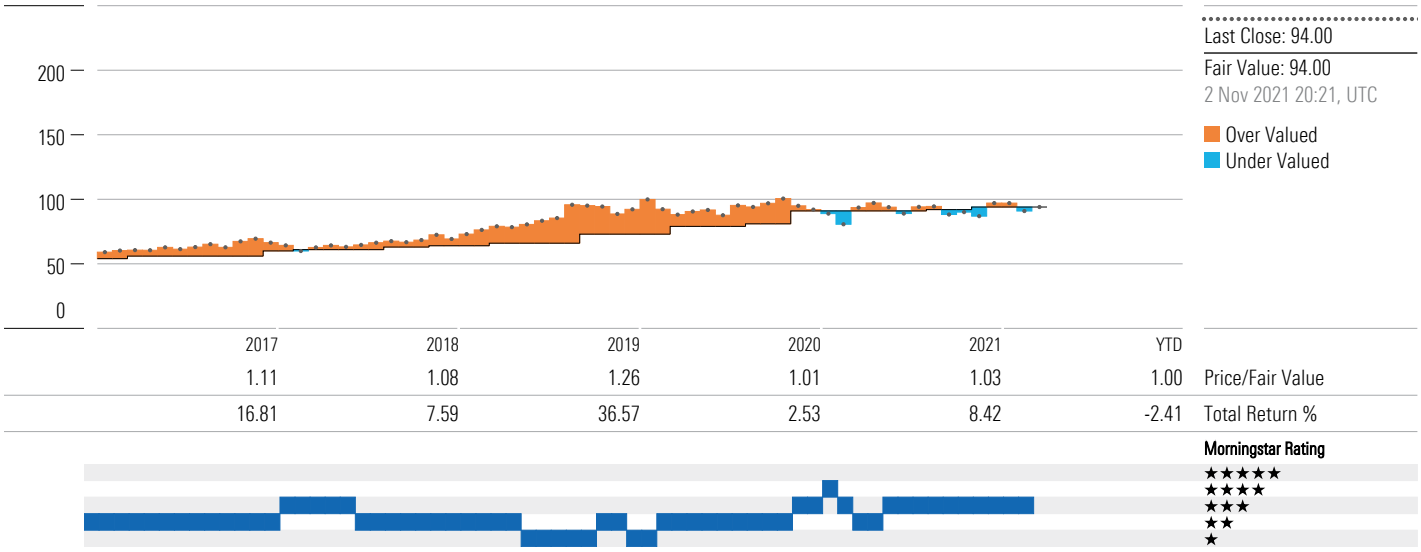
Total Return % as of 8 Mar 2022. Last Close as of 8 Mar 2022. Fair Value as of 14 Feb 2022 15:32, UTC.

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WEC Energy Group Inc WEC



	2017	2018	2019	2020	2021	YTD
Price/Fair Value	1.11	1.08	1.26	1.01	1.03	1.00
Total Return %	16.81	7.59	36.57	2.53	8.42	-2.41

Total Return % as of 8 Mar 2022. Last Close as of 8 Mar 2022. Fair Value as of 2 Nov 2021 20:21, UTC.

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8 Mar 2022	15 Nov 2021 23:08, UTC		8 Mar 2022					2 Mar 2022 06:00, UTC

Morningstar Historical Summary

Financials as of 31 Dec 2021

Fiscal Year, ends 31 Dec	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD	TTM
Revenue (USD Mil)	5,031	4,625	5,272	4,652	4,493	4,875	5,115	5,209	4,682	4,900	4,900	4,900
Revenue Growth %	-12.5	-8.1	14.0	-11.8	-3.4	8.5	4.9	1.8	-10.1	4.7	4.7	4.7
EBITDA (USD Mil)	1,583	1,161	1,278	1,239	1,417	1,377	734	1,595	1,057	1,787	1,787	1,787
EBITDA Margin %	31.5	25.1	24.3	26.6	31.5	28.2	14.4	30.6	22.6	36.5	36.5	36.5
Operating Income (USD Mil)	1,004	699	792	802	865	927	126	1,305	961	1,015	1,015	1,015
Operating Margin %	20.0	15.1	15.0	17.2	19.3	19.0	2.5	25.1	20.5	20.7	20.7	20.7
Net Income (USD Mil)	416	532	530	287	332	129	-51	383	-18	585	585	585
Net Margin %	8.3	11.5	10.1	6.2	7.4	2.6	-1.3	6.3	-1.6	10.8	10.8	10.8
Diluted Shares Outstanding (Mil)	300	314	317	320	324	331	357	376	384	417	417	417
Diluted Earnings Per Share (USD)	1.39	1.70	1.67	0.90	1.02	0.39	-0.18	0.87	-0.19	1.27	1.27	1.27
Dividends Per Share (USD)	0.94	0.98	1.02	0.83	0.64	0.70	0.78	0.80	0.84	0.88	0.88	0.88

Valuation as of 28 Feb 2022

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Recent Qtr	TTM
Price/Sales	1.5	1.9	2.1	1.0	1.7	1.7	1.8	2.0	1.8	2.4	2.4	2.5
Price/Earnings	18.2	21.6	25.3	12.8	23.3	31.3	-87.7	22.6	-29.4	25.3	25.3	22.8
Price/Cash Flow	5.9	7.3	10.8	3.8	9.0	10.5	7.8	12.3	7.2	9.5	9.5	9.9
Dividend Yield %	3.78	2.98	2.4	4.25	2.89	2.73	3.08	2.87	3.66	3.19	3.19	3.09
Price/Book	1.4	1.8	2.2	1.6	1.9	2.0	2.0	2.1	2.0	2.3	2.3	2.2
EV/EBITDA	10.0	16.1	18.1	10.4	10.5	12.5	25.3	13.1	19.3	12.6	0.0	0.0

Operating Performance / Profitability as of 31 Dec 2021

Fiscal Year, ends 31 Dec	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD	TTM
ROA %	2.0	2.4	2.2	1.4	1.8	0.7	-0.3	1.5	-0.3	2.3	2.3	2.3
ROE %	7.9	9.3	8.8	5.7	8.4	3.1	-1.4	6.6	-1.5	10.3	10.3	10.3
ROIC %	5.1	5.4	4.9	3.8	4.9	2.7	1.4	4.2	1.3	5.4	5.4	5.4
Asset Turnover	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2

Financial Leverage

Fiscal Year, ends 31 Dec	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Recent Qtr	TTM
Debt/Capital %	55.1	56.3	56.9	60.8	59.8	63.5	55.3	56.8	61.6	56.9	56.9	—
Equity/Assets %	25.4	26.0	25.1	22.0	21.8	21.6	22.3	22.5	22.1	22.4	22.4	—
Total Debt/EBITDA	5.1	7.6	7.8	5.6	5.6	6.5	14.7	7.1	10.9	7.1	7.1	—
EBITDA/Interest Expense	4.0	3.2	3.5	3.3	4.0	3.8	2.0	4.3	2.9	5.4	5.4	5.4

Morningstar Analyst Historical/Forecast Summary as of 27 Jan 2022

Financials

Fiscal Year, ends 31 Dec	2019	2020	Estimates 2021	2022	2023
Revenue (USD Mil)	4,682	4,836	5,065	5,329	5,646
Revenue Growth %	-10.1	3.3	4.7	5.2	5.9
EBITDA (USD Mil)	1,277	1,823	2,020	2,255	2,543
EBITDA Margin %	27.3	37.7	39.9	42.3	45.1
Operating Income (USD Mil)	551	1,073	1,180	1,325	1,513
Operating Margin %	11.8	22.2	23.3	24.9	26.8
Net Income (USD Mil)	508	566	640	692	796
Net Margin %	10.8	11.7	12.6	13.0	14.1
Diluted Shares Outstanding (Mil)	384	420	441	450	453
Diluted Earnings Per Share(USD)	1.32	1.35	1.45	1.54	1.76
Dividends Per Share(USD)	0.84	0.88	0.92	0.97	1.02

Forward Valuation

	2019	2020	Estimates 2021	2022	2023
Price/Sales	2.4	2.5	2.4	2.3	2.1
Price/Earnings	17.4	21.9	20.4	19.2	16.8
Price/Cash Flow	-17.1	-19.1	-14.7	-7.2	-85.9
Dividend Yield %	3.66	2.97	3.11	3.28	3.44
Price/Book	—	—	—	—	—
EV/EBITDA	17.6	12.8	11.5	10.3	9.1

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Research Methodology for Valuing Companies

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, indepth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss shortterm market-price movements), but we believe these negatives are mitigated by deep analysis and our longterm approach.

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 a 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 singlepoint 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.

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 workingcapital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes (EBI) and the net new investment (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 (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. 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

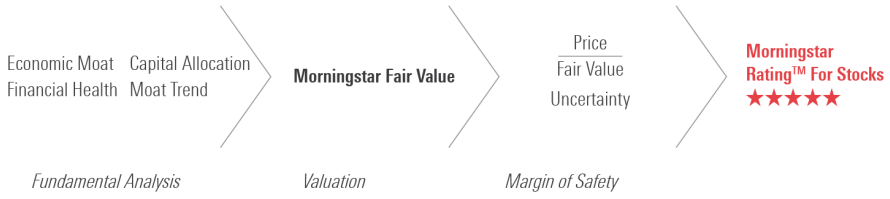
Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with 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 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

Morningstar Equity Research Star Rating Methodology



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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.

	Margin of Safety	
Qualitative Analysis Uncertainty Ratings	★★★★★Rating	★Rating
Low	20% Discount	25% Premium
Medium	30% Discount	35% Premium
High	40% Discount	55% Premium
Very High	50% Discount	75% Premium
Extreme	75% Discount	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 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. Our analysts keep close tabs on the companies they follow, and, based on thor ough and ongoing analysis, raise or lower their fair value estimates as warranted.

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.

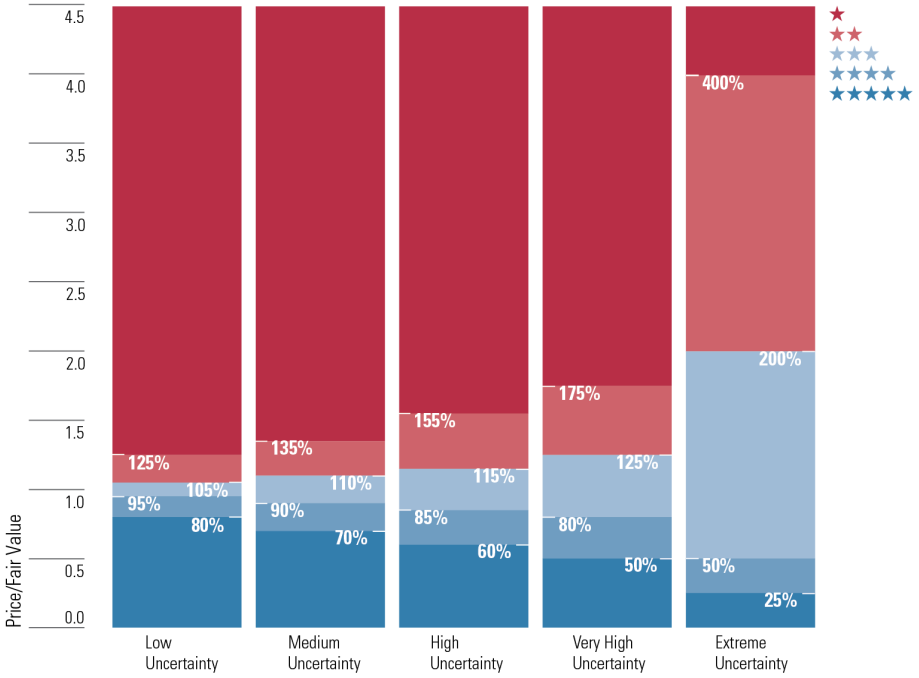
We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

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. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

Morningstar Equity Research Star Rating Methodology



★★★★ 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. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

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: "Exem-

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plary", "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.

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.

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Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environment, 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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NiSource Inc NI (NYSE) | ★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
29.64 USD	31.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

NiSource's 2022 Business Review Could Lead to Portfolio Shakeup

Updated Forecasts and Estimates from 15 Mar 2022

Travis Miller
Strategist
Morningstar

Business Strategy and Outlook 15 Mar 2022

After decades of deriving most of its income from natural gas distribution and midstream businesses, NiSource has transitioned to a more diversified earnings mix. About 60% of NiSource's operating income comes from its six natural gas distribution utilities and 40% from its electric utility in Indiana following the 2015 separation from Columbia Pipeline Group. The electric utility might increase its share of earnings if new CEO Lloyd Yates decides to divest some of NiSource's smaller gas utilities.

NiSource's utilities have constructive regulatory frameworks that allow it to collect a cash return of and a cash return on the bulk of its capital investments within 18 months. We expect NiSource to invest more than $8 billion over the next three years, including what could be $2 billion of renewable energy projects in Indiana, where NiSource enjoys favorable regulation.

That growth could extend even longer based on electric and gas system infrastructure improvement projects NiSource has identified. Replacing steel and cast-iron pipe with plastic at its natural gas distribution utilities is a key initiative along with investments across the business that reduce greenhouse gases. Almost all of these investments receive favorable regulatory treatment, allowing NiSource to earn near its regulatory allowed returns.

In October 2020, NiSource sold its Columbia Gas of Massachusetts utility and received $1.1 billion of proceeds that it used to strengthen the balance sheet and prepare for its planned infrastructure investments. The sale came nearly two years after a natural gas explosion on NiSource's Massachusetts system killed one person north of Boston. Insurance covered roughly half of the almost $2 billion of claims, penalties, and other expenses.

Earnings are set to rebound quickly from their low in 2020 when COVID-19 pandemic costs, lower energy use, the Massachusetts utility sale, and a large equity issuance weighed on earnings. We expect modest customer growth combined with NiSource's infrastructure growth investments to support 8% annual earnings growth and 6% annual dividend growth from 2022 to 2026.

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Research as of 15 Mar 2022
Estimates as of 15 Mar 2022
Pricing data as of 15 Mar 2022 13:19
Rating updated as of 15 Mar 2022 13:34

[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.
Rating as of 02 Mar 2022 00:00

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

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Vital Statistics

Market Cap (USD Mil)	12,003
52-Week High (USD)	30.54
52-Week Low (USD)	22.58
52-Week Total Return %	35.3
YTD Total Return %	8.1
Last Fiscal Year End	31 Dec 2021
5-Yr Forward Revenue CAGR %	4.4
5-Yr Forward EPS CAGR %	7.6
Price/Fair Value	0.96

Valuation Summary and Forecasts

Fiscal Year:	2020	2021	*2022(E)*	*2023(E)*
Price/Earnings	17.4	20.2	*20.6*	*19.1*
EV/EBITDA	16.0	12.8	*11.9*	*10.9*
EV/EBIT	37.1	22.3	*20.1*	*17.9*
Free Cash Flow Yield %	-7.3	-5.5	*-9.5*	*-14.8*
Dividend Yield %	3.7	3.0	*3.2*	*3.4*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2020	2021	*2022(E)*	*2023(E)*
Revenue	4,682	4,900	*5,171*	*5,395*
Revenue YoY %	-10.1	4.7	*5.5*	*4.3*
EBIT	551	1,007	*1,160*	*1,299*
EBIT YoY %	-38.2	82.8	*15.2*	*12.0*
Net Income, Adjusted	507	572	*623*	*688*
Net Income YoY %	2.5	12.7	*9.1*	*10.3*
Diluted EPS	1.32	1.37	*1.44*	*1.55*
Diluted EPS YoY %	0.3	3.8	*4.9*	*7.9*
Free Cash Flow	457	-765	*-229*	*-1,461*
Free Cash Flow YoY %	-190.7	-267.4	*-70.1*	*538.9*

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 renewable energy.

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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]
29.64 USD	31.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

Morningstar Analysis

Fair Value & Profit Drivers 15 Mar 2022
Our fair value estimate is $31 per share.

We assume NiSource invests more than $8 billion in 2022-24, including $2 billion of investment in renewable energy projects in Indiana to replace its coal-fired power generation fleet by 2028. Investment in the gas distribution systems, primarily for pipeline replacement, should remain well above maintenance-level spending for several more years, resulting in earnings growth at all of its gas utilities.

In total, we expect 11% average annual rate base growth and 8% average annual earnings growth through 2025 when combining the planned electric and gas system investments. The key factor in our growth outlook is a favorable outcome in NiSource's planned 2023-24 electric rate case in Indiana. Renewable energy and gas distribution infrastructure investments also should support strong dividend growth, a better ESG profile, and lower risk for investors.

We use a 5.8% cost of capital in our discounted cash flow valuation, which incorporates a 7.5% cost of equity. Our cost of equity is lower than the 9% rate of return we expect investors will demand of a diversified equity portfolio. We believe our cost of equity reflects the risk associated with regulated electric and natural gas distribution utilities operating in states that have average to above-average regulatory frameworks.

Scenario Analysis
Our bull and bear cases suggest a low uncertainty rating for NiSource. Our low uncertainty rating is due in large part to the favorable regulatory frameworks in the jurisdictions of NiSource's utility operations. In addition, we believe we have captured potential ESG risk in our base-case scenario.

If we assume capital expenditures are 25% lower than our estimate during the next five years, then our annual EPS growth would decline about 5% and our fair value estimate would decrease approximately $3 per share. We estimate similar upside impact in our bull case if NiSource secures more growth investment opportunities during the next five years.

A 50-basis-point change in our cost of equity assumption changes our fair value estimate by $3 per share.

Economic Moat
Service territory monopolies and efficient scale advantages are the primary moat sources for NiSource's regulated utilities. State and federal regulators typically grant regulated utilities exclusive rights to charge customers rates that allow the utilities to earn a fair return on and return of the capital they invest to build, operate, and maintain their infrastructure. In exchange for regulated utilities' service territory monopolies, state and federal regulators set returns at levels that aim to minimize customer costs while offering fair returns for capital providers.

This implicit contract between regulators and capital providers should, on balance, allow NiSource's regulated utilities to achieve at least their costs of capital, though observable returns might vary in the short run based on demand trends, investment cycles, operating costs, and access to financing.

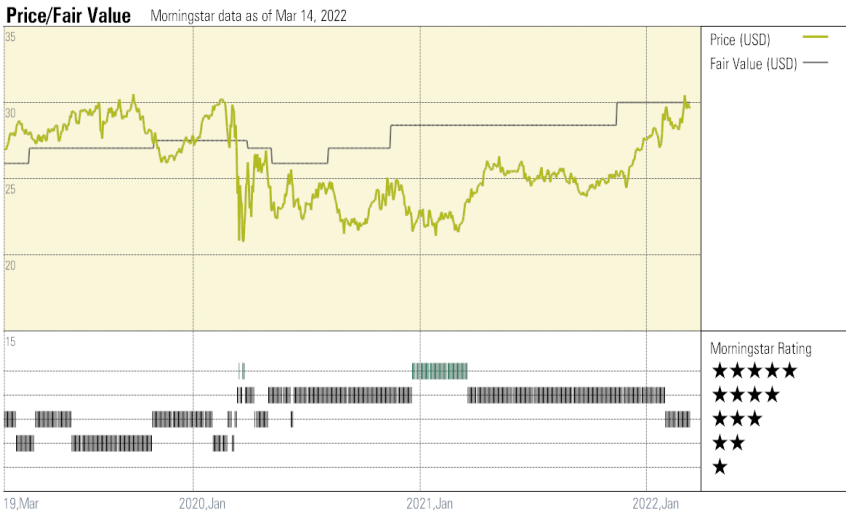
NiSource derives roughly 60% of its operating earnings from its natural gas distribution utilities and 40% from its integrated electric business in Indiana. In all cases, state and federal regulators set customer rates that allow NiSource to recover its operating and capital costs.

NiSource has no commodity price risk that could weaken its moat. Customers may elect to purchase natural gas from independent retail energy suppliers and use and pay for distribution services only. NiSource exited the no-moat retail energy supply business in 2010.

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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]
29.64 USD	31.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	



Moat Trend

We believe NiSource's moat trend is stable. We do not foresee a long-term change to the firm's business as a monopoly provider of natural gas and electricity, nor do we see changes to its compact with regulators. All operating earnings are from Federal Energy Regulatory Commission-regulated electric transmission and state-regulated natural gas and electric utilities. We think it is unlikely that the core FERC or state cost-of-service regulatory frameworks will change. As with almost all regulated utilities, we believe regulatory caps on revenue and returns preclude NiSource from establishing a wide economic moat.

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Bulls Say/Bears Say

Bulls Say

- We expect the dividend to grow near 6% annually during the next few years before accelerating to keep pace with earnings in 2024 and beyond.
- NiSource should benefit from Indiana policymakers' desire to cut the state's carbon emissions by replacing coal generation with renewable energy, energy storage, and possibly hydrogen.
- New legislation has improved the regulatory framework in Indiana for NiSource's electric and natural gas distribution utilities.

Bears Say

- Industrial customers account for over half of NiSource's electric sales, higher than most utilities. Industrial sales are more sensitive to the economy than residential and commercial sales.
- Renewable energy could be a long-term threat for NiSource's natural gas distribution business if policymakers in states it serves pursue aggressive carbon emissions cuts.
- NiSource has issued nearly $3 billion of equity and preferred stock during the last four years, resulting in little earnings growth since 2018.

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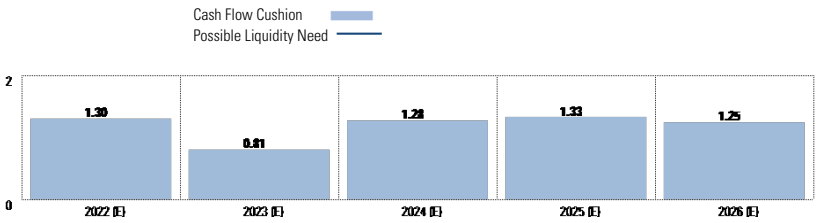
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Five Year Adjusted Cash Flow Forecast (USD Mil)

	2022(E)	2023(E)	2024(E)	2025(E)	2026(E)
Cash and Equivalents (beginning of period)	95	419	87	95	64
Adjusted Available Cash Flow	1,847	1,109	1,730	864	1,947
Total Cash Available before Debt Service	1,942	1,528	1,818	959	2,011
Principal Payments	-1,081	-1,428	-905	-178	-1,039
Interest Payments	-378	-421	-485	-514	-534
Other Cash Obligations and Commitments	-30	-30	-30	-30	-30
Total Cash Obligations and Commitments	-1,489	-1,879	-1,420	-722	-1,603

Cumulative Annual Cash Flow Cushion



Adjusted Cash Flow Summary

	USD Millions	% of Commitments
Beginning Cash Balance	95	1.3
Sum of 5-Year Adjusted Free Cash Flow	7,497	105.4
Sum of Cash and 5-Year Cash Generation	7,592	106.7
Revolver Availability	—	—
Asset Adjusted Borrowings (Repayment)	—	—
Sum of Cash, 5-Year Cash Generation, Revolver and Adjustments	7,592	106.7
Sum of 5-Year Cash Commitments	-7,113	—

Financial Strength

NiSource has issued a substantial amount of equity in the past few years in part to fund its large infrastructure growth projects and in part to cover liabilities arising from the Massachusetts gas explosion. This dilution and the sale of Columbia Gas of Massachusetts has kept earnings mostly flat since 2018.The equity has strengthened NiSource's balance sheet going into the next two years of heavy growth investment. NiSource issued over $1 billion of common stock and $880 million of preferred stock in 2018 and 2019. The Massachusetts utility sale in 2020 raised $1.1 billion, and NiSource issued $862.5 million of convertible preferred equity units in early 2021. We expect NiSource will still need $600 million of new equity during the next three years to fund its planned growth investments and maintain its current capital structure.NiSource has grown its dividend nearly 40% since the 2015 Columbia Pipeline Group spinoff despite a slight slowdown in the last few years. The board accelerated that growth for 2022 with a 7% increase, exceeding our expectations. We expect dividend growth to remain near 6% with a payout ratio around 60% for at least the next three years. This is in line with most of its peers.

Risk & Uncertainty

Regulatory risk remains the key uncertainty. However, NiSource's regulatory exposure is diversified with operations in six states and its federal-regulated electric transmission system. NiSource has reduced some of the regulatory uncertainty related to its planned natural gas distribution and electric utilities investments by securing preapprovals and favorable rate mechanisms that provide for automatic rate increases as the utility makes its infrastructure investments.

In 2020, NiSource announced it would eliminate all coal-fired generation from its power plant fleet by 2028, significantly reducing ESG risk. This transition will require signing power purchase agreements for renewable energy,

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building new solar and wind farms, and making modifications to its electric grid. There is a modest amount of execution risk to this dramatic transition from coal.

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Management & Ownership

Management Activity

Name	Position	Shares Held	Report Date*	InsiderActivity
MS. VIOLET G. SISTOVARIS	EVP & Chief Experience Officer	165,379	28 Feb 2022	—
MR. DONALD E. BROWN	EVP, CFO and Pres Corp Svcs	164,058	28 Feb 2022	—
MR. PABLO A. VEGAS	EVP, COO & President Utilities	120,026	28 Feb 2022	—
MS. EILEEN O'NEILL ODUM	EVP & Group CEO	97,086	24 Mar 2009	—
DR. ARISTIDES S. CANDRIS	Director,Director	60,816	25 May 2021	—
MR. LLOYD M YATES	Director,Director	54,106	28 Jan 2022	—
MR. SHAWN ANDERSON	SVP & Chief Strategy & Risk	51,433	28 Feb 2022	—

*Represents the date on which the owner's name, position, and common shares held were reported by the holder or issuer.

Fund Ownership

Top Owners	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
Vanguard Total Stock Market Index Fund	2.77	0.03	4	28 Feb 2022
Vanguard US Total Market Shares ETF	2.75	0.02	-8	28 Feb 2022
Vanguard Mid-Cap Index Fund	2.22	0.17	115	28 Feb 2022
Vanguard 500 Index Fund	2.10	0.03	168	28 Feb 2022
iShares Select Dividend ETF	2.08	1.19	—	28 Feb 2022
Concentrated Holders				
Inspire Select Utilities Sector	0.00	10.56	1	28 Feb 2022
Beck Bode Income Growth	0.00	9.73	—	28 Feb 2022
HIS Horizon Select 15 Utility	0.00	7.23	0	28 Feb 2022
Virtus Reaves Utilities ETF	0.02	5.23	—	28 Feb 2022
Miller/Howard â€“ Utilities Plus	0.00	4.77	—	28 Feb 2022

Institutional Transactions

Top 5 Buyers	% of Shares Held	% of Fund Assets	Shares Bought/ Sold (k)	Portfolio Date
Barclays PLC	4.34	0.09	13,393	28 Feb 2022
Barclays PLC	4.34	0.09	13,393	28 Feb 2022
Amvescap Plc.	2.51	0.07	3,677	28 Feb 2022
BlackRock Advisors (UK) Ltd	0.95	0.07	3,272	28 Feb 2022
SSGA Funds Management Inc	4.25	6.50	2,635	28 Feb 2022
Top 5 Sellers				
T. Rowe Price Associates, Inc.	4.67	0.05	-22,097	28 Feb 2022
BlackRock Institutional Trust Company NA	—	—	-9,022	28 Feb 2022
Citadel Advisors Llc	0.39	0.01	-3,736	28 Feb 2022
Jackson National Asset Management, LLC	0.00	0.05	-3,367	28 Feb 2022
MFS Investment Management	—	—	-2,816	28 Feb 2022

Capital Allocation 15 Mar 2022

We assign NiSource a Standard capital allocation rating primarily due to management's plan to direct future investment toward clean energy and gas system modernization projects in constructive regulatory jurisdictions.

Current and former management made two key capital allocation decisions in recent years that we think were favorable for shareholders and positioned the company to execute its current growth plan. The first move was forming Columbia Pipeline Partners and executing Columbia Pipeline Group's tax-free separation. The second move was selling Columbia Gas of Massachusetts to Eversource Energy in 2020 after regulators determined NiSource was responsible for a gas explosion north of Boston. Even though the incident had a negative effect on shareholder value, NiSource resolved the issues quickly and received an attractive price to exit a region that was farthest from its core Midwest utilities.

The CEO transition from Joe Hamrock to Lloyd Yates in February 2022 could bring some changes in NiSource's portfolio of companies. We expect any changes would aim to reduce NiSource's equity needs to fund renewable energy investments and take advantage of what we consider very attractive valuations for gas distribution utilities in recent acquisitions. Yates has been a director at NiSource since 2020 and previously led Duke Energy's core Carolina operations, which are more than twice the size of NiSource.

Hamrock championed NiSource's clean energy growth strategy after succeeding Bob Skaggs in mid-2015 when Skaggs, a 32-year NiSource veteran, chose to lead the newly formed Columbia Pipeline Group. Hamrock had started his career at American Electric Power and worked in NiSource's gas distribution business before becoming CEO. CFO Donald Brown joined NiSource in April 2015 after stints at UGI Utilities and Constellation Energy.

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Analyst Notes

Utilities Could Start to Feel Pressure From Inflation, Higher Energy Prices 09 Mar 2022

We are reaffirming our fair value estimates and moat ratings for the U.S. utilities we cover ahead of the U.S. Bureau of Labor Statistics' Consumer Price Index report March 10. We consider inflation to be the largest threat to utilities' long-term returns and ability to pay robust, growing dividends.

Utilities trade at a median 8% premium to our fair value estimates, which assume 2.3% long-term inflation. With utilities' market valuation multiples well above 20-year highs, we think the market is ignoring the potential for cuts in earnings growth and valuations by midyear if inflation remains above 3%.

Utilities are up 9% during the last two weeks, but we think that rally will be short-lived. The Morningstar US Utilities Index has underperformed the S&P 500 by 18 percentage points on average over two-year periods following months when the CPI rose more than 3% year over year. Core CPI was up 5.5% in December and 6.0% in January, the largest 12-month change since mid-1982, based on BLS data. A recent polling of economists estimate inflation near 8% for March, according to The Wall Street Journal.

Inflation hurts utilities' earnings and returns on capital because utilities generally have fixed revenue, high capital and labor costs, and large energy pass-through costs that raise customer bills without raising earnings. We estimate utilities' operating and core capital costs were more than 70% of net revenue on average in 2020. Rising costs make it critical that utilities receive timely rate adjustments, a particularly tough task when energy costs also are rising.

Low inflation and interest rates have helped most utilities increase earnings with only moderate customer bill impacts. Electric and gas utility bills have fallen from 2.2% of total household spending in 2008 to 1.6% in 2021. This is primarily due to mostly flat operating costs and lower interest costs offsetting a near doubling of capital investment during the last decade.

For a more detailed analysis of how inflation affects utilities, see our latest report, "Inflation Unraveling U.S. Utilities' Safety Net."

Utilities Top Pick NiSource Sets Up Pivotal Year With Regulatory, Strategic Reviews 23 Feb 2022

We are reaffirming our $30 per share fair value estimate for NiSource after the company reported earning $1.37 per share on an adjusted basis in 2021, in line with our estimate and management guidance. We are reaffirming our narrow moat and stable moat trend ratings.

We think NiSource's combination of a 3.4% dividend yield and potential for more than 7% annual growth makes it among the most attractive utilities in our coverage. The stock trades at a 5% discount to our fair value estimate and a discount to other utilities with similar growth outlooks.

New CEO Lloyd Yates signaled that he is considering selling some of NiSource's six gas distribution companies, a key strategic shift in response to what we consider rich valuations for recent gas utility sales. Any transactions at comparable valuations would represent at least a 30% premium to NiSource's current consolidated valuation, creating significant shareholder value.

Its smaller gas utilities in Kentucky, Pennsylvania, and Maryland are well positioned for potential sales after achieving constructive regulatory outcomes during the last three months. Gas distribution represents about 60% of NiSource's consolidated earnings. We expect any sales proceeds would go to increase its share of electric utility earnings and renewable energy investment.

This is a critical year for NiSource's Indiana electric utility,

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its largest and the one we think has the best long-term growth potential. NiSource plans to request an electric rate increase late this year effective in late 2023. The outcome of this request will likely determine whether NiSource hits the high end or low end of management's 7%-9% annual average earnings growth range through 2024.

Management reaffirmed its $1.42 to $1.48 EPS guidance range for 2022, in line with our estimate. We assume NiSource invests $2.5 billion of its $8 billion capital investment plan in renewable energy during the next three years.

NiSource CEO Hamrock to Retire; Stock Remains a Top Utilities Pick 27 Jan 2022

We are reaffirming our $30 per share fair value estimate for NiSource after CEO Joe Hamrock announced he plans to retire Feb. 14. Lloyd Yates, a NiSource director and former Duke Energy executive, is set to succeed Hamrock. We are reaffirming our narrow moat and stable moat trend ratings.

We suspect this succession plan has been in the works for at least a year since Yates left Duke and joined the NiSource board in 2020. Yates is two years older than Hamrock and has never worked for NiSource, two distinctions that make this transition plan different than most utilities' succession plans that favor long-tenured insiders.

NiSource's stock remains one of the most undervalued in our U.S. utilities coverage, trading at a 7% discount to our fair value estimate with a 4-star rating. On Jan. 26, the board approved a 7% dividend increase to $0.94 annualized, a bigger raise than we expected. This implies a 3.4% yield as of Jan. 27, higher than the utilities sector 3.2% median yield. We think NiSource's combination of yield and long-term growth is among the most attractive in the sector.

We consider Yates well prepared for the role after managing Duke's core Carolina operations, which are more two times as large as NiSource. Yates' immediate task is ensuring NiSource continues to achieve constructive regulatory outcomes, especially in its largest service territory, Indiana. We expect regulators to rule on NiSource's gas rate increase request later this year and an electric rate increase in 2023. Constructive outcomes in these cases are critical to support our 8% annual earnings growth forecast.

We expect Yates will continue Hamrock's clean energy growth strategy. We assume NiSource invests $3 billion of its $10 billion capital investment plan in renewable energy during the next four years, primarily at its Indiana electric utility. This will make it one of the fastest-growing utilities in our coverage.

NiSource Kicks Off 2022 Regulatory Year With Constructive Rulings in Kentucky, Pennsylvania 05 Jan 2022

We are reaffirming our $30 per share fair value estimate for NiSource after Kentucky regulators approved an $18.3 million, or 12%, increase in gas base rates, mostly in line with a settlement reached in October. We are also reaffirming our narrow moat and stable moat trend ratings.

The constructive outcome in Kentucky shortly after Pennsylvania regulators approved a $58.5 million, or 12%, gas rate increase is a good early indication of regulatory support as NiSource faces several critical regulatory tests this year. We expect regulators to sign off on large gas rate increases during the second half of the year in Ohio and Indiana to support NiSource's infrastructure investments. These rate increases support our 8% earnings growth forecast for 2022.

This also is a critical year for NiSource's Indiana electric

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utility, which we think has the best long-term growth potential. NiSource 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 will likely determine whether NiSource hits the high end or low end of management's 7%-9% annual average earnings growth range through 2024.

We assume electric and gas systemwide customer growth and core investment support 5% earnings growth through 2024. We expect additional earnings growth to come from NiSource's potential $750 million of clean energy investments to replace retiring coal generation through 2028, particularly in Indiana. We also assume regulators approve $600 million of investment for NiSource with the rest of the generation secured through earnings-neutral power purchase agreements.

We expect dividend growth to stay near 5% in 2022-23 before a potential step-up in 2024, assuming constructive regulatory outcomes.

NiSource's Earnings Growth Will Start to Take Shape in 2022; Raising Fair Value Estimate 10 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 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.

NiSource Keeps Filling in Pieces of Its Long-Term Growth Plan 04 Nov 2021

We are reaffirming our $28.50 per share fair value estimate after NiSource reported $0.11 earnings per share in the third quarter and $0.98 EPS for the first nine months on an

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Analyst Notes

adjusted basis. Earnings are on track to meet our full-year estimate within management's $1.32 to $1.36 guidance range. We are reaffirming our narrow moat and stable moat trend ratings.

Year-to-date earnings are flat from 2020 primarily reflecting the sale of Columbia Gas of Massachusetts in October 2020 and the $835 million of equity units NiSource issued in April. We expect growth to pick up in 2022 and accelerate beyond 2022. Management initiated 2022 earnings guidance of $1.42 to $1.48 per share, slightly above our estimate. Our 8% average annual earnings growth estimate beyond 2022 is in line with management's 7%-9% target.

NiSource continues to gain regulatory support for its long-term growth plan. NiSource's preferred integrated resource plan at its Indiana electric utility includes an opportunity for $750 million of investment to continue transitioning its coal generation fleet to renewable energy. Most of NiSource's planned $2 billion renewable energy investments will come in 2022 and 2023, setting up sizable revenue growth in 2023 and 2024.

NiSource's gas utilities continue reaching constructive regulatory outcomes that support our estimate for $1.5 billion of annual capital investment systemwide. The outcome of rate increase requests in Ohio and Indiana, NiSource's two largest gas utilities, will be a good indication of regulatory support for its growth plan. We expect constructive outcomes based on ratemaking structures that minimize the time between NiSource's capital investments and customer rate adjustments.

Regulatory support enhances cash flow and should allow NiSource to pay a robust and growing dividend even as it executes its growth plan. We expect the board to approve at least a 5% dividend increase early next year.

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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]
29.64 USD	31.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2019	2020	2021	Forecast 2022	Forecast 2023	5-Year Proj. CAGR
Revenue	*-1.4*	1.9	-10.1	4.7	*5.5*	*4.3*	*4.4*
EBIT	*100.6*	614.3	-38.2	82.8	*15.2*	*12.0*	*10.8*
EBITDA	*34.3*	122.0	-20.6	37.5	*11.1*	*9.7*	*9.3*
Net Income	*7.3*	6.8	2.5	12.7	*9.1*	*10.3*	*9.3*
Diluted EPS	*1.8*	1.2	0.3	3.8	*4.9*	*7.9*	*7.6*
Earnings Before Interest, after Tax	—	-417.7	10.7	10.8	*16.7*	*13.2*	*9.7*
Free Cash Flow	—	-65.5	-190.7	-267.4	*-70.1*	*538.9*	—

Profitability	3-Year Hist. Avg	2019	2020	2021	2022	2023	5-Year Proj. Avg
Operating Margin %	*16.5*	17.1	11.8	20.6	*22.4*	*24.1*	*25.9*
EBITDA Margin %	*31.3*	30.9	27.3	35.8	*37.7*	*39.7*	*41.9*
Net Margin %	*10.7*	9.5	10.8	11.7	*12.1*	*12.7*	*13.9*
Free Cash Flow Margin %	*-5.2*	-9.7	9.8	-15.6	*-4.4*	*-27.1*	*-0.8*
ROIC %	*3.7*	4.5	2.1	4.6	*4.9*	*5.1*	*5.2*
Adjusted ROIC %	*4.1*	4.9	2.3	5.0	*5.3*	*5.4*	*5.6*
Return on Assets %	*0.3*	0.1	-1.7	2.3	*2.5*	*2.6*	*2.8*
Return on Equity %	*1.2*	0.6	-7.5	10.3	*10.9*	*11.0*	*11.7*

Leverage	3-Year Hist. Avg	2019	2020	2021	2022	2023	5-Year Proj. Avg
Debt/Capital	*0.61*	0.62	0.63	0.59	*0.58*	*0.60*	*0.59*
Total Debt/EBITDA	*6.40*	6.00	7.63	5.58	*5.54*	*5.82*	*5.37*
EBITDA/Interest Expense	*4.28*	4.24	3.44	5.15	*5.16*	*5.09*	*5.11*

Valuation Summary and Forecasts

	2020	2021	2022(E)	2023(E)
Price/Fair Value	0.80	0.92	—	—
Price/Earnings	17.4	20.2	*20.6*	*19.1*
EV/EBITDA	16.0	12.8	*11.9*	*10.9*
EV/EBIT	37.1	22.3	*20.1*	*17.9*
Free Cash Flow Yield %	-7.3	-5.5	*-9.5*	*-14.8*
Dividend Yield %	3.7	3.0	*3.2*	*3.4*

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	-230	-1.0	-0.52
Present Value Stage II	4,859	20.5	11.07
Present Value Stage III	19,109	80.5	43.53
Total Firm Value	**23,738**	**100.0**	**54.07**
Cash and Equivalents	95	—	0.22
Debt	-9,802	—	-22.33
Preferred Stock	-1,547	—	-3.52
Other Adjustments	905	—	2.06
Equity Value	**13,389**	**—**	**30.50**
Projected Diluted Shares	439		
Fair Value per Share (USD)	**31.00**		

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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Morningstar Analyst Forecasts

Income Statement (USD Mil)

Fiscal Year Ends in December	2019	2020	2021	Forecast 2022	Forecast 2023
Revenue	**5,209**	**4,682**	**4,900**	***5,171***	***5,395***
Cost of Goods Sold	1,535	1,109	1,392	*1,411*	*1,429*
Gross Profit	**3,674**	**3,572**	**3,507**	***3,760***	***3,966***
Selling, General & Administrative Expenses	1,355	1,586	1,456	*1,502*	*1,517*
Other Operating Expense (Income)	711	710	296	*308*	*309*
Other Operating Expense (Income)	—	—	—	—	—
Depreciation & Amortization (if reported separately)	717	726	748	*790*	*840*
Operating Income (ex charges)	**891**	**551**	**1,007**	***1,160***	***1,299***
Restructuring & Other Cash Charges	297	299	—	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**594**	**252**	**1,007**	***1,160***	***1,299***
Interest Expense	379	371	341	*378*	*421*
Interest Income	-5	-211	41	*30*	*10*
Pre-Tax Income	**210**	**-331**	**707**	***812***	***889***
Income Tax Expense	124	-17	118	*130*	*142*
Other After-Tax Cash Gains (Losses)	—	—	—	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	—	—	—
(Minority Interest)	—	-3	-4	*-4*	*-4*
(Preferred Dividends)	-55	-55	-55	*-55*	*-55*
Net Income	**31**	**-372**	**530**	***623***	***688***
Weighted Average Diluted Shares Outstanding	376	384	417	*434*	*444*
Diluted Earnings Per Share	**0.08**	**-0.97**	**1.27**	***1.44***	***1.55***
Adjusted Net Income	495	507	572	*623*	*688*
Diluted Earnings Per Share (Adjusted)	**1.32**	**1.32**	**1.37**	***1.44***	***1.55***
Dividends Per Common Share	0.79	0.84	0.83	*0.94*	*1.00*
EBITDA	**1,311**	**978**	**1,755**	***1,950***	***2,139***
Adjusted EBITDA	**1,608**	**1,277**	**1,755**	***1,950***	***2,139***

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Morningstar Analyst Forecasts

Balance Sheet (USD Mil)

Fiscal Year Ends in December	2019	2020	2021	Forecast 2022	Forecast 2023
Cash and Equivalents	148	126	95	*419*	*87*
Investments	—	—	—	—	—
Accounts Receivable	857	791	826	*878*	*857*
Inventory	425	401	499	*502*	*470*
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	424	341	502	*350*	*350*
Current Assets	**1,854**	**1,659**	**1,921**	***2,149***	***1,764***
Net Property Plant, and Equipment	16,912	16,620	17,882	*19,612*	*22,392*
Goodwill	1,486	1,486	1,486	*1,486*	*1,486*
Other Intangibles	—	—	—	—	—
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,014	1,795	2,286	*1,800*	*1,800*
Long-Term Non-Operating Assets	394	481	582	*582*	*582*
Total Assets	**22,660**	**22,041**	**24,157**	***25,630***	***28,024***
Accounts Payable	666	589	698	*580*	*587*
Short-Term Debt	1,787	526	618	*618*	*1,068*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,293	1,164	1,430	*1,200*	*1,200*
Current Liabilities	**3,746**	**2,279**	**2,746**	***2,398***	***2,855***
Long-Term Debt	7,856	9,220	9,183	*10,183*	*11,383*
Deferred Tax Liabilities (Long-Term)	1,485	1,471	1,659	*1,800*	*1,970*
Other Long-Term Operating Liabilities	2,352	1,904	1,843	*2,000*	*2,000*
Long-Term Non-Operating Liabilities	1,234	1,329	1,452	*1,452*	*1,452*
Total Liabilities	**16,673**	**16,203**	**16,884**	***17,834***	***19,661***
Preferred Stock	880	880	1,547	*1,720*	*1,720*
Common Stock	4	4	4	*4*	*4*
Additional Paid-in Capital	6,666	6,890	7,204	*7,504*	*7,804*
Retained Earnings (Deficit)	-1,371	-1,765	-1,581	*-1,343*	*-1,075*
(Treasury Stock)	-100	-100	-100	*-100*	*-100*
Other Equity	-93	-157	-127	*-70*	*-70*
Shareholder's Equity	**5,987**	**5,752**	**6,947**	***7,716***	***8,283***
Minority Interest	—	86	326	*80*	*80*
Total Equity	**5,987**	**5,838**	**7,273**	***7,796***	***8,363***

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Morningstar Analyst Forecasts

Cash Flow (USD Mil)

Fiscal Year Ends in December	2019	2020	2021	Forecast 2022	Forecast 2023
Net Income	383	-14	589	*682*	*747*
Depreciation	717	726	748	*790*	*840*
Amortization	—	—	—	—	—
Stock-Based Compensation	26	17	24	*25*	*25*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	118	-29	112	*141*	*170*
Other Non-Cash Adjustments	414	653	5	—	—
(Increase) Decrease in Accounts Receivable	188	-4	-40	*-53*	*21*
(Increase) Decrease in Inventory	-2	-2	-113	*-4*	*33*
Change in Other Short-Term Assets	-23	-236	-132	*152*	—
Increase (Decrease) in Accounts Payable	-300	-30	55	*-118*	*8*
Change in Other Short-Term Liabilities	62	22	-30	*-230*	—
Cash From Operations	**1,583**	**1,104**	**1,218**	***1,385***	***1,843***
(Capital Expenditures)	-1,802	-1,758	-1,838	*-2,520*	*-3,620*
Net (Acquisitions), Asset Sales, and Disposals	—	—	1	—	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-120	879	-368	*643*	—
Cash From Investing	**-1,922**	**-879**	**-2,205**	***-1,877***	***-3,620***
Common Stock Issuance (or Repurchase)	244	211	1,140	*300*	*300*
Common Stock (Dividends)	-299	-322	-345	*-385*	*-420*
Short-Term Debt Issuance (or Retirement)	-204	-1,270	57	—	*450*
Long-Term Debt Issuance (or Retirement)	681	1,106	-44	*1,000*	*1,200*
Other Financing Cash Flows	-56	27	150	*-156*	*-84*
Cash From Financing	**366**	**-248**	**957**	***759***	***1,445***
Exchange Rates, Discontinued Ops, etc. (net)	0	0	—	*57*	—
Net Change in Cash	**27**	**-23**	**-30**	***324***	***-332***

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Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

Valuation Analysis

		Price/Earnings			EV/EBITDA			Price/Free Cash Flow			Price/Book			Price/Sales		
Company/Ticker	Price/Fair Value	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)
Xcel Energy Inc XEL USA	1.24	23.5	21.7	20.5	14.4	12.8	11.6	NM	NM	-36.8	—	—	—	2.8	3.0	2.9
WEC Energy Group Inc WEC USA	1.00	23.6	21.8	20.3	16.2	14.5	13.2	NM	NM	NM	—	—	—	3.7	3.5	3.3
CMS Energy Corp CMS USA	1.27	24.5	23.1	21.5	14.0	12.1	11.4	NM	NM	NM	—	—	—	2.6	2.7	2.6
Alliant Energy Corp LNT USA	1.12	23.4	22.0	20.9	15.7	14.7	13.7	NM	855.2	144.5	—	—	—	4.2	4.0	3.9
Average		23.8	22.2	20.8	15.1	13.5	12.5	—	855.2	53.9	—	—	—	3.3	3.3	3.2
NiSource Inc NI US	**0.99**	**20.2**	***20.6***	***19.1***	**12.8**	***11.9***	***10.9***	**NM**	***NM***	***NM***	**—**	**—**	**—**	**2.3**	***2.3***	***2.2***

Returns Analysis

		ROIC %			Adjusted ROIC %			Return on Equity %			Return on Assets %			Dividend Yield %		
Company/Ticker	Last Historical Year Total Assets (Mil)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)
Xcel Energy Inc XEL USA	— USD	4.2	4.4	4.7	4.2	4.4	4.7	10.6	10.9	11.0	2.9	3.0	3.0	2.6	2.8	3.0
WEC Energy Group Inc WEC USA	38,989 USD	5.0	6.6	6.7	5.6	7.4	7.4	12.0	12.0	12.3	3.4	3.4	3.4	2.8	3.1	3.3
CMS Energy Corp CMS USA	28,753 USD	5.3	5.7	5.7	5.3	5.7	5.7	22.7	12.7	12.9	4.6	2.9	2.9	2.7	2.8	3.0
Alliant Energy Corp LNT USA	18,553 USD	5.6	6.3	6.5	5.6	6.3	6.5	11.3	11.2	11.3	3.6	3.6	3.6	2.6	2.8	3.0
Average		5.0	5.8	5.9	5.2	6.0	6.1	14.2	11.7	11.9	3.6	3.2	3.2	2.7	2.9	3.1
NiSource Inc NI US	**24,157** USD	**4.6**	***4.9***	***5.1***	**5.0**	***5.3***	***5.4***	**10.3**	***10.9***	***11.0***	**2.3**	***2.5***	***2.6***	**3.0**	***3.2***	***3.4***

Growth Analysis

		Revenue Growth %			EBIT Growth %			EPS Growth %			Free Cash Flow Growth %			Dividend/Share Growth %		
Company/Ticker	Last Historical Year Revenue (Mil)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)
Xcel Energy Inc XEL USA	13,431 USD	16.5	-6.5	4.8	4.1	12.5	14.3	6.0	8.3	6.0	-73.8	-30.0	-45.1	6.4	6.0	6.2
WEC Energy Group Inc WEC USA	8,316 USD	14.8	2.7	4.3	0.5	11.6	10.6	8.2	5.0	6.8	-66.4	183.7	-123.5	7.1	7.4	6.9
CMS Energy Corp CMS USA	7,329 USD	9.7	-2.2	3.5	-15.9	25.3	7.4	-0.8	8.3	7.2	-175.7	-119.1	-31.2	6.8	5.8	6.0
Alliant Energy Corp LNT USA	3,669 USD	7.4	3.1	3.5	7.4	9.5	10.4	6.5	4.1	5.4	-128.1	-9.6	170.0	5.9	6.2	6.4
Average		12.1	-0.7	4.0	-1.0	14.7	10.7	5.0	6.4	6.4	-111.0	6.3	-7.5	6.6	6.4	6.4
NiSource Inc NI US	**4,900** USD	**4.7**	***5.5***	***4.3***	**82.8**	***15.2***	***12.0***	**3.8**	***4.9***	***7.9***	**-267.4**	***-70.1***	***538.9***	**4.8**	***6.8***	***6.4***

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Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
29.64 USD	31.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

Profitability Analysis

Company/Ticker	Last Historical Year Net Income (Mil)	Gross Margin %			EBITDA Margin %			Operating Margin %			Net Margin %			Free Cash Flow Margin %		
		2021	2022(E)	2023(E)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)
Xcel Energy Inc XEL USA	1,596 USD	56.4	65.5	66.8	32.2	38.8	40.9	16.4	19.7	21.5	11.9	13.8	14.1	-5.6	-9.5	-7.8
WEC Energy Group Inc WEC USA	1,299 USD	60.2	62.2	62.9	33.5	36.5	38.4	20.6	22.4	23.8	15.6	15.9	16.3	-2.7	-8.5	-1.4
CMS Energy Corp CMS USA	767 USD	58.1	60.7	61.1	30.8	36.2	37.1	15.6	20.0	20.8	10.5	11.6	12.1	-3.5	-6.3	-6.7
Alliant Energy Corp LNT USA	659 USD	60.8	61.2	61.8	39.6	41.3	42.7	21.7	23.0	24.6	18.0	18.2	18.7	-16.0	0.5	2.7
Average		58.9	62.4	63.2	34.0	38.2	39.8	18.6	21.3	22.7	14.0	14.9	15.3	-7.0	-6.0	-3.3
NiSource Inc NI US	**572** USD	**71.6**	***72.7***	***73.5***	**35.8**	***37.7***	***39.7***	**20.6**	***22.4***	***24.1***	**11.7**	***12.1***	***12.7***	**-12.7**	***-22.0***	***-32.9***

Leverage Analysis

Company/Ticker	Last Historical Year Total Debt (Mil)	Debt/Equity %			Debt/Total Cap %			EBITDA/Interest Exp.			Total Debt/EBITDA			Assets/Equity		
		2021	2022(E)	2023(E)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)
Xcel Energy Inc XEL USA	22,650 USD	146.6	150.4	152.4	59.4	60.1	60.4	5.3	5.6	5.6	5.2	5.1	4.9	3.7	3.6	3.6
WEC Energy Group Inc WEC USA	15,590 USD	140.3	148.6	150.9	58.4	59.8	60.2	5.9	6.0	6.0	5.6	5.5	5.4	3.5	3.6	3.6
CMS Energy Corp CMS USA	12,428 USD	187.4	188.0	191.8	65.2	65.3	65.7	4.5	5.7	5.7	5.5	5.1	5.1	4.3	4.3	4.3
Alliant Energy Corp LNT USA	7,883 USD	131.6	135.5	141.6	56.8	57.5	58.6	5.2	5.5	5.3	5.4	5.4	5.6	3.1	3.1	3.2
Average		151.5	155.6	159.2	60.0	60.7	61.2	5.2	5.7	5.7	5.4	5.3	5.3	3.7	3.7	3.7
NiSource Inc NI US	**9,802** USD	**141.1**	***140.0***	***150.3***	**58.5**	***58.3***	***60.1***	**5.1**	***5.2***	***5.1***	**5.6**	***5.5***	***5.8***	**3.5**	***3.3***	***3.4***

Liquidity Analysis

Company/Ticker	Market Cap (Mil)	Cash per Share			Current Ratio			Quick Ratio			Cash/Short-Term Debt			Payout Ratio %		
		2021	2022(E)	2023(E)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)	2021	2022(E)	2023(E)
Xcel Energy Inc XEL USA	37,828 USD	0.37	0.38	0.47	0.83	0.84	0.86	0.66	0.70	0.72	0.20	0.21	0.26	61.9	60.6	60.7
WEC Energy Group Inc WEC USA	29,581 USD	0.05	0.49	0.40	1.52	1.50	1.47	1.35	1.33	1.29	0.01	0.07	0.06	66.0	67.5	67.5
CMS Energy Corp CMS USA	19,173 USD	1.64	0.48	0.36	1.19	1.08	1.10	0.89	0.78	0.79	1.25	0.37	0.28	37.8	64.1	63.4
Alliant Energy Corp LNT USA	15,111 USD	0.16	0.66	2.84	0.52	0.61	0.76	0.40	0.49	0.65	0.03	0.15	0.49	61.3	62.5	63.1
Average		0.56	0.50	1.02	1.02	1.01	1.05	0.83	0.83	0.86	0.37	0.20	0.27	56.8	63.7	63.7
NiSource Inc NI US	**12,003** USD	**0.23**	***0.96***	***0.20***	**0.70**	***0.90***	***0.62***	**0.52**	***0.69***	***0.45***	**0.15**	***0.68***	***0.08***	**65.2**	***65.4***	***64.5***

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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

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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.

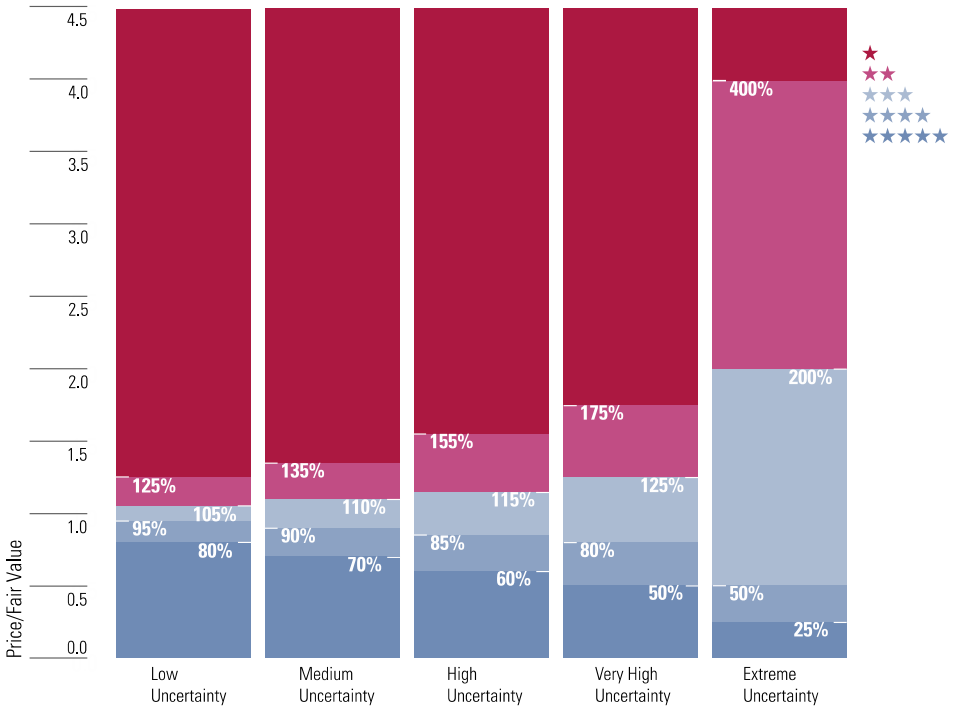
- Low–margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- Medium–margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- High–margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- Very 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.

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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/.

Ratings should not be used as the sole basis in evaluating a company or security. Ratings involve unknown risks and uncertainties which may cause our expectations not to occur or to differ significantly from what was expected and should not be considered an offer or solicitation to buy or sell a security.

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.

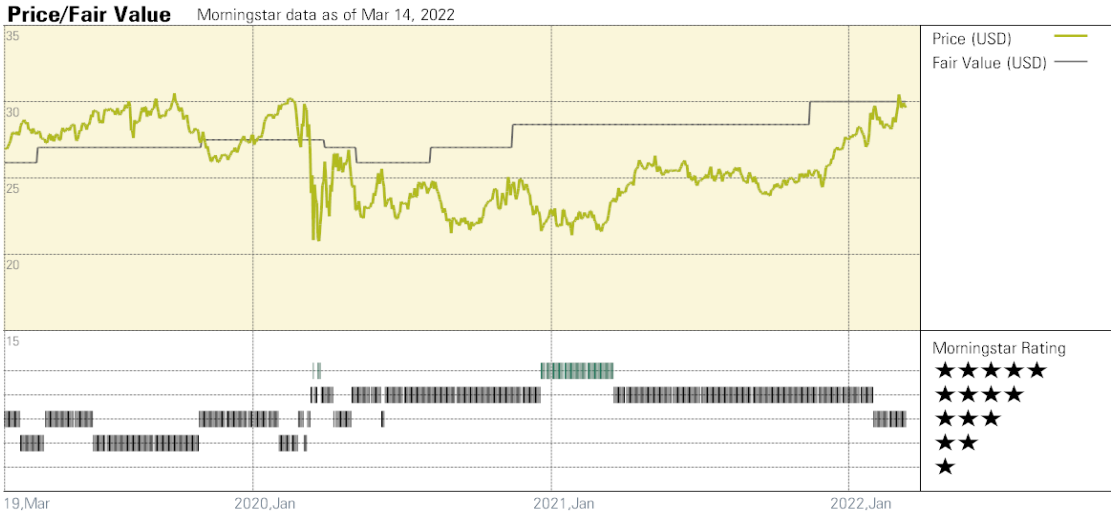
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NiSource Inc NI (NYSE) | ★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
29.64 USD	31.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

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NiSource Inc NI (NYSE) | ★★★

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UTILITY SECTOR COMMENTARY

Virtual Las Vegas Conference Notes—Day 2

Focus Remains on Clean Energy Transition

- On March 17, we held the second day of our virtual Las Vegas Conference with 15 companies presenting.
- There were two common themes from the companies. Almost all of the companies remain highly focused on the clean energy transition and decarbonization in various ways, including the addition of renewable electricity resources, emissions reduction efforts, de-carbonization pilots, or the integration of renewable natural gas (RNG) and hydrogen fuel supplies.
- Also, despite the recent trends, the companies appear only modestly concerned with supply chain constraints, rising interest rates, or the high current level inflation. The companies generally sound over-confident on these key issues, in our view.
- If you have never attended the conference in person, we highly recommend our small group conference for good, intimate Q&A and one-on-one opportunities with management. We hope to reconvene in person in Las Vegas again this time next year. Join us then.

Virtual Las Vegas Conference Presentation Notes

Eversource Energy (NYSE: ES, $83.43, Buy)
Eversource CFO Phil Lembo discussed the upside potential still remaining to the CAPEX budget for AMI, grid modernization, electric vehicle infrastructure, and offshore wind transmission interconnections on Cape Cod. He noted that BOEM has become much more timely in the off-shore wind permitting process and the company is expecting timely approvals of the two remaining offshore wind projects in 2023. The company is expecting a December order in the Massachusetts electric base rate case and a mid-year Massachusetts AMI ruling. We inquired about the possibility Massachusetts regulators might seek to modify the company's PBRs due to the excessive current inflation rate. He noted that the PBRs are favored in the state but the company believes some mitigation techniques might be workable.

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Black Hills Corporation (NYSE: BKH, $71.88, Buy)
Black Hills CFO Rich Kinzley discussed the burgeoning tech hub in Cheyenne, Wyoming and the continuing strong customer growth in the Wyoming/South Dakota regions due to inmigration. The $260 million Wyoming transmission

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project approval process is ongoing. He noted that the company has locked in about 75% of 2022 capital costs, mitigating some of the potential for inflationary pressures. The company continues to work on decarbonization through its renewable electric RFP this year, continuing investment in RNG interconnections, and is looking at green hydrogen production in its wind rich service areas. The company could partner on a proposed $1.7 billion Colorado transmission project. He also suggested additional upside opportunities to the CAPEX budget as the company reduces temporarily leveraged balance sheet from the excess 2021 Yuri fuel costs.

MDU Resources Group, Inc. (NYSE: MDU, $25.76, Buy)

We were encouraged by MDU CEO Dave Goodin's presentation and discussion. While we have concerns about rising inflation and crude oil prices on the company's potential construction business margins this year, he seemed less concerned given current oil prices are near what he called plan and current contract pricing levels. He also discussed the very strong outlook for both construction businesses and the potential for $550 billion of new federal infrastructure funding. The company noted the significant opportunities that Biden administration infrastructure and clean energy policy could bring in an already tight construction market with some limited labor capacity. He also noted the increase in Las Vegas construction demand of late. He said that active rigs in the Bakken have increased to 33 from a pandemic low of 10, providing new natural gas transportation opportunities for the pipeline group.

NW Natural Holdings (NYSE: NWN, $52.68, Buy)

NW Natural CFO Frank Burkhartsmeyer spent a significant portion of the presentation discussing the company's water and RNG investment efforts. He noted 2.9% organic growth at the water utilities, materially more robust than current LDC growth. He noted continued developer expansion aiding some Texas water system growth. The company sounds like it is catching up on some water acquisition transactions of late that were postponed by the COVID-19 pandemic. He expects the water business to achieve the $300-$500 million scale within the next five years and expects to increase its stake in Avion over time. The company's RNG effort is focused on pursuing late development project investments.

ALLETE, Inc. (NYSE: ALE, $65.05, Buy)

ALLETE held a Q&A session without a formal presentation. New ALLETE CFO Steve Morris discussed the company's regulated and unregulated businesses. He noted that the company believes that it has improved its regulatory and intervenor relations materially since the last Minnesota Power base rate case and pointed to the interim rate decision. He also remains optimistic for an industrial revenue adjustment mechanism akin to a decoupling mechanism in the current base rate case. He said that the expected loss on the Northern Wind project was based on a very thin expected margin and inflationary pressures on construction costs. He suggested that the company is likely to report recently acquired New Energy Equity results separately from ACE quarterly performance. The company noted current battery storage returns are less impressive and New Energy Equity will remain focused on distributed solar for now.

Avista Corporation (NYSE: AVA, $43.69, Buy)

Avista CFO and Treasurer Mark Thies discussed the unusual conditions that produced material gains on the company's investment funds in 2021. While there is some opposition to natural gas in the region, he noted the specific climate conditions that make heat pumps less viable for Avista's customers and make natural gas viable and necessary into the future. He suggested that new Washington rates could be effective as late as December. He also said that he expected inflationary pressures to wane in 2023 but noted that supply chain issue constraints have forced the company to plan further ahead for capital projects to ensure materials for timely construction.

IDACORP, Inc. (NYSE: IDA, $110.25, Buy)

IDACORP President and CEO Lisa Grow discussed the acceleration of inmigration into the Idaho service area that the company believes was aided by the COVID-19 pandemic response. Data center interest and customer growth from inmigration remain strong. She discussed the company's growing electricity resource gap due to the customer load growth in recent years and the company's transition to a rate base growth model as a result. New CFO Brian Buckham noted the new step increase in annual CAPEX as a result of the new capital investment level to serve the growing load. Natural gas retrofits of coal plants and new RFP resources will address the company's decarbonization effort and new capacity needs. He said the company is still evaluating the timing of the next base rate filing that sounded like perhaps a mid-2023 event to us based on the company's balance sheet outlook. The company is expecting Boardman-to-Hemingway transmission project approval from Oregon in 2H22. The company submitted self-build options in its latest RFP. The company may have news on RFP results relatively soon. The company's hydro conditions stand below normal today with snowpack only about 80% of normal.

NorthWestern Energy (NASDAQ: NWE, $57.34, Buy)

NorthWestern's President and COO Brian Bird discussed the company's significant head start on decarbonization with 56% of electric supply already carbon free and a modern natural gas system free of cast iron or bare steel leak issues. He also noted the regional inmigration benefits accruing to the Montana and South Dakota service areas. He said the $80 million South Dakota RICE units were expected to be completed in Q222 and expects the $275 million Montana RICE units to be completed in late 2023. The company is evaluating the options for the Coyote plant. CFO Crystal Lail reiterated the company's expected Q321 Montana base rate filing.

NiSource Inc. (NYSE: NI, $30.09, Not Rated)

NiSource VP of Investor Relations and Treasurer Randy Hulen discussed the company's $750 million electric generation investment opportunity in 2026-2028 with the company's final coal generation retirement planned. The NiSource investor day in mid-May should discuss new CEO Lloyd Yates revised company strategy. The company expects its Ohio rate settlement to potentially complete the five base rate filing cycle from last year. The company is front-loading its equity issuance a bit for the 2023 peak CAPEX for credit rating purposes. However, he suggested that credit rating meetings have gone well.

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HOLD: In the analyst's opinion, the stock will perform in line with the S&P 500 on a total return basis over the next 12 months.
SELL: In the analyst's opinion, the stock will underperform the S&P 500 on a total return basis over the next 12 months.

DISTRIBUTION OF EQUITY RESEARCH RATINGS AS OF: MARCH 18, 2021

	Buy	Hold	Sell
All Research Coverage:	80.0%	17.1%	2.9%
Universe of IBC:	80.0%	0.0%	20.0%
Utilities:	81.3%	12.5%	6.3%
Utilities—IBC:	75.0%	0.0%	25.0%

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NiSource Inc.

Stepping Aside

Equities

Americas

Electric Utilities

12-month rating	**Neutral**
	Prior : Buy
12m price target	**US$31.00**
	Prior : US$29.00
Price (14 Feb 2022)	**US$28.41**

RIC: NI.N **BBG:** NI US

Trading data and key metrics

52-wk range	US$29.74-21.50
Market cap.	US$12.2b
Shares o/s	423m (COM)
Free float	99%
Avg. daily volume ('000)	1,392
Avg. daily value (m)	US$38
Common s/h equity (12/21E)	US$5.05b
P/BV (12/21E)	2.4x
Net debt to EBITDA (12/21E)	6.4x

EPS (UBS, diluted) (US$)

	12/21E	
	UBS	**Cons.**
Q1	0.77	0.77
Q2	0.13	0.13
Q3E	0.11	0.11
Q4E	0.38	0.36
12/21E	1.36	1.36
12/22E	1.45	1.45
12/23E	1.54	1.55

Lowering to Neutral from Buy

We lower our rating on NI to Neutral from Buy because we believe the stock prices in the company's above-average EPS growth. The reason for the change in rating is stock performance and valuation. NI has been one of the top-performing utility stocks over the last 1, 3, and 6 months, outperforming the XLU by 6%/13%/15%, respectively. NI is up 28% on an absolute basis over the last 6 months. The stock trades at a 7% premium to the Regulated Utility average, based on our '23 EPS forecast. Most recently NI has been the recipient of shareholder activism to take the stock private "NiSource Pushed by Investor to Pursue Deal to Go Private"- 2/3/22 and Elliott Management disclosed a holding Link. We are raising our price target to $31, which represents a 15% premium to the Regulated Utility average.

Attractive Rate base Growth Guidance 2021-2024

NI has a foundation of 10-12% rate base growth from 2021-2024 and 7-9% EPS growth. The company pre-funded growth with $863 million of equity that will be remarketed in December 2023. The company's business mix is 60% gas and 40% electric on an operating earnings basis (2020). NI has attractive regulatory constructs in the Indiana electric utility with an IRP and pre-approval of $1.6 billion of transmission and distribution growth long-term investment through 2026. The company's gas utilities have infrastructure tracking and recovery mechanisms.

Catalyst

NI reports year-end 2021 results on February 23. We expect the Indiana Utility Regulatory Commission to approve the company's integrated resource plan in 1H'22. Other regulatory catalysts include potential settlements of the Columbia Gas Ohio and NIPSCO Gas cases. Lloyd Yates stepping down from the NiSource Board of Directors February 14 to take over the President and CEO roles from Joseph Hamrock represents a catalyst for change.

Valuation:

We are raising our price target to $31 from $29. The new valuation is based on P/E versus a sum of the parts methodology. Our $31 price target is at a 15% premium to the Regulated Utility average P/E or 20x $1.54 in 2023. The valuation includes +10% for the 12 month undervaluation on a relative yield basis to the Baa corporate bond, +2% for second quartile regulation, -2% for third quartile EPS growth and +5% for an earnings reliability premium.

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Highlights (US$m)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Revenues	5,095	5,184	4,697	4,757	5,044	5,339	5,585	5,772
EBIT (UBS)	942	1,047	1,031	1,071	1,259	1,390	1,526	1,608
Net earnings (UBS)	463	495	507	571	637	684	747	791
EPS (UBS, diluted) (US$)	1.30	1.32	1.32	1.36	1.45	1.54	1.66	1.75
DPS (net) (US$)	0.79	0.84	0.88	0.90	0.96	1.02	1.08	1.14
Net (debt) / cash	(9,892)	(10,374)	(10,501)	(11,616)	(12,835)	(15,101)	(15,840)	(16,572)
Profitability/valuation	**12/18**	**12/19**	**12/20**	**12/21E**	**12/22E**	**12/23E**	**12/24E**	**12/25E**
EBIT (UBS) margin %	18.5	20.2	22.0	22.5	25.0	26.0	27.3	27.9
ROIC (EBIT) %	7.7	7.9	7.5	7.5	8.0	7.7	7.6	7.6
EV/EBITDA (UBS core) x	10.6	10.6	9.9	11.8	11.0	10.1	9.3	8.8
P/E (UBS, diluted) x	19.4	21.2	18.6	21.2	19.6	18.5	17.1	16.2
Equity FCF (UBS) yield %	(14.5)	(1.6)	(6.0)	(5.2)	(8.5)	(15.9)	(2.5)	(2.2)
Dividend yield (net) %	3.1	3.0	3.6	3.1	3.4	3.6	3.8	4.0

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$ 28.41 on 14-Feb-2022 18:09:19 EST

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UBS Research THESIS MAP a guide to our thinking and what´s where in this report

PIVOTAL QUESTIONS

Q: Can NI deliver 5-year 6% EPS growth through 2025?
Yes. The driver for growth is 10-12% rate base growth guidance from 2021-2024. The EPS guidance is 5-7% growth in 2023 and 7-9% from 2021-2024. The business mix is 60% gas and 40% electric. NI largely pre-funded this growth with $863 million equity that will be re-marketed in December 2023. NI has below average rates and average residential and commercial customer bills which provides flexibility for fleet transformation and gas infrastructure investment.

Q: Do the company's regulatory frameworks support growth?
Yes. The company's jurisdictions warrant a second quartile ranking in our view. The company's largest jurisdiction Indiana is second tier/7th ranked. NI's Indiana electric subsidiary, NIPSCO, has integrated resource planning, a 5 year plan to recover $1.6 billion of long-term investments through 2026 (9.75% ROE/57% equity ratio) and utility ownership of renewables. NI is hopeful of settling a Columbia Gas rate case in Ohio for mid-2022 (proposed 10.95% ROE and 50.6% equity ratio. The company has gas infrastructure tracking mechanisms in each of its jurisdictions.

UBS VIEW

We rate NI Neutral. The stock has 9% potential upside to our price target and 11% total return. The stock has re-rated post the 2020 divestiture of the Columbia Gas Massachusetts and early 2021 equity raise. The company has a fully regulated, stable business mix and offers 6% earnings growth from 2020 to 2025. The stock trades at a 7% Regulated Utility group premium 19x 2023 P/E multiple.

EVIDENCE

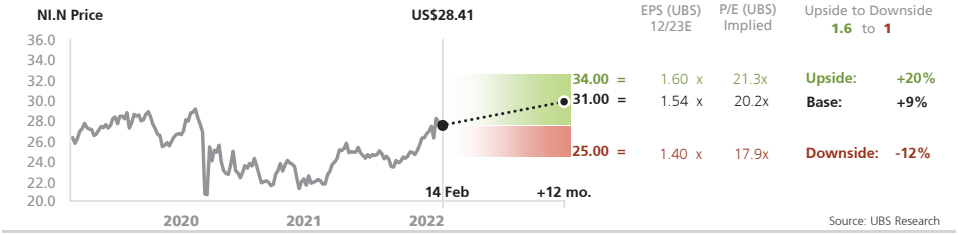
NI has a decade long track record for meeting or exceeding initial EPS guidance. In the last 10 years the company has delivered earnings that beat initial EPS guidance 9 times. NI does not have a block equity need.

WHAT´S PRICED IN?

NI is trading at a 5% FY2 P/E premium to its 5 year average versus a 5% discount for our covered universe. Excluding the 10% premium for the group's undervaluation relative to the Baa corporate bond, NI trades in line with our valuation.

UPSIDE/DOWNSIDE SPECTRUM

Figure 1:



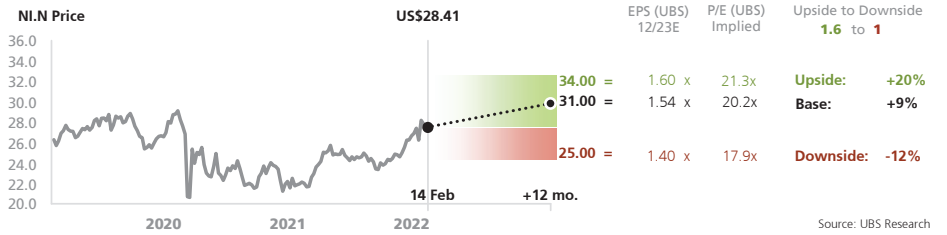
Value drivers	Regulatory Ranking	EPS Growth	Cap-ex
$34 upside	+2%/2nd quartile	7%	+$600 million
$31 base	+2%/2nd quartile	6%	-
$25 downside	-2%/3rd quartile	5%	-$1.2 billion

Source: Factset, UBS estimates

COMPANY DESCRIPTION

NI is a fully regulated gas and electric utility serving customers in 6 states in the Midwest and Mid-Atlantic. NI is a gas distribution utility with 3.2 million customers in IN, KY, MD, OH, PA and VA. NI is an integrated electric utility serving 0.5 million customers in Indiana. NI's mix of operating earnings is 60% gas and 40% electric.

UPSIDE/DOWNSIDE SPECTRUM



Value drivers	Regulatory Ranking	EPS Growth	Cap-ex vs plan by '23
$34 upside	+2%/2nd quartile	7%	+$600 million
$31 base	+2%/2nd quartile	6%	-
$25 downside	-2%/3rd quartile	5%	-$1.2 billion

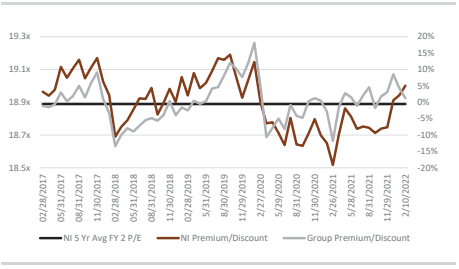
Source: Factset, UBS estimates

UPSIDE ($34): Our $34 upside case reflects a 22% premium to the Regulated Utility average or 21x $1.60 in 2023E. An incremental $600 million of investment is the driver for 7% EPS growth. The valuation includes +10% for the 12 month undervaluation on a relative yield basis to the Baa corporate bond, +2% for second quartile regulation, +5% for first quartile EPS growth and +5% for an earnings reliability premium.

BASE ($31): Our $31 price target is at a 15% premium to the Regulated Utility average P/E or 20x $1.54 in 2023E. The valuation includes +10% for the 12 month undervaluation on a relative yield basis to the Baa corporate bond, +2% for second-quartile regulation, -2% for third-quartile EPS growth and +5% for an earnings reliability premium.

DOWNSIDE ($25): Our $25 downside case is at a 5% premium to the Regulated Utility average 2023E P/E, or 18x $1.40 in 2023E. The downside case reflects a $1.2 billion reduction in investment by 2023 and third-quartile regulation.

Figure 3: NI FY 2 P/E versus 5 Year Average



Source: Factset, UBS Research

NI trades at a 5% premium to its 5-year average FY 2 P/E. The stock prices in a 5-6% EPS growth rate.

The upside for NI is to increase the EPS growth rate to the high-end or above its 5-7% EPS growth rate range potentially financed through the sale of gas distribution businesses. This would widen the base of investors that could participate. Our $34 upside scenario includes additional cap-ex that does not require equity.

The downside reflects a deterioration of the company's standing with regulators and requires further costs to achieve the company's returns. This could move NI's growth rate to the low-end of the range at 5% or lower.

NiSource Inc. (NI.N)

Income Statement (US$m)	12/18	12/19	12/20	12/21E	%ch	12/22E	%ch	12/23E	12/24E	12/25E
Revenues	**5,095**	**5,184**	**4,697**	**4,757**	*1.3*	**5,044**	*6.0*	**5,339**	**5,585**	**5,772**
Gross profit	3,336	3,649	3,587	3,520	*-1.9*	3,746	*6.4*	3,956	4,144	4,285
EBITDA (UBS)	**1,538**	**1,764**	**1,794**	**1,824**	*1.7*	**2,045**	*12.1*	**2,231**	**2,418**	**2,544**
Depreciation & amortisation	(597)	(717)	(762)	(753)	*1.2*	(786)	*-4.3*	(841)	(892)	(935)
EBIT (UBS)	**942**	**1,047**	**1,031**	**1,071**	*3.9*	**1,259**	*17.5*	**1,390**	**1,526**	**1,608**
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	(97)	(5)	29	38	*33.1*	(10)	-	(10)	(10)	(10)
Net interest	(353)	(379)	(371)	(339)	*8.6*	(388)	*-14.5*	(459)	(516)	(542)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Pre-tax profit	**492**	**663**	**689**	**771**	*11.8*	**861**	*11.7*	**921**	**1,001**	**1,056**
Tax	(14)	(113)	(127)	(145)	*-14.0*	(169)	*-17.1*	(182)	(199)	(210)
Profit after tax	**478**	**550**	**563**	**626**	*11.3*	**692**	*10.5*	**739**	**802**	**846**
Preference dividends	(15)	(55)	(55)	(55)	*-0.1*	(55)	*0.1*	(55)	(55)	(55)
Minorities	0	0	0	0	-	0	-	0	0	0
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**463**	**495**	**507**	**571**	*12.5*	**637**	*11.5*	**684**	**747**	**791**
Net earnings (UBS)	**463**	**495**	**507**	**571**	*12.5*	**637**	*11.5*	**684**	**747**	**791**
Tax rate (%)	2.8	17.0	18.4	18.8	*2.0*	19.7	*4.8*	19.7	19.8	19.9

Per Share (US$)	12/18	12/19	12/20	12/21E	%ch	12/22E	%ch	12/23E	12/24E	12/25E
EPS (UBS, diluted)	1.30	1.32	1.32	1.36	*3.0*	1.45	*6.6*	1.54	1.66	1.75
EPS (local GAAP, diluted)	1.30	1.32	1.32	1.36	*3.0*	1.45	*6.6*	1.54	1.66	1.75
EPS (UBS, basic)	1.30	1.32	1.32	1.36	*2.9*	1.45	*6.6*	1.54	1.66	1.75
DPS (net) (US$)	0.79	0.84	0.88	0.90	*1.7*	0.96	*6.7*	1.02	1.08	1.14
Cash EPS (UBS, diluted) [1]	2.97	3.23	3.30	3.15	*-4.6*	3.24	*2.7*	3.43	3.65	3.82
Book value per share	13.42	13.67	12.93	12.02	*-7.1*	12.73	*5.9*	13.56	14.38	15.24
Average shares (diluted)	357	375	385	420	*9.3*	440	*4.6*	445	449	452

Balance Sheet (US$m)	12/18	12/19	12/20	12/21E	%ch	12/22E	%ch	12/23E	12/24E	12/25E
Cash and equivalents	121	148	126	58	*-53.6*	178	*205.6*	298	353	408
Other current assets	1,934	1,706	1,534	1,415	*-7.7*	1,415	*0.0*	1,415	1,415	1,415
Total current assets	**2,055**	**1,854**	**1,659**	**1,473**	*-11.2*	**1,593**	*8.1*	**1,713**	**1,768**	**1,823**
Net tangible fixed assets	15,543	16,912	16,620	18,036	*8.5*	19,800	*9.8*	22,508	23,666	24,831
Net intangible fixed assets	1,911	1,716	1,738	1,739	*0.1*	1,739	*0.0*	1,739	1,739	1,739
Investments / other assets	2,295	2,178	2,024	2,047	*1.1*	2,047	*0.0*	2,047	2,047	2,047
Total assets	**21,804**	**22,660**	**22,041**	**23,295**	*5.7*	**25,179**	*8.1*	**28,007**	**29,221**	**30,440**
Trade payables & other ST liabilities	2,010	1,959	1,753	1,811	*3.3*	1,811	*0.0*	1,811	1,811	1,811
Short term debt	2,027	1,787	526	1,051	*99.6*	1,171	*11.5*	1,386	1,457	1,528
Total current liabilities	**4,037**	**3,746**	**2,279**	**2,862**	*25.5*	**2,982**	*4.2*	**3,197**	**3,268**	**3,339**
Long term debt	7,105	7,856	9,220	8,934	*-3.1*	10,272	*15.0*	12,563	13,340	14,111
Other long term liabilities	4,911	5,071	4,704	4,760	*1.2*	4,760	*0.0*	4,760	4,760	4,760
Preferred shares	880	880	880	1,690	*92.0*	1,570	*-7.1*	1,450	1,395	1,340
Total liabilities (incl pref shares)	**16,933**	**17,553**	**17,083**	**18,245**	*6.8*	**19,584**	*7.3*	**21,970**	**22,763**	**23,550**
Common s/h equity	**4,871**	**5,107**	**4,958**	**5,050**	*1.9*	**5,595**	*10.8*	**6,038**	**6,457**	**6,890**
Minority interests	0	0	0	0	-	0	-	0	0	0
Total liabilities & equity	**21,804**	**22,660**	**22,040**	**23,295**	*5.7*	**25,179**	*8.1*	**28,007**	**29,221**	**30,440**

Cash Flow (US$m)	12/18	12/19	12/20	12/21E	%ch	12/22E	%ch	12/23E	12/24E	12/25E
Net income (before pref divs)	478	550	563	626	*11.3*	692	*10.5*	739	802	846
Depreciation & amortisation	597	717	762	753	*-1.2*	786	*4.3*	841	892	935
Net change in working capital	110	(75)	(249)	(149)	*40.1*	0	-	0	0	0
Other operating	(633)	446	120	137	*14.8*	55	*-59.9*	55	55	55
Operating cash flow	**552**	**1,638**	**1,196**	**1,367**	*14.4*	**1,533**	*12.1*	**1,636**	**1,749**	**1,837**
Tangible capital expenditure	(1,818)	(1,802)	(1,758)	(2,000)	*-13.8*	(2,550)	*-27.5*	(3,550)	(2,050)	(2,100)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) & disposals	0	0	0	0	-	0	-	0	0	0
Other investing	(108)	(120)	879	(101)	-	0	-	0	0	0
Investing cash flow	**(1,926)**	**(1,922)**	**(879)**	**(2,101)**	*-139.0*	**(2,550)**	*-21.3*	**(3,550)**	**(2,050)**	**(2,100)**
Equity dividends paid	(273)	(299)	(322)	(353)	*-9.8*	(387)	*-9.5*	(417)	(483)	(513)
Share issues / (buybacks)	848	244	211	949	*348.8*	240	*-74.7*	120	100	100
Other financing	(62)	(74)	(219)	(93)	*57.8*	(120)	*-29.4*	(120)	(55)	(55)
Change in debt & pref shares	955	494	82	219	*167.0*	1,459	*NM*	2,506	849	842
Financing cash flow	**1,469**	**366**	**(248)**	**722**	-	**1,192**	*65.2*	**2,089**	**411**	**374**
Cash flow inc/(dec) in cash	**95**	**82**	**69**	**(12)**	-	**175**	-	**175**	**110**	**110**
FX / non cash items	(3)	(55)	(91)	(55)	*39.7*	(55)	*0.1*	(55)	(55)	(55)
Balance sheet inc/(dec) in cash	**92**	**27**	**(23)**	**(67)**	*-195.4*	**120**	-	**120**	**55**	**55**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts. [1] Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

NiSource Inc. (NI.N)

Valuation (x)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
P/E (local GAAP, diluted)	19.4	21.2	18.6	21.2	19.9	18.7	17.3	16.4
P/E (UBS, diluted)	19.4	21.2	18.6	21.2	19.9	18.7	17.3	16.4
P/CEPS	8.4	8.6	7.4	9.1	8.9	8.4	7.9	7.5
Equity FCF (UBS) yield %	(14.5)	(1.6)	(6.0)	(5.2)	(8.4)	(15.7)	(2.5)	(2.2)
Dividend yield (net) %	3.1	3.0	3.6	3.1	3.3	3.5	3.7	3.9
P/BV	1.9	2.0	1.9	2.4	2.3	2.1	2.0	1.9
EV/revenues (core)	3.2	3.6	3.8	4.5	4.5	4.2	4.1	3.9
EV/EBITDA (UBS core)	10.6	10.6	9.9	11.8	11.1	10.2	9.4	8.9
EV/EBIT (core)	17.3	17.9	17.2	20.0	18.0	16.3	14.8	14.1
EV/OpFCF (core)	10.6	10.6	9.9	11.8	11.1	10.2	9.4	8.9
EV/op. invested capital	1.3	1.4	1.3	1.5	1.4	1.3	1.1	1.1

Enterprise value (US$m)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Market cap.	8,737	10,416	9,340	12,163	12,163	12,163	12,163	12,163
Net debt (cash)	9,432	10,133	10,133	11,058	12,226	12,226	12,226	12,226
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	389	373	336	309	309	309	309	309
Total enterprise value	**18,558**	**20,922**	**19,809**	**23,530**	**24,697**	**24,697**	**24,697**	**24,697**
Non core assets	(2,295)	(2,178)	(2,024)	(2,047)	(2,047)	(2,047)	(2,047)	(2,047)
Core enterprise value	**16,263**	**18,745**	**17,785**	**21,483**	**22,650**	**22,650**	**22,650**	**22,650**

Growth (%)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Revenue	3.9	1.7	(9.4)	1.3	6.0	5.8	4.6	3.3
EBITDA (UBS)	0.3	14.7	1.7	1.7	12.1	9.1	8.4	5.2
EBIT (UBS)	(2.3)	11.1	(1.5)	3.9	17.5	10.4	9.8	5.4
EPS (UBS, diluted)	7.7	1.5	0.1	3.0	6.6	6.0	8.3	5.2
Net DPS	9.7	5.7	5.4	1.7	6.7	6.3	5.9	5.6

Margins & Profitability (%)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Gross profit margin	65.5	70.4	NM	74.0	74.3	74.1	74.2	74.2
EBITDA margin	30.2	34.0	38.2	38.4	40.5	41.8	43.3	44.1
EBIT (UBS) margin	18.5	20.2	22.0	22.5	25.0	26.0	27.3	27.9
Net earnings (UBS) margin	9.1	9.5	10.8	12.0	12.6	12.8	13.4	13.7
ROIC (EBIT)	7.7	7.9	7.5	7.5	8.0	7.7	7.6	7.6
ROIC post tax	7.5	6.5	6.1	6.1	6.4	6.2	6.1	6.1
ROE (UBS)	10.1	9.9	10.1	11.4	12.0	11.8	12.0	11.9

Capital structure & Coverage (x)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Net debt / EBITDA	6.4	5.9	5.9	6.4	6.3	6.8	6.6	6.5
Net debt / total equity %	203.1	203.2	211.8	230.0	229.4	250.1	245.3	240.5
Net debt / (net debt + total equity) %	67.0	67.0	67.9	69.7	69.6	71.4	71.0	70.6
Net debt/EV %	50.8	48.4	52.7	47.0	49.5	56.6	62.6	65.6
Capex / depreciation %	NM	NM	NM	NM	NM	NM	NM	NM
Capex / revenue %	NM	NM	NM	NM	NM	NM	NM	NM
EBIT / net interest	2.7	2.8	2.8	3.2	3.2	3.0	3.0	3.0
Dividend cover (UBS)	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5
Div. payout ratio (UBS) %	60.8	63.2	66.6	65.9	65.9	66.1	64.6	64.9

Revenues by division (US$m)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Others	5,095	5,184	4,697	4,757	5,044	5,339	5,585	5,772
Total	**5,095**	**5,184**	**4,697**	**4,757**	**5,044**	**5,339**	**5,585**	**5,772**

EBIT (UBS) by division (US$m)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Others	942	1,047	1,031	1,071	1,259	1,390	1,526	1,608
Total	**942**	**1,047**	**1,031**	**1,071**	**1,259**	**1,390**	**1,526**	**1,608**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+9.1%
Forecast dividend yield	3.3%
Forecast stock return	+12.4%
Market return assumption	6.5%
Forecast excess return	+5.9%

Company Description

NI is a fully regulated gas and electric utility serving customers in six states in the Midwest and Mid-Atlantic. NI is a gas distribution utility with 3.2 million customers in Indiana, Kentucky, Maryland, Ohio, Pennsylvania, and Virginia. NI is an integrated electric utility serving 0.5 million customers in Indiana. NI's mix of operating earnings is 60% gas and 40% electric.

Valuation Method and Risk Statement

Our valuation methodology for the group is price to earnings based. The adjustments applied fall into 7 categories. These are as follows: 1) Group Valuation Bias: Flowing from our valuation work +10% for Regulated Utility undervaluation (+5% for a year of earnings growth and +5% for undervaluation greater than 1 standard deviation); 2) Growth Adjustment: We adjust our valuations based on the growth quartile each utility occupies. First quartile receives a 5% premium, second quartile a 2% premium, third quartile a 2% discount and fourth quartile a 5% discount; 3) Regulatory Adjustment: Our valuation adjustments for regulation are based on our proprietary Regulatory Rankings. First quartile jurisdictions receive 5%, second quartile 2%, third quartile -2% and fourth quartile -5%; 4) ESG Premium. A 5% premium for companies that have a unique decarbonization growth opportunity on a risk adjusted basis; 5. Earnings Consistency Adjustment: For companies that fall in the top quartile of % Time Beat/Meet, we include +5%. 6) Multi Utility Diversified Valuation: For multi utilities (those with more than 15% diversified or foreign earnings), we perform a sum-of-parts analysis applying business/region appropriate valuations to those diversified businesses; 7) One-off Adjustments: In special situations, we value risk on an issue specific basis. Common areas where we apply such an adjustment include: large project construction risk, legal risk, and announced M&A completion risk.

Our $31 price target is a 15% premium to the Regulated Utility average P/E or 20x $1.54 in 2023. The valuation includes +10% for the 12 month undervaluation on a relative yield basis to the Baa corporate bond, +2% for second quartile regulation, -2% for third quartile EPS growth and +5% for an earnings reliability premium.

Company specific risks include gas prices, methane leaks, coal effluent rules.

Required Disclosures

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UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	55%	32%
Neutral	FSR is between -6% and 6% of the MRA.	35%	29%
Sell	FSR is > 6% below the MRA.	10%	26%
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 31 December 2021.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category.
4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. In some cases, this yield may be based on accrued dividends. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES: UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; **Neutral:** Neutral on factors such as structure, management, performance record, discount; **Sell:** Negative on factors such as structure, management, performance record, discount. **Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

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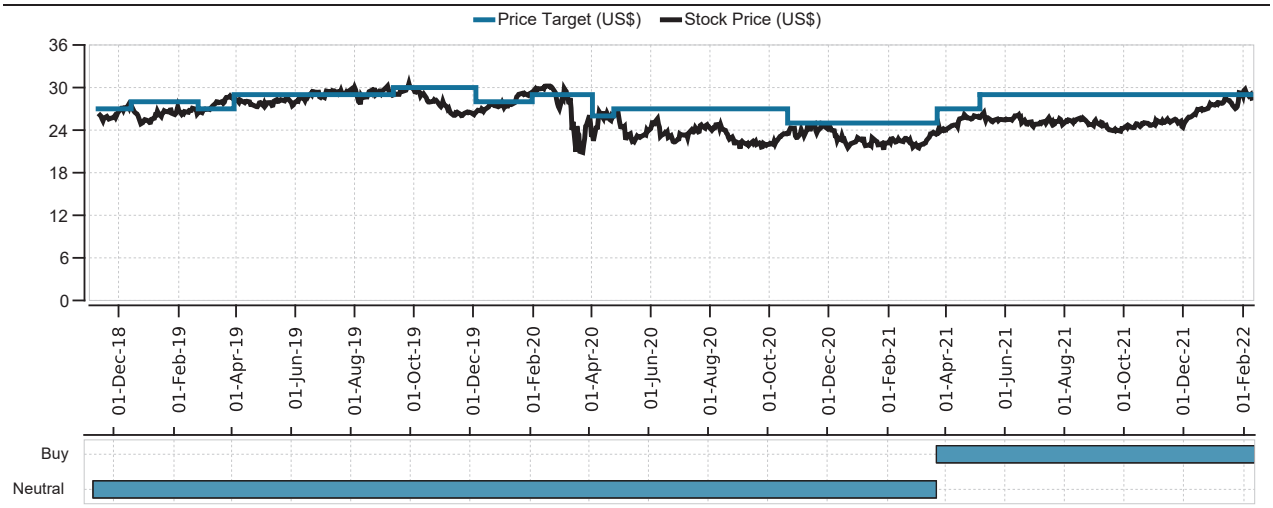
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Company Name	Reuters	12-month rating	Price	Price date
NiSource Inc.[16]	NI.N	Buy	US$28.76	11 Feb 2022

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.
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NiSource Inc. (US$)



Date	Stock Price (US$)	Price Target (US$)	Rating
2018-11-09	26.16	27.00	Neutral
2018-12-13	27.62	28.00	Neutral
2019-02-20	26.28	27.00	Neutral
2019-03-29	28.66	29.00	Neutral
2019-09-09	28.91	30.00	Neutral
2019-12-03	26.41	28.00	Neutral
2020-01-30	29.10	29.00	Neutral
2020-04-01	23.06	26.00	Neutral
2020-04-23	25.85	27.00	Neutral
2020-10-19	23.47	25.00	Neutral
2021-03-22	23.42	27.00	Buy
2021-05-05	25.78	29.00	Buy

Source: UBS; as of 11-Feb-2022

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NiSource Inc.

Pending Gas Settlement in Indiana

What Happened?

Last week, NI announced settlement agreement in its Indiana gas rate case that included a 9.85% allowed ROE, and a rate base increase of ~$72M compared to ~$110M requested. The Equity Revenue was 57.7% excluding deferred taxes with a $2.4 billion rate base using 2022. The settling parties included the Northern Indiana Public Service Company, NIPSCO Industrial Group, Steel Dynamics Inc., and the Indiana Office of Utility Consumer Counselor.

How Will Investors Respond?

Positively as it is modestly accretive to EPS. If approved by the Indiana Utility Regulatory Commission, the rate plan would take effect by September of this year.

Catalyst

We are waiting on final approval of the settlement following hearing in Spring 2022.

Valuation:

We maintain our Neutral rating and $31 price target.

Equities

Americas

Electric Utilities

12-month rating	**Neutral**
12m price target	**US$31.00**
Price (10 Mar 2022)	**US$29.92**

RIC: NI.N **BBG:** NI US

Trading data and key metrics

52-wk range	US$30.48-22.55
Market cap.	US$12.7b
Shares o/s	423m (COM)
Free float	99%
Avg. daily volume ('000)	1,508
Avg. daily value (m)	US$42.7
Common s/h equity (12/21E)	US$5.40b
P/BV (12/21E)	2.3x
Net debt to EBITDA (12/21E)	6.3x

EPS (UBS, diluted) (US$)

	12/21E	
	UBS	Cons.
Q1	0.77	0.77
Q2	0.13	0.13
Q3	0.11	0.11
Q4E	0.39	0.39
12/21E	1.37	1.37
12/22E	1.45	1.45
12/23E	1.54	1.55

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Highlights (US$m)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Revenues	5,095	5,184	4,697	4,900	5,044	5,339	5,585	5,772
EBIT (UBS)	942	1,047	1,031	1,046	1,259	1,390	1,526	1,608
Net earnings (UBS)	463	495	507	573	637	684	747	791
EPS (UBS, diluted) (US$)	1.30	1.32	1.32	1.37	1.45	1.54	1.66	1.75
DPS (net) (US$)	0.79	0.84	0.88	0.90	0.96	1.02	1.08	1.14
Net (debt) / cash	(9,892)	(10,374)	(10,501)	(11,253)	(12,835)	(15,101)	(15,840)	(16,572)

Profitability/valuation	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
EBIT (UBS) margin %	18.5	20.2	22.0	21.3	25.0	26.0	27.3	27.9
ROIC (EBIT) %	7.7	7.9	7.5	7.4	8.1	7.7	7.6	7.6
EV/EBITDA (UBS core) x	10.6	10.6	9.9	11.8	11.2	10.3	9.5	9.0
P/E (UBS, diluted) x	19.4	21.2	18.6	21.6	20.7	19.5	18.0	17.1
Equity FCF (UBS) yield %	(14.5)	(1.6)	(6.0)	(4.9)	(8.0)	(15.1)	(2.4)	(2.1)
Dividend yield (net) %	3.1	3.0	3.6	3.0	3.2	3.4	3.6	3.8

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$ 29.92 on 10-Mar-2022 18:39:01 EST

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NiSource Inc. (NI.N)

Income Statement (US$m)	12/18	12/19	12/20	12/21E	%ch	12/22E	%ch	12/23E	12/24E	12/25E
Revenues	**5,095**	**5,184**	**4,697**	**4,900**	*4.3*	**5,044**	*2.9*	**5,339**	**5,585**	**5,772**
Gross profit	3,336	3,649	3,587	3,507	*-2.2*	3,746	*6.8*	3,956	4,144	4,285
EBITDA (UBS)	**1,538**	**1,764**	**1,794**	**1,799**	*0.3*	**2,045**	*13.7*	**2,231**	**2,418**	**2,544**
Depreciation & amortisation	(597)	(717)	(762)	(753)	*1.2*	(786)	*-4.3*	(841)	(892)	(935)
EBIT (UBS)	**942**	**1,047**	**1,031**	**1,046**	*1.4*	**1,259**	*20.4*	**1,390**	**1,526**	**1,608**
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	(97)	(5)	29	41	*42.2*	(10)	-	(10)	(10)	(10)
Net interest	(353)	(379)	(371)	(341)	*8.0*	(388)	*-13.7*	(459)	(516)	(542)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Pre-tax profit	**492**	**663**	**689**	**746**	*8.2*	**861**	*15.5*	**921**	**1,001**	**1,056**
Tax	(14)	(113)	(127)	(118)	*7.1*	(169)	*-43.7*	(182)	(199)	(210)
Profit after tax	**478**	**550**	**563**	**628**	*11.6*	**692**	*10.2*	**739**	**802**	**846**
Preference dividends	(15)	(55)	(55)	(55)	*0.0*	(55)	*0.0*	(55)	(55)	(55)
Minorities	0	0	0	0	-	0	-	0	0	0
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**463**	**495**	**507**	**573**	*12.9*	**637**	*11.2*	**684**	**747**	**791**
Net earnings (UBS)	**463**	**495**	**507**	**573**	*12.9*	**637**	*11.2*	**684**	**747**	**791**
Tax rate (%)	2.8	17.0	18.4	15.8	*-14.1*	19.7	*24.4*	19.7	19.8	19.9

Per Share (US$)	12/18	12/19	12/20	12/21E	%ch	12/22E	%ch	12/23E	12/24E	12/25E
EPS (UBS, diluted)	1.30	1.32	1.32	1.37	*4.0*	1.45	*5.5*	1.54	1.66	1.75
EPS (local GAAP, diluted)	1.30	1.32	1.32	1.37	*4.0*	1.45	*5.5*	1.54	1.66	1.75
EPS (UBS, basic)	1.30	1.32	1.32	1.37	*4.0*	1.45	*5.5*	1.54	1.66	1.75
DPS (net) (US$)	0.79	0.84	0.88	0.90	*1.7*	0.96	*6.7*	1.02	1.08	1.14
Cash EPS (UBS, diluted) [1]	2.97	3.23	3.30	3.18	*-3.8*	3.24	*1.8*	3.43	3.65	3.82
Book value per share	13.42	13.67	12.93	12.94	*0.1*	12.73	*-1.7*	13.56	14.38	15.24
Average shares (diluted)	357	375	385	417	*8.5*	440	*5.3*	445	449	452

Balance Sheet (US$m)	12/18	12/19	12/20	12/21E	%ch	12/22E	%ch	12/23E	12/24E	12/25E
Cash and equivalents	121	148	126	95	*-24.4*	178	*87.6*	298	353	408
Other current assets	1,934	1,706	1,534	1,826	*19.0*	1,415	*-22.5*	1,415	1,415	1,415
Total current assets	**2,055**	**1,854**	**1,659**	**1,921**	*15.8*	**1,593**	*-17.1*	**1,713**	**1,768**	**1,823**
Net tangible fixed assets	15,543	16,912	16,620	17,882	*7.6*	19,800	*10.7*	22,508	23,666	24,831
Net intangible fixed assets	1,911	1,716	1,738	1,809	*4.1*	1,739	*-3.8*	1,739	1,739	1,739
Investments / other assets	2,295	2,178	2,024	2,546	*25.8*	2,047	*-19.6*	2,047	2,047	2,047
Total assets	**21,804**	**22,660**	**22,041**	**24,157**	*9.6*	**25,179**	*4.2*	**28,007**	**29,221**	**30,440**
Trade payables & other ST liabilities	2,010	1,959	1,753	2,128	*21.4*	1,811	*-14.9*	1,811	1,811	1,811
Short term debt	2,027	1,787	526	618	*17.4*	1,171	*89.5*	1,386	1,457	1,528
Total current liabilities	**4,037**	**3,746**	**2,279**	**2,746**	*20.5*	**2,982**	*8.6*	**3,197**	**3,268**	**3,339**
Long term debt	7,105	7,856	9,220	9,183	*-0.4*	10,272	*11.9*	12,563	13,340	14,111
Other long term liabilities	4,911	5,071	4,704	5,280	*12.3*	4,760	*-9.9*	4,760	4,760	4,760
Preferred shares	880	880	880	1,547	*75.7*	1,570	*1.5*	1,450	1,395	1,340
Total liabilities (incl pref shares)	**16,933**	**17,553**	**17,083**	**18,756**	*9.8*	**19,584**	*4.4*	**21,970**	**22,763**	**23,550**
Common s/h equity	**4,871**	**5,107**	**4,958**	**5,401**	*8.9*	**5,595**	*3.6*	**6,038**	**6,457**	**6,890**
Minority interests	0	0	0	0	-	0	-	0	0	0
Total liabilities & equity	**21,804**	**22,660**	**22,040**	**24,157**	*9.6*	**25,179**	*4.2*	**28,007**	**29,221**	**30,440**

Cash Flow (US$m)	12/18	12/19	12/20	12/21E	%ch	12/22E	%ch	12/23E	12/24E	12/25E
Net income (before pref divs)	478	550	563	628	*11.6*	692	*10.2*	739	802	846
Depreciation & amortisation	597	717	762	753	*-1.2*	786	*4.3*	841	892	935
Net change in working capital	110	(75)	(249)	(206)	*17.3*	0	-	0	0	0
Other operating	(633)	446	120	43	*-64.0*	55	*27.8*	55	55	55
Operating cash flow	**552**	**1,638**	**1,196**	**1,218**	*1.9*	**1,533**	*25.8*	**1,636**	**1,749**	**1,837**
Tangible capital expenditure	(1,818)	(1,802)	(1,758)	(1,838)	*-4.5*	(2,550)	*-38.7*	(3,550)	(2,050)	(2,100)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) & disposals	0	0	0	0	-	0	-	0	0	0
Other investing	(108)	(120)	879	(367)	-	0	-	0	0	0
Investing cash flow	**(1,926)**	**(1,922)**	**(879)**	**(2,205)**	*-150.8*	**(2,550)**	*-15.7*	**(3,550)**	**(2,050)**	**(2,100)**
Equity dividends paid	(273)	(299)	(322)	(345)	*-7.3*	(387)	*-12.0*	(417)	(483)	(513)
Share issues / (buybacks)	848	244	211	1,140	*NM*	240	*-78.9*	120	100	100
Other financing	(62)	(74)	(219)	131	-	(120)	-	(120)	(55)	(55)
Change in debt & pref shares	955	494	82	31	*-61.8*	1,459	*NM*	2,506	849	842
Financing cash flow	**1,469**	**366**	**(248)**	**956**	-	**1,192**	*24.7*	**2,089**	**411**	**374**
Cash flow inc/(dec) in cash	**95**	**82**	**69**	**(31)**	-	**175**	-	**175**	**110**	**110**
FX / non cash items	(3)	(55)	(91)	0	-	(92)	-	(55)	(55)	(55)
Balance sheet inc/(dec) in cash	**92**	**27**	**(23)**	**(31)**	*-34.6*	**83**	-	**120**	**55**	**55**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1] Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

NiSource Inc. (NI.N)

Valuation (x)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
P/E (local GAAP, diluted)	19.4	21.2	18.6	21.6	20.5	19.3	17.8	16.9
P/E (UBS, diluted)	19.4	21.2	18.6	21.6	20.5	19.3	17.8	16.9
P/CEPS	8.4	8.6	7.4	9.3	9.2	8.7	8.1	7.8
Equity FCF (UBS) yield %	(14.5)	(1.6)	(6.0)	(4.9)	(8.0)	(15.1)	(2.4)	(2.1)
Dividend yield (net) %	3.1	3.0	3.6	3.0	3.2	3.4	3.6	3.8
P/BV	1.9	2.0	1.9	2.3	2.3	2.2	2.1	1.9
EV/revenues (core)	3.2	3.6	3.8	4.3	4.6	4.3	4.1	4.0
EV/EBITDA (UBS core)	10.6	10.6	9.9	11.8	11.2	10.3	9.5	9.0
EV/EBIT (core)	17.3	17.9	17.2	20.4	18.2	16.5	15.0	14.3
EV/OpFCF (core)	10.6	10.6	9.9	11.8	11.2	10.3	9.5	9.0
EV/op. invested capital	1.3	1.4	1.3	1.5	1.5	1.3	1.1	1.1

Enterprise value (US$m)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Market cap.	8,737	10,416	9,340	12,653	12,653	12,653	12,653	12,653
Net debt (cash)	9,432	10,133	10,133	10,877	12,044	12,044	12,044	12,044
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	389	373	336	326	309	309	309	309
Total enterprise value	**18,558**	**20,922**	**19,809**	**23,856**	**25,006**	**25,006**	**25,006**	**25,006**
Non core assets	(2,295)	(2,178)	(2,024)	(2,546)	(2,047)	(2,047)	(2,047)	(2,047)
Core enterprise value	**16,263**	**18,745**	**17,785**	**21,310**	**22,959**	**22,959**	**22,959**	**22,959**

Growth (%)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Revenue	3.9	1.7	(9.4)	4.3	2.9	5.8	4.6	3.3
EBITDA (UBS)	0.3	14.7	1.7	0.3	13.7	9.1	8.4	5.2
EBIT (UBS)	(2.3)	11.1	(1.5)	1.4	20.4	10.4	9.8	5.4
EPS (UBS, diluted)	7.7	1.5	0.1	4.0	5.5	6.0	8.3	5.2
Net DPS	9.7	5.7	5.4	1.7	6.7	6.3	5.9	5.6

Margins & Profitability (%)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Gross profit margin	65.5	70.4	NM	71.6	74.3	74.1	74.2	74.2
EBITDA margin	30.2	34.0	38.2	36.7	40.5	41.8	43.3	44.1
EBIT (UBS) margin	18.5	20.2	22.0	21.3	25.0	26.0	27.3	27.9
Net earnings (UBS) margin	9.1	9.5	10.8	11.7	12.6	12.8	13.4	13.7
ROIC (EBIT)	7.7	7.9	7.5	7.4	8.1	7.7	7.6	7.6
ROIC post tax	7.5	6.5	6.1	6.2	6.5	6.2	6.1	6.1
ROE (UBS)	10.1	9.9	10.1	11.1	11.6	11.8	12.0	11.9

Capital structure & Coverage (x)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Net debt / EBITDA	6.4	5.9	5.9	6.3	6.3	6.8	6.6	6.5
Net debt / total equity %	203.1	203.2	211.8	208.4	229.4	250.1	245.3	240.5
Net debt / (net debt + total equity) %	67.0	67.0	67.9	67.6	69.6	71.4	71.0	70.6
Net debt/EV %	50.8	48.4	52.7	45.6	48.2	55.9	61.9	64.8
Capex / depreciation %	NM	NM	NM	NM	NM	NM	NM	NM
Capex / revenue %	NM	NM	NM	NM	NM	NM	NM	NM
EBIT / net interest	2.7	2.8	2.8	3.1	3.2	3.0	3.0	3.0
Dividend cover (UBS)	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5
Div. payout ratio (UBS) %	60.8	63.2	66.6	65.2	65.9	66.1	64.6	64.9

Revenues by division (US$m)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Others	5,095	5,184	4,697	4,900	5,044	5,339	5,585	5,772
Total	**5,095**	**5,184**	**4,697**	**4,900**	**5,044**	**5,339**	**5,585**	**5,772**

EBIT (UBS) by division (US$m)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Others	942	1,047	1,031	1,046	1,259	1,390	1,526	1,608
Total	**942**	**1,047**	**1,031**	**1,046**	**1,259**	**1,390**	**1,526**	**1,608**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+3.6%
Forecast dividend yield	3.2%
Forecast stock return	+6.8%
Market return assumption	6.7%
Forecast excess return	+0.1%

Company Description

NI is a fully regulated gas and electric utility serving customers in six states in the Midwest and Mid-Atlantic. NI is a gas distribution utility with 3.2 million customers in Indiana, Kentucky, Maryland, Ohio, Pennsylvania, and Virginia. NI is an integrated electric utility serving 0.5 million customers in Indiana. NI's mix of operating earnings is 60% gas and 40% electric.

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. Our price target is derived using a sum-of-the-parts P/E valuation.

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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	55%	32%
Neutral	FSR is between -6% and 6% of the MRA.	35%	29%
Sell	FSR is > 6% below the MRA.	10%	26%
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 31 December 2021.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category.
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KEY DEFINITIONS: Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. In some cases, this yield may be based on accrued dividends. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

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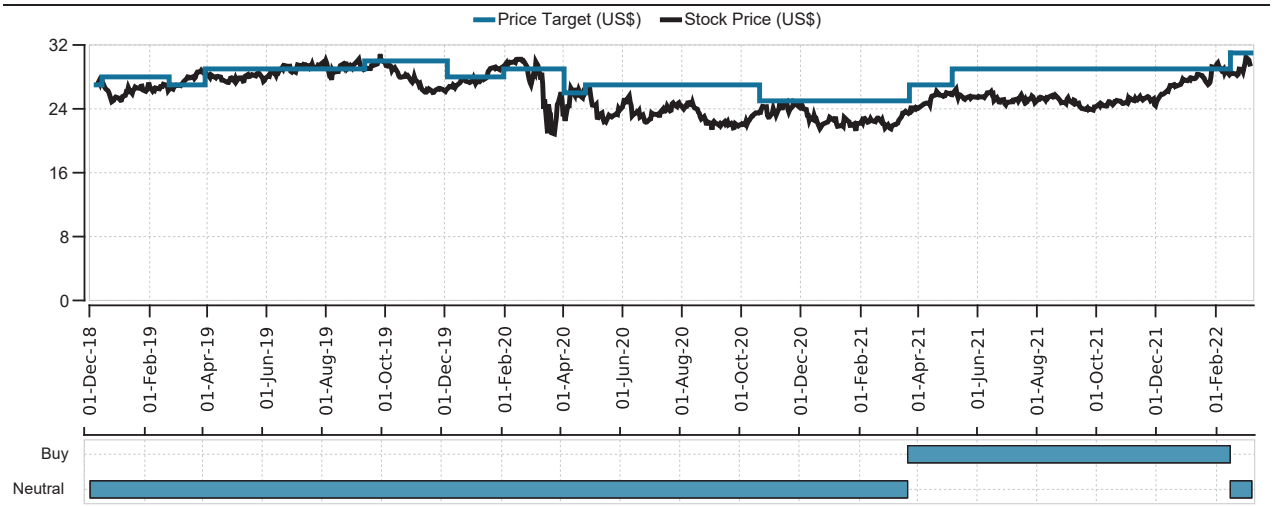
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Company Name	Reuters	12-month rating	Price	Price date
NiSource Inc.[16]	NI.N	Neutral	US$29.92	10 Mar 2022

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.
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NiSource Inc. (US$)



Date	Stock Price (US$)	Price Target (US$)	Rating
2018-12-07	27.14	27.00	Neutral
2018-12-13	27.62	28.00	Neutral
2019-02-20	26.28	27.00	Neutral
2019-03-29	28.66	29.00	Neutral
2019-09-09	28.91	30.00	Neutral
2019-12-03	26.41	28.00	Neutral
2020-01-30	29.10	29.00	Neutral
2020-04-01	23.06	26.00	Neutral
2020-04-23	25.85	27.00	Neutral
2020-10-19	23.47	25.00	Neutral
2021-03-22	23.42	27.00	Buy
2021-05-05	25.78	29.00	Buy
2022-02-15	28.26	31.00	Neutral

Source: UBS; as of 09-Mar-2022

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Sent: Wednesday, March 23, 2022 9:07 AM
To: Weisenburger \ Michael \ V
Subject: The Fleishman Daily 3/23/22 - FE, NI, QES Pair Trade Ideas, KMI, Hydrogen, Solar manufacturing

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WOLFE RESEARCH

March 23, 2022

THE FLEISHMAN DAILY 3/23/22
FE, NI, QES Pair Trade Ideas, KMI, Hydrogen, Solar manufacturing

The Fleishman Daily 3/23/22
Utilities: FE, NI, QES Pair Trade Ideas
Midstream: KMI
Clean Energy: Hydrogen, Solar manufacturing

Utilities

FE – Federal judge in Akron orders FE investor attorneys to reveal identity of HB6 payments by today
NI – Files PA rate case; requesting $82.2M rate increase, 11.20% ROE and 54.38% equity ratio
QES Pair Trade Ideas – Wolfe's Luo QES Research team highlights ETR/SO and AEE/PEG as two of its top five weekly pair trade ideas

Midstream

KMI – Reports of still limited progress on resolving Ruby pipeline issues

Clean Energy

Hydrogen – China rolls out expanded hydrogen strategy, another sign of policy support; BLDP, CMI, PLUG likely N. America beneficiaries
Solar manufacturing – Jinko reports big sales volume uplift in Q4, but high poly prices a pressure

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Clean Energy Comps, Valuation Charts, Models, Arb Spreads

Utilities

FE – Federal judge in Akron orders FE investor attorneys to reveal identity of HB6 payments by today

- Yesterday, *Cleveland.com* reported that Akron District Judge John Adams issued an order to attorneys representing FE shareholders – requiring them to name the people who paid the $60M in alleged bribes in the HB6 scandal by noon today
- This followed a hearing earlier in the month, where the judge similarly pushed back on FE's level of disclosures around HB6 spending and the settlement itself
- Thus far, attorneys for FE shareholders indicated that it would be willing to reveal this information confidentially
- Recall that FE announced the shareholder derivative settlement with year-end earnings, key terms were as follows:
    - 1) 6 Board members that served for 5+ years will not be reelected
    - 2) special committee of 3+ recent independent directors will review the current mgmt. team
    - 3) enhanced overwatch/disclosure on lobbying/political activities
    - 4) $180M payment to FE by insurance
- The settlement was filed in Columbus where the judge there is giving parties time to finalize the deal, but our understanding is it would need sign-off in Akron ultimately as well

This Akron judge seems to be becoming increasingly combative. That said, we viewed the settlement itself as constructive overall.

NI – Files PA rate case; requesting $82.2M rate increase, 11.20% ROE and 54.38% equity ratio

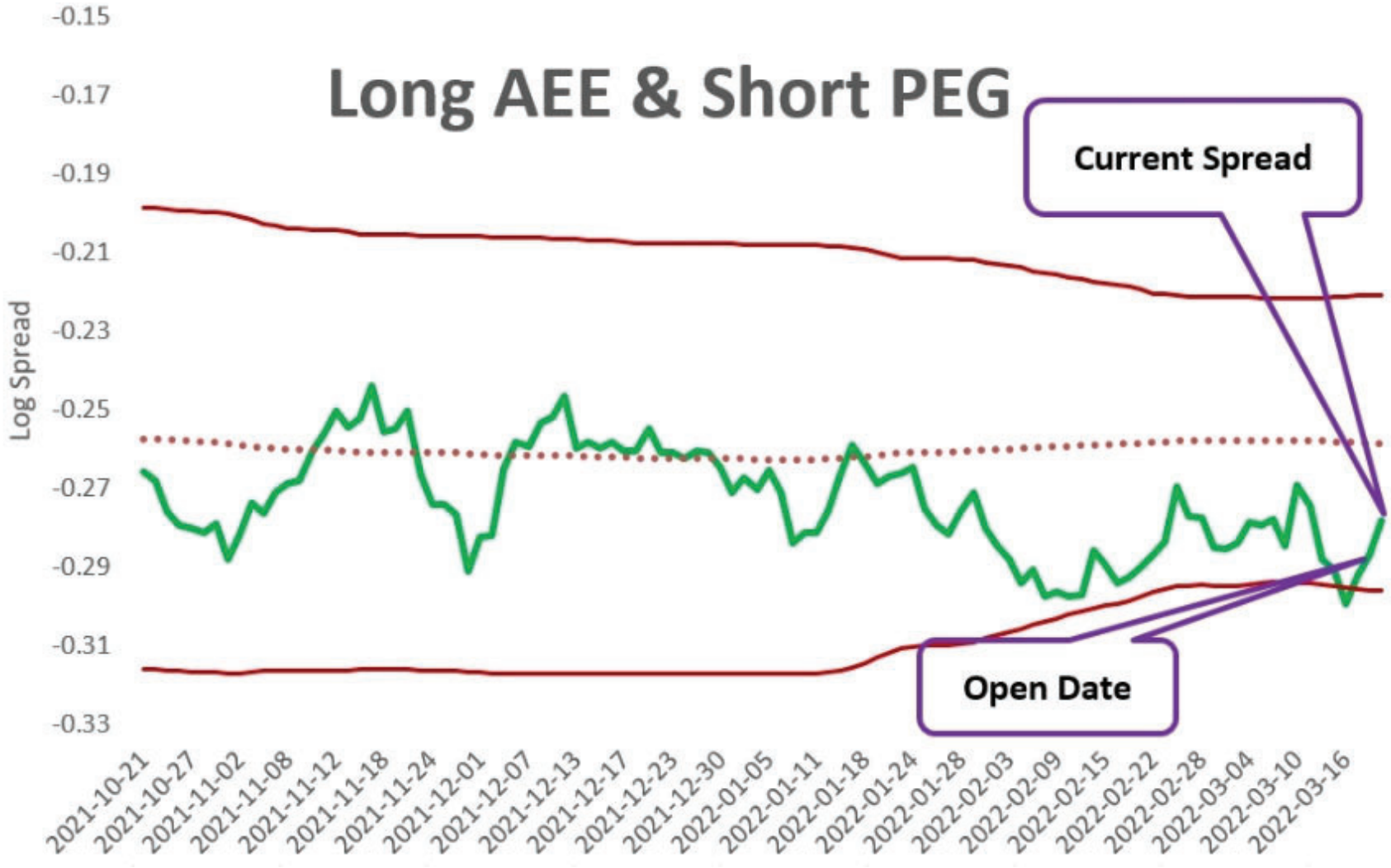
- Last week, NI filed a rate case at its Pennsylvania gas LDC
- NI requested a $82.2M rate increase using a 11.20% ROE, 54.38% equity ratio and $2.958B rate base (test-year ending 12/31/23)
    - Recall, this past Dec., the PUC approved a settlement for a $58.5M rate increase; the settlement was done via black box
- NI's rate increase request would result in an average bill increase of 10.09% for resi customers, 8.64% for small commercial and 7.46% for small industrial
- Similar to its last case, NI is proposing that the PUC implement a revenue normalization adjustment mechanism (i.e., full revenue decoupling)
- A PUC decision is expected in December 2022

This follows NI's typical cadence of submitting annual rate case filings in the state. PA has historically been a pretty constructive jurisdiction for the company, with most cases being decided through a settlement. PA is NI's second largest gas LDC and accounts for ~15% of the company's entire rate base.

QES Pair Trade Ideas – Wolfe's Luo QES Research team highlights ETR/SO and AEE/PEG as two of its top five weekly pair trade ideas

- This morning Wolfe's Luo QES Research team spotlighted two utility trades as part of their top five weekly pair trade ideas.
- These strategies are based on the QES team's Parma model, which exploits short-term mispricing and mean reversion behavior.
    - This pairs trading model yields an average annualized return of +4.8% per pair, with a reversion rate of ~85%.
- The QES team highlights ETR/SO and AEE/PEG as two of its top five long/short pair trade ideas.
- Please see the exhibits below.

Long Ticker	Long Name	Short Ticker	Short Name	Open Date	Sector	Current Standard Deviation Spread
BOH	Bank of Hawaii Corp	CBSH	Commerce Bancshares Inc	2022-03-14	Financials	(1.34)
CAG	Conagra Brands Inc	CPB	Campbell Soup Co	2022-03-15	Consumer Staples	(1.16)
ETR	Entergy corporation	SO	Southern Co (The)	2022-03-15	Utilities	(1.28)
DOW	Dow Inc	LYB	LyondellBasell Industries NV	2022-03-16	Materials	(0.79)
AEE	Ameren Corporation	PEG	Public Service Enterprise Group Inc	2022-03-18	Utilities	(1.06)



Source: Wolfe's Luo QES Research

Midstream

KMI – Reports of still limited progress on resolving Ruby pipeline issues

- Yesterday, Bloomberg reported that restructuring talks between KMI/Pembina and bondholders have stalled with a $475M bond maturity coming up next week on April 1st
    - Bondholders had reportedly proposed to have Ruby pay down some debt and replace the remainder with new debt
- Relatedly, Moody's yesterday downgraded Ruby's credit rating to Ca from Caa1 and retained its negative outlook

KMI has zeroed out the Ruby pipeline in its financial projections, so a bankruptcy of the pipeline isn't material. However, we're interested in how this plays out with the added complication of Pembina's preferred equity interest. KMI has said they will only invest in the pipeline if clearly accretive on a go-forward basis.

Clean Energy

Hydrogen – China rolls out expanded hydrogen strategy, another sign of policy support; BLDP, CMI, PLUG likely N. America beneficiaries

- Overnight China's National Development and Reform Commission introduced a new set of hydrogen targets for the country
- Key milestones by 2025:
    - Annual green hydrogen production of 100,000-200,000 tonnes of hydrogen produced annually (roughly 275-550 MTD)
    - 50,000 hydrogen fueled vehicles
    - Significant investment in R&D and infrastructure covering transport, energy storage, power generation, and industrial uses
- It further sees consistent expansion in production and adoption by 2030 and by 2035 a "full-scale" hydrogen industry

While the policy announcement will still need more details over time, it is another sign of increasing policy support for hydrogen globally. The US has earmarked $8B of "hydrogen hubs" plus $1B in R&D and Europe has proposed tripling its use of hydrogen by 2030 to minimize dependence on Russian natural gas. The green hydrogen goal for 2025 appears relatively modest – Plug Power sees its own green hydrogen production at about 500 MTD by 2025, but we'd expect substantial scale up in China from there. Companies with the most direct

exposure to the Chinese market include Ballard (Ballard-Weichai fuel cell JV), Cummins (Sinopec JV), and Ceres Power (Weichai-Bosch stationary fuel cell JV). While Plug Power doesn't have a direct presence there, yet it has cited China as a key market objective via its JV with SK E&S; we'd also expect Bloom to look to enter the marker over time as well.

Solar manufacturing – Jinko reports big sales volume uplift in Q4, but high poly prices a pressure

- Jinko Solar reported earnings this morning with shipments of 9.7 GW up a very large 94% QoQ and 4Q21 gross margin of 16% up slightly from 15% in 3Q21
- Jinko guided to 2022 shipments of 35-40 GW versus 25 GW in 2021.
- However, the company is no longer providing forward looking gross margin guidance based on what peers do and given volatility in global supply chains. The company noted very high polysilicon prices on the call and indicated margins in Q1 could be a little lower.
- Strategically, the company continues to focus growth on distributed generation, and in the Chinese end market where demand is expected to exceed 100 GW in 2022

Wolfe Events

March 21, 24: ES virtual non-deal roadshow in Europe
March 23, 25: AEE virtual non-deal roadshow in Europe
March 24: In-person lunch with GA PSC Vice-Chairman Tim Echols in NYC at 12PM ET
March 29-30: DTE virtual non-deal roadshow in Midwest
April 4: ENPH virtual non-deal roadshow
April 5-7: CNP in-person non-deal roadshow in Sydney
April 12: AES in-person non-deal roadshow in NYC
May 9-10: AWK virtual non-deal roadshow in Europe

Recent Popular Reports

Wolfe Clean Energy Initiation
Utilities Top 10 for 2022
Midstream Top 10 for 2022

Clean Energy Top 10 for 2022
Power Supply Outlook 2021
Wolfe Hydrogen Primer
Wolfe Resi Solar Primer
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
3/24/22	NYSE	Short Interest Release		
4/7/22	Various	CPUC voting meeting		
4/11/22	NYSE	Short Interest Release		
4/20/22	EIX/PCG/SRE	2023-25 CoC application due		CA Cost of Capital
4/21/22	Various	CPUC voting meeting		
4/26/22	NYSE	Short Interest Release		
5/5/22	Various	CPUC voting meeting		
5/10/22	NYSE	Short Interest Release		
5/19/22	Various	CPUC voting meeting		
5/24/22	NYSE	Short Interest Release		

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4 May 2022 | 8:04AM EDT

NiSource Inc. (NI): First Take: 1Q22 miss, 2022 guidance reaffirmed; reiterating 7-9% growth despite solar delays

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NiSource (NI, Buy) reported 1Q22 operating EPS of $0.75, below GS/FactSet consensus of $0.80/$0.78 and 1Q2021 EPS of $0.77. NI reiterated 2022 guidance of $1.42-$1.48 ($1.45 mid-point) versus GSe/consensus of $1.47/$1.45. NI continues to expect EPS to grow by 7 to 9% CAGR - with 2021 EPS of $1.37 as the base - through 2024 as well as 5 to 7% CAGR through 2023 ; our current estimates reflect an ~8.4% CAGR from 2021A-2024E.

Key takeaway: While we view the Indiana solar project delays as somewhat expected given the ongoing panel tariff circumvention investigation by the Department of Commerce (DOC), we view management's plan to accelerate other electric/gas capital and cost savings as constructive to maintain its implied 2024 EPS power. We look for additional color on any potential impact to 2023 earnings power, as well as regulatory steps needed to adjust its Schahfer coal retirement timeline.

Key takeaways from NI's release and slides include:

- **NI's 1Q22 miss versus GSe was largely driven on higher operating cost at the gas utility segment** slightly offset by higher operating margin at the electric utility segment. We look for management color on the higher costs, and how much is timing related versus sustained inflationary pressures that may need offsetting.
- **NI plans to offset impact from solar delays with other capex, O&M savings.** NI expects its Indiana solar projects - totaling $2bn in capital to be delayed by 6-18 months versus prior plan based on the current DOC investigation, which sets the new timeline at 2023-2024+ versus 2022-2023 prior, with potential for ~-$0.10 EPS impact in 2024. However, management expects to fully offset that with other electric/gas capital - supporting $0.04-$0.05 of EPS, accelerated O&M savings of $0.03-$0.04, and less interest expense of $0.01-$0.02. **NI maintained its 10-12% rate base CAGR through 2024.**
- **Schahfer coal plant retirement pushed to 2025 given solar delays.** We note the 1.9 GW Schahfer coal plant was originally scheduled to retire in 2023, replaced $2bn in solar investments. Given the announced solar development delays, NI now expects to retire the coal plant in 2025 to secure continued reliability for its customers.

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- **NI largely maintained its financing plan including no bulk equity needs through 2024;** management now expects $800mn of long-term debt issued through 2024 versus 2023 prior (driven by the delayed solar investments). They also reiterated $200-$300mn of annual ATM equity financing in 2022 and up to $150mn in 2023. Management still targets FFO/debt ratio of between 14-15%.

Key topics to monitor on NI's earnings call (11am ET) include: 1) update on the Ohio gas rate case and what's embedded in the company's EPS growth guidance, 2) thoughts on various strategic considerations for the company longer-term, 3) updates on the solar delays and details on other infrastructure capex to offset delays in solar projects and 4) assumptions behind EPS growth trajectory through 2024.

Our 12-month price target of $31 embeds assigned electric/gas utility P/E multiple (on 2023E) of 20x/19x, which represents a ~10%/5% premium to our 18x industry base multiple for regulated utilities. **Key downside risks** include 1) NI continues to face additional solar development delays which potentially pressure earnings power, 2) unfavorable outcome in the outstanding and upcoming rate cases which lowers allowed returns (especially in OH), 3) NI fails to realize rate base additions and instead has more PPA generation, and 4) NI announces strategic initiatives that is dilutive to EPS.

NI	12m Price Target: **$31.00**	Price: **$28.96**	Upside: **7.0%**

Buy

Market cap: $11.4bn
Enterprise value: $24.1bn
3m ADTV: $143.3mn
United States
Americas Utilities
M&A Rank: 3

GS Forecast

	12/21	12/22E	12/23E	12/24E
Revenue ($ mn)	4,899.6	5,143.8	5,450.2	5,772.5
EBITDA ($ mn)	1,763.0	1,964.6	2,172.3	2,470.8
EBIT ($ mn)	1,014.6	1,170.8	1,279.5	1,484.5
EPS ($)	1.37	1.47	1.58	1.75
P/E (X)	18.0	19.7	18.3	16.6
EV/EBITDA (X)	12.1	12.5	12.2	11.6
FCF yield (%)	(6.4)	(8.7)	(15.5)	(1.1)
Dividend yield (%)	3.6	3.2	3.5	3.7
Net debt/EBITDA (X)	5.5	5.5	5.7	5.3

	12/21	3/22E	6/22E	9/22E
EPS ($)	0.38	0.80	0.11	0.14

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 3 May 2022 close.

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Reg AC

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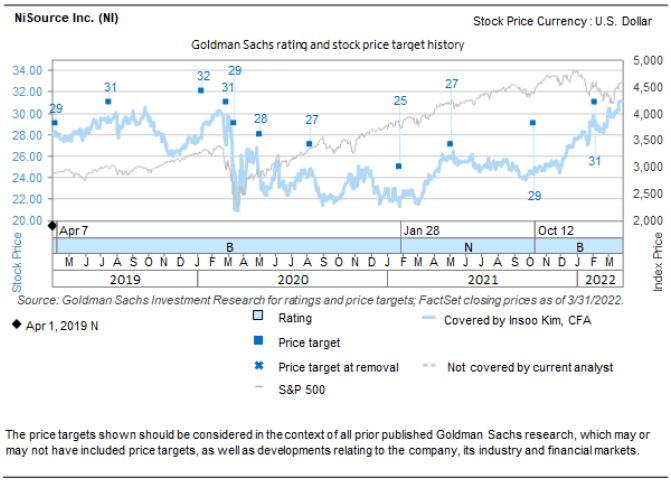
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J.P.Morgan

NiSource Inc.

Long-Term EPS Outlook Intact with Proactive Steps to Address Solar Delays; 1Q22 EPS Slight Miss

Overweight

NI, NI US
Price: $28.96
03 May 2022

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- **1Q22 earnings just below estimates.** NI reported 1Q22 adj EPS of $0.75, trailing the JPMe/Street median estimates of $0.77. Gas Distribution and Electric operating earnings increased +$30.8mm and +$8.1mm YoY, respectively. NI benefitted from new base rates, higher revenue from off system sales, and customer growth, before lower customer usage and other offsets. Additionally, Corporate and Other results include unfavorable COLI impacts and higher outside service costs. NI reiterated its 2022 EPS guidance of $1.42-1.48 (JPMe/Street median $1.45).

- **EPS growth outlook intact for solar update, with proactive initial steps…** NI reaffirmed its 5-7% through 2023 and 7-9% through 2024 EPS CAGRs, in a strong response to recent solar uncertainty from the Department of Commerce AD/CVD investigation. Expected project delays range from 6-18mo, which now drive a 2-year delay to the upcoming Schahfer coal retirement to address interim reliability needs, now expected by the end of 2025. Renewables capex remains $2bn, though now potentially extending into 2025. We see the company as having taken proactive steps to address this overhang into earnings in a positive overall update, all while reiterating its renewables investments and commitment to the broader IN generation transition.

- **…as NI outlines offsets to 6-18mo of solar delays.** Capital flexibility and cost cuts headline NI's scenarios to offset expected solar delays. Here, the company outlined a potential $400-500mm in 2022-2023 capex pull forwards, incremental NiSource Next and other cost saving opportunities, plus lower financing costs for delayed projects as levers to mitigate a prospective 9-10c earnings impact from assumed $1bn in renewables delays to 2024+. Given these levers and significant regulatory flexibility to roll renewables capex into rates, we see this framework as a positive backstop while the industry deals with DoC uncertainty and works to firm up actual impacts. NI now targets a fall investor day, previously tapped for this month. We look to the call for renewables cost sensitivities, not addressed in the release, and initial expectations on the hurdles to firming up project timing and formally revising NI's plan.

- **Conference call details.** NI will host a webcast to discuss 1Q22 results on Wednesday, May 4 at 11:00 AM ET.

Table 1: NI 1Q22 Results

Income Statement:	Actual 1Q21	Actual 1Q22	JPM 1Q22E	% Chg Y/Y	% Chg vs JPMe	YoY Drivers
Operating Earnings	465	494	546	6%	-10%	New rates from base rate proceedings, higher off system sales, customer growth, offset by customer usage
Net Income	305	329	337	8%	-2%	Unfavorable COLI impacts, higher outside service costs
Share Count	394	441	440	12%	0%	
Operating EPS	**$0.77**	**$0.75**	**$0.77**	**-3%**	**-3%**	

Source: Company reports and J.P. Morgan estimates

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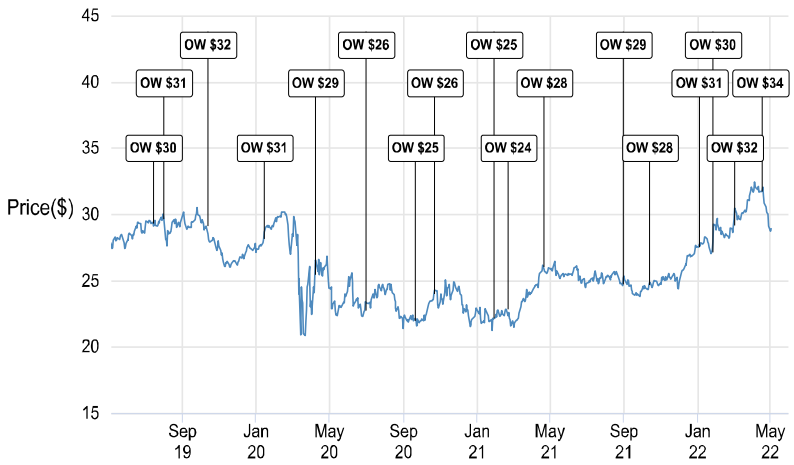
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NiSource Inc. (NI, NI US) Price Chart



Date	Rating	Price ($)	Price Target ($)
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
31-Aug-21	OW	24.76	29
14-Oct-21	OW	24.69	28
04-Jan-22	OW	27.52	31
26-Jan-22	OW	27.14	30
03-Mar-22	OW	29.19	32
18-Apr-22	OW	31.75	34

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
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JPMS Equity Research Coverage*	51%	37%	12%
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US Utilities: NI Results & Thoughts from the buckeye state (AEP/FE) - NI guide reaffirm positive; Feedback on FE post the launch; AEP KY De-risking

MAY 4, 2022
EQUITY
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Document Link

- We provide quick updates on this mornings data points and discussions with investors regarding AEP and FE.

- **NI 1Q EPS:** Mgmt reaffirmed FY22 EPS and NI's LT EPS guidance of 7-9% through 2024E, despite warning of ~$2Bn of renewable related capital shifts for rate base eligible solar projects. Mgmt concisely laid out a plan for offsets including pulling forward additional tracked capex ($0.04-0.05), O&M cuts ($0.03-0.04) and financing cost benefits ($0.01-0.02). Renewable project capital in total is worth $0.20/sh (CSe), but NI is showing $0.09-0.10/sh of timing risk which assumes $1Bn of capital is still in service by 2023. We are looking for greater clarity on the call in regards

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to the timing of specific projects with slides noting 6-18 months of timing delays (admittedly quite wide). Messaging and confidence regarding execution on the first $1Bn of solar capex is what we'll be watching. Schaeffer unit retirements are delayed until the end of 2025 to ensure customer reliability; this is smart in wake of higher MISO supply costs. Financing slides are unchanged though we look for commentary on strategic initiatives on the call given management floating both buying and selling assets as part of the strategic review on the 4Q call. AD formally planned for this Fall.

- **AEP: Mitchell Operating Agreement approved in KY: Positive Step Forward:** Yesterday (May 3rd) the Kentucky PSC approved the Mitchell operating agreement. The commission also ruled that Mitchell plant won't be running past 2028 and its disposal price will be determined in a later date prior to 2028. Investors should expect sales transfer to be approved statutorily by Kentucky PSC today, if the commission doesn't rule. With KY state level approval behind us, we remain confident and continue to monitor milestones left to be cleared: filing for FERC approval regarding Mitchel Operating agreement right away; WVPSC approval; FERC 203 application order expected by June).

- **FE: Investors remain concerned on pension; limited visibility until YE:** We have been sourcing inbounds on FE post 1Q results where management attempted to be forthcoming with the street on potential headwinds to the current 6-8% EPS CAGR, flagging pension (10c) and RTO adder (5c) risk. FE has underperformed the UTY ~400bps since the 1Q print (10% on absolute basis) on this issue which we think is now overdone given limited visibility for investors to actually realize a lower EPS outlook. Pension impacts are as of 3/31/2022 (SPX -4.95%), though the bear case is that the impact has widened with the SPX now down -12.6% YTD, implying a ~20c impact on pension MtM simplistically assuming FE's pension is linearly correlated to the SPX. Our 2023E EPS is $3.58 vs. Street $3.57 and our estimates contemplate the removal of the RTO adder. Recall management has also reaffirmed it's 6-8% EPS CAGR and FY22 EPS guidance as of the

1Q call. In the meantime, management remains focused in working to identify offsets - we principally look towards cost cuts - and we stress this is more a 2023 guidance issue, which we don't see being communicated until 3Q/EEI the earliest. We have also been receiving inbounds related to the management review which is a requirement per the recent shareholder litigation settlement. We find the review to be fairly perfunctory and the settlement driven board changes are also positive for FE from a governance perspective. We maintain our Outperform rating on shares.

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Power & Utilities May 4, 2022

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EIX: 1Q EPS Beat; Another Hit on Wildfire Liability Estimate, But Recovery Filing Cometh in ’23 to Start Clearing Decks (see note HERE)

PEG: 1Q Beat; Strong Utility Performance with LT Nuclear Tailwinds; Option Value Remains on Nuclear, Transmission and Offshore Upsides (see note HERE)

OGS: 1Q EPS Miss but 2022 Guidance Maintained; End in Sight with Securitization Saga (see note HERE)

CMS: 1Q EPS Beat; Regulatory Outcomes Straight Down the Pike; Capex Step-up Still Pending Approval (see note HERE)

CNP: Premium or Bust! 1Q Results In-Line, Growth Capex Plans Remain Flexible With Efficient Funding and Solidify Top of 6-8% LT Guidance (see note HERE)

NI – NI reports 1Q22 net operating EPS of $0.75 vs Gugg $0.77 and consensus of $0.78; maintains 2022

guidance

AVA – AVA reports 1Q22 EPS of $0.99 driven by large one-time tax item, vs Gugg/consensus at $0.82/$0.93; now pointing to lower end of existing 2022 EPS range of $1.93-$2.13

CPK – CPK reports 1Q EPS Beat; Capex and Guidance Reiterated through 2025

NWN – reports 1Q22 results; call at 11:00AM ET

PNW – expected to release 1Q22 results at 8:40AM ET

MISO/IL — NRDC publishes lengthy commentary on MISO PRA Zone 4 results

DTE – DTE Electric 2022 rate case discovery responses filed

CMS – Constructive Public comment filed in the CMS IRP on the settlement, Energy Michigan intervenor files opposition

CMS – CMS Gas continues discovery response filing in CMS Gas 2022 rate case

ETR – FERC judges adjusts hearing procedure in SERI UPSA formula rate complaint

NI reports 1Q22 net operating EPS of $0.75 vs Gugg $0.77 and consensus of $0.78; maintains 2022 guidance of $1.42-$1.48 ($1.45 midpoint) vs Gugg/consensus at $1.45/$1.45; reiterates 7%-9% 2021–2024 CAGR based on $1.37 actual, and 5%-7% growth through 2023

- **CEO on NI's growth rate for '21–'24 and beyond:** *"Despite the expected delays in solar projects, the resiliency and flexibility of our business plan continues to support our commitment to deliver 7 - 9% compound annual growth in non-GAAP NOEPS from 2021 through 2024. I also look forward to sharing details around the extension of this growth plan at our* ***Investor Day event this fall.****"*
- **'22/'23 solar projects are now delayed 6–18 months.**
- Slide 8 of presentation (HERE) details EPS increments/decrements to **maintain 2024 EPS guidance** despite delayed solar in-service dates vs prior plans.
- **Changes to planned retirements:** Schahfer Generating Station Units 17 & 18 (the last two coal units) are now expected to retire in 2025 vs 2023 previously. However, Michigan City Generating Station still expected to retire on schedule between 2026-2028.
- **Capex:** remains on track to invest ~$10bn between '21-'24, although the $2.0bn of renewables could see a portion fall into 2025.
- **Rate Base:** reiterated consolidated **rate base growth of 10%-12% expected through 2024**.
- **Financing:** maintains 2021–2024 financing plan and target of LT adjusted FFO/total debt of ~14%–15%
- ESG targets remain on track as previously laid out.
- Conference call will be held at **11:00am ET —** Dial-in: **(888) 330-2391,** Access code: **28323**

AVA reports 1Q22 EPS of $0.99 vs Gugg/consensus at $0.82/$0.93; now pointing to lower end of existing 2022 EPS range of $1.93-$2.13, and compared to Gugg/consensus at $2.04/$2.00; reiterated 2023 EPS guidance of $2.42-$2.62 ($2.52 midpoint) vs Gugg/consensus at $2.47/$2.45

- +0.26 from one-time item related to timing of income taxes during the year; AVA booked a -17.8% tax rate in 1Q22, vs 15.2% in 1Q21
- **AVA CEO:** *"**Our performance was partially the result of the timing of certain expenses.** For the remainder of 2022 we anticipate seeing higher interest costs and energy costs based upon the current economic environment. However, we are proactively managing these issues and are on track to meet our consolidated earnings targets for the full year."*
- Also noteworthy: $-0.07 from electric utility margin, $+0.04 nat gas utility margin, $-0.07 O&M driven *"primarily due to higher inflation which caused increased employee wages and benefits and outside service expenses. We also had higher wildfire resiliency costs and insurance costs."*
- **Financing plans were reiterated:** AVA expects to issue $120m of equity in 2022, as well as $110m of equity plus $110m of debt in 2023.
- AVA entered Western Energy Imbalance Market in March of this year, expanding its ability to share renewable sources of energy across a regional market to help reduce costs and meet the region's electricity needs.
- Conference call will be held at **10:30am ET —** Dial-in: **(855) 806-860,** Access code: **7286046**

CPK – CPK reports 1Q EPS Beat; Capex and Guidance Reiterated through 2025

- CPK reported 1Q22 EPS of $2.08 beating consensus of $1.99 ($2.16 Guggenheim estimate)
- Core drivers for growth were the acquisition of Diversified Energy, pipeline expansions, natural gas organic growth, regulatory initiatives and higher earnings in the company's unregulated businesses
- Propane margins were up, while volumes were down.
- CPK reiterated its long-term capital expenditures and EPS guidance ranges.
- Capex is $750M to $1B in 2021 through 2025
- EPS guidance range is $6.05 to $6.25 for 2025.
- CPK reiterated its capital expenditures guidance range of $175-200M for 2022.
- Issued $50 million of 2.95 percent Senior Notes

NWN – NWN reports 1Q22 results

- NWN reported 1Q22 EPS of $1.80 vs. Gugg/Consensus $1.88/$1.89
- Reaffirmed FY22 EPS of $2.45-2.65 vs Gugg/Consensus of $2.56/2.53
- Reaffirmed LT EPS growth target of 4-6% through 2027
- Reported $3.5mm in higher O&M
- Signed PAs for two water systems in TX in 1Q22 totaling 900 connections
- Call at 11AM 1-929-526-1599 password: 884524
- Release available HERE

PNW – PNW expected to release 1Q22 results at 8:40AM ET

- Conference call will be held at **12:00pm ET — (888) 506-0062,** Access code: **560292**

MISO/IL – NRDC publishes lengthy commentary on MISO PRA Zone 4 results

- The group is pushing back against efforts to link CEJA and recent retirements, which have contributed to the price spikes across MISO

- “The high capacity prices we see today have been many years in the making.” - NRDC
- “But the dates set in CEJA for emissions reductions are years in the future. Fossil fuel power plants are allowed to keep emitting at their current levels through 2030. Whatever disdain fossil fuel companies may have for the law, the fact is that it’s had little, if any, impact on power markets to date.” - NRDC
- More HERE

Guggenheim takeaway: *Very interesting to see the NRDC jump to comment at this point. We agree with the assertion that this was years in the making – Dynegy management raised issues with the design of the PRA for most of the last decade. As a reminder any improvements would have limited LT impact on our coverage as our IPPs have little exposure to the zone – VST is retiring the bulk of its downstate generation by the end of the decade.*

DTE – DTE Electric 2022 rate case discovery responses filed

- Intervenors including public comment filed opposition to certain aspects of DTE Electric rate case proposal.
- Discovery process and responses continue to move forward in the litigated process.
- Docket: U-20836

Guggenheim takeaway: *FYI. Rate design issues surrounding net metering continue to pop up across the US.*

CMS – Constructive Public comment filed in the CMS IRP on the settlement, Energy Michigan intervenor files opposition

- Multiple sets of public comment supporting the CMS IRP settlement were filed with the MPSC.
- Energy Michigan filed opposition to the settlement.
- The Commission gave participating parties 14 days to file responses to the proposed settlement. Responses must be filed by 5 p.m. May 4, 2022.
- Intervenors including MPSC staff and AG’s office filed exceptions to the proposal for decision in the CMS IRP.
- Docket: U-21090.

Guggenheim takeaway: *FYI. Part of the settlement comm procedural schedule, and we anticipate few changes to the settlement given its multiparty status and agreement from major stakeholders.*

CMS – CMS Gas continues discovery response filing in CMS Gas 2022 rate case

- CMS Gas filed discovery responses including to MPSC staff, AG and environmental groups discovery requests in CMS Gas rate case.
- Discovery responses filed under confidentiality.
- Docket: U-21148

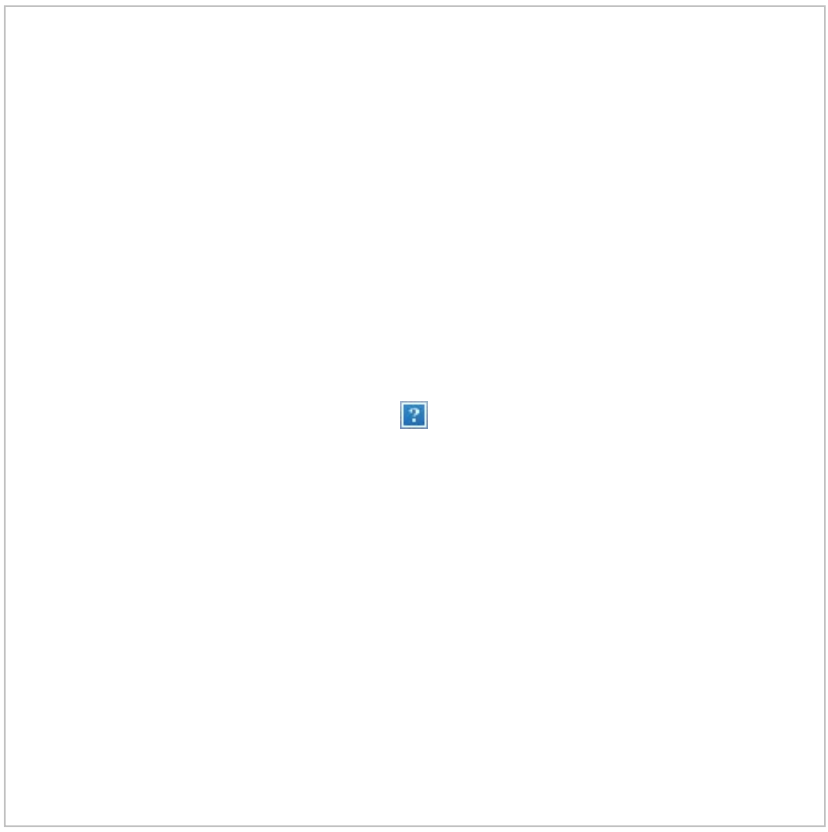
Guggenheim takeaway: *FYI. Regular cadence of rate case litigation.*

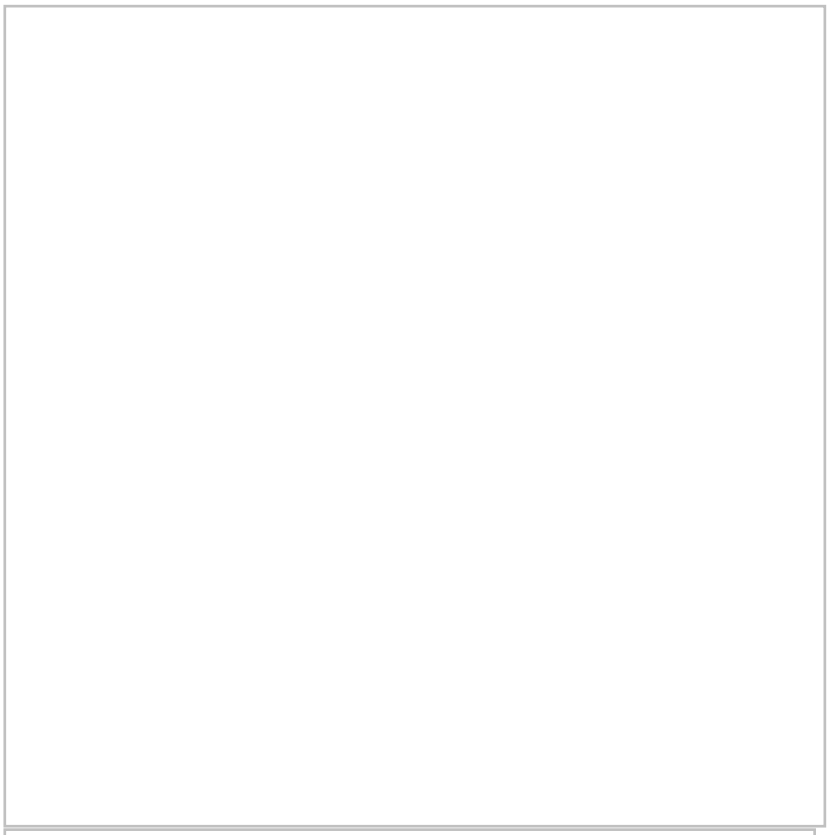
ETR – FERC judges adjusts hearing procedure in SERI UPSA formula rate complaint

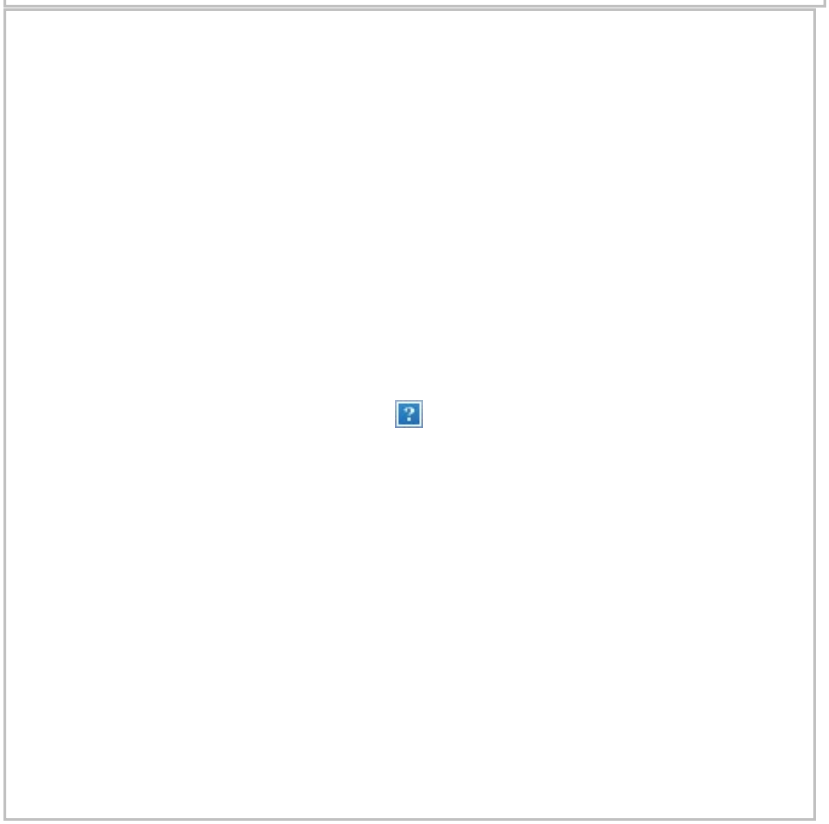
- FERC ALJ adjusted hearings process to allow more time for attorneys and witnesses to prepare for trial during hearings.

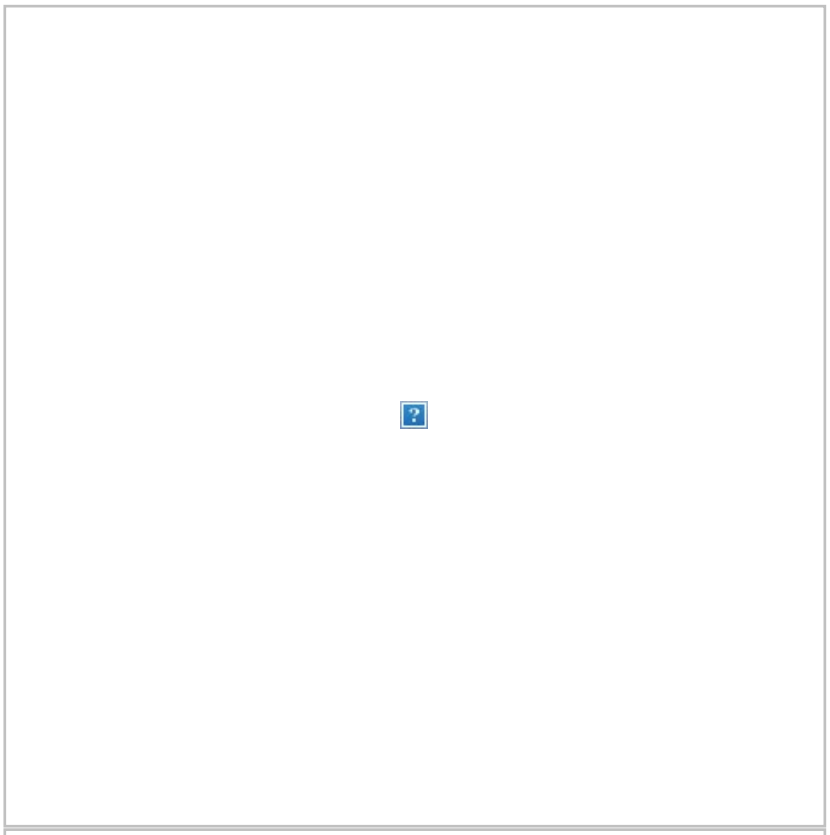
- FERC has previously set a procedural schedule for the SERI UPSA formula rate complaint.
- Rebuttals, statements of issues and briefing will continue through September 6, 2022, with a target initial decision date set for November 15, 2022
- Docket: EL20-72 / EL18-152 (through FERC search)

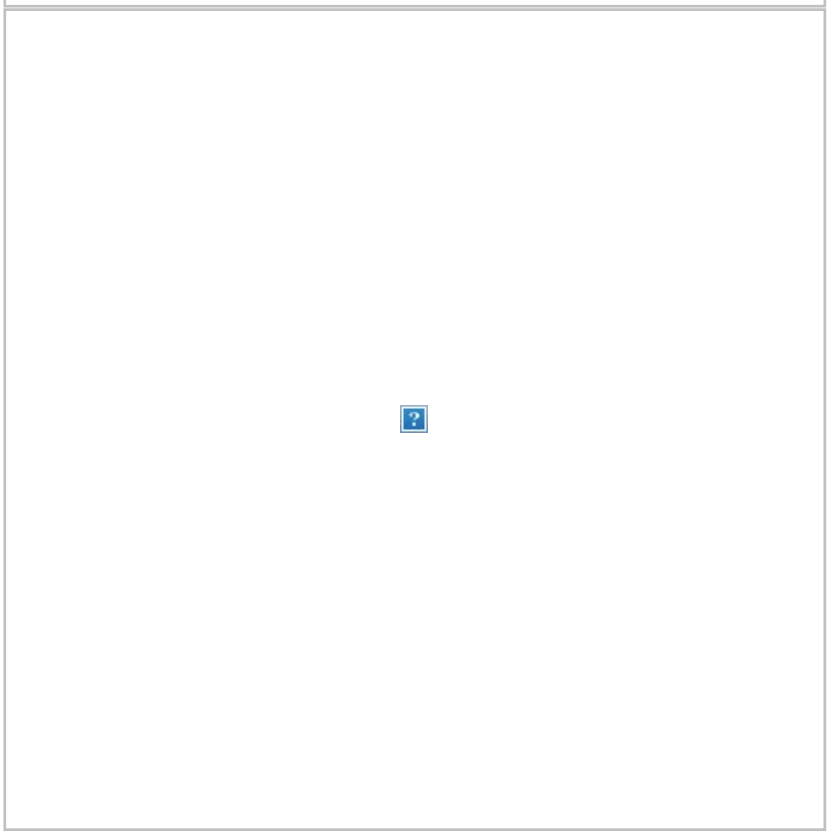
Guggenheim takeaway: *The case has seen initial testimony from intervenors and is now set on a formal schedule. Thus far we believe the testimony has been fairly balanced, although the proceeding is not fully inclusive of other sale leaseback matters. The questions under EL20-72 are related to certain costs, but exclude issues from prior filed complaints on sale leasebacks, ROE, capital structure, etc. FERC previously dismissed part of the complaint seeking an equity reopener, maintained the abeyance for issues related to the proceeding addressing the sale-leaseback renewal and uncertain tax positions, and lifted the abeyance for issues unrelated to that proceeding.*

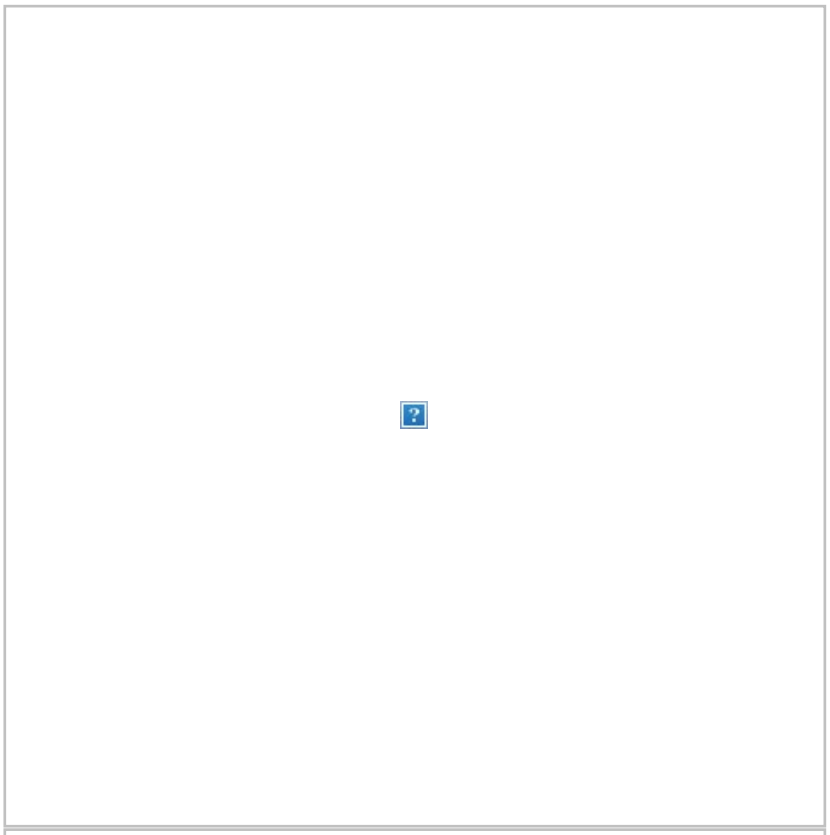


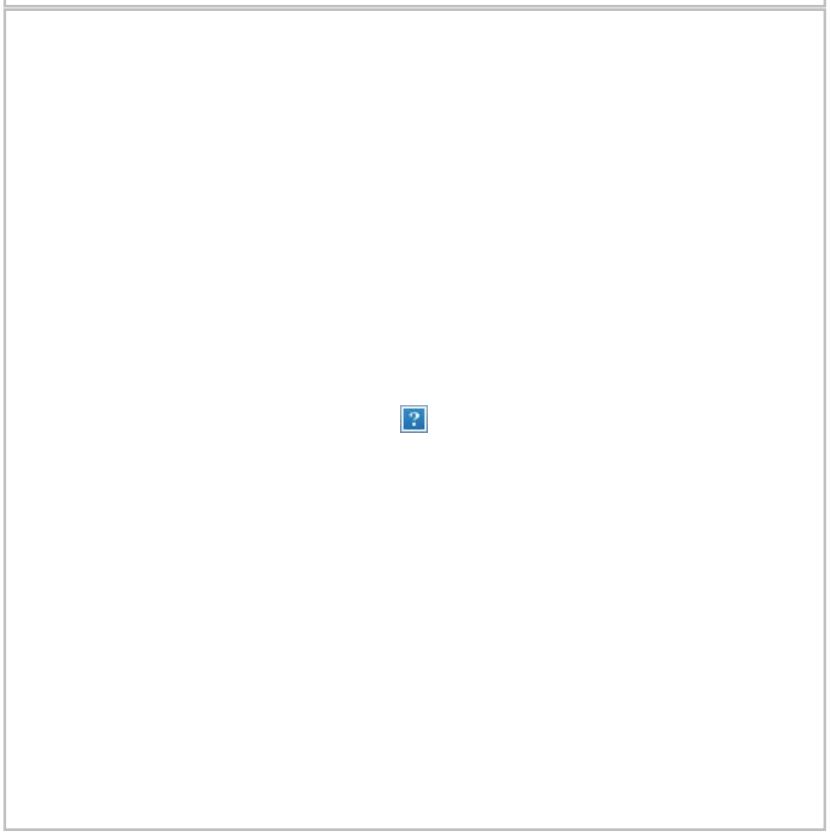




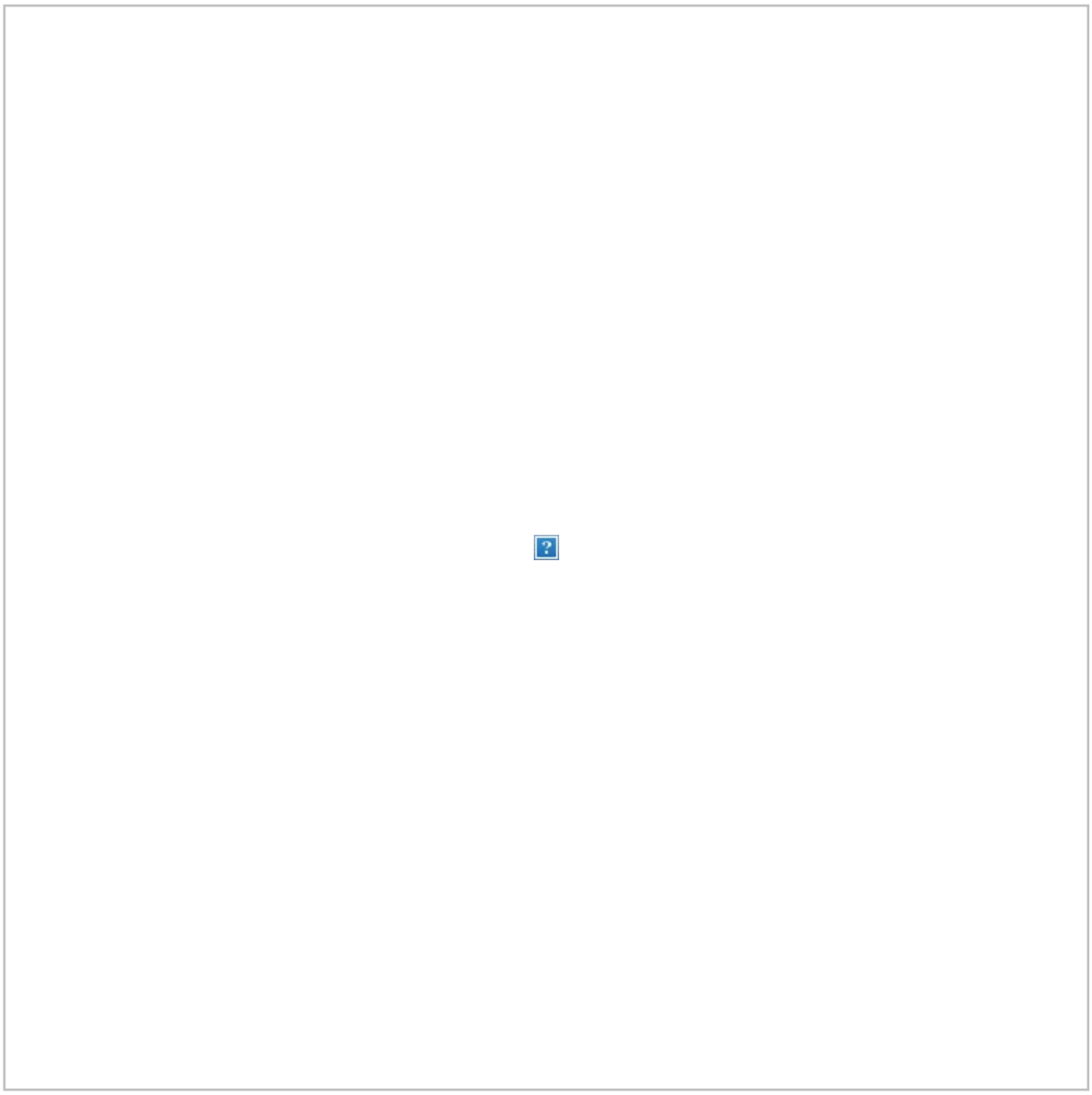




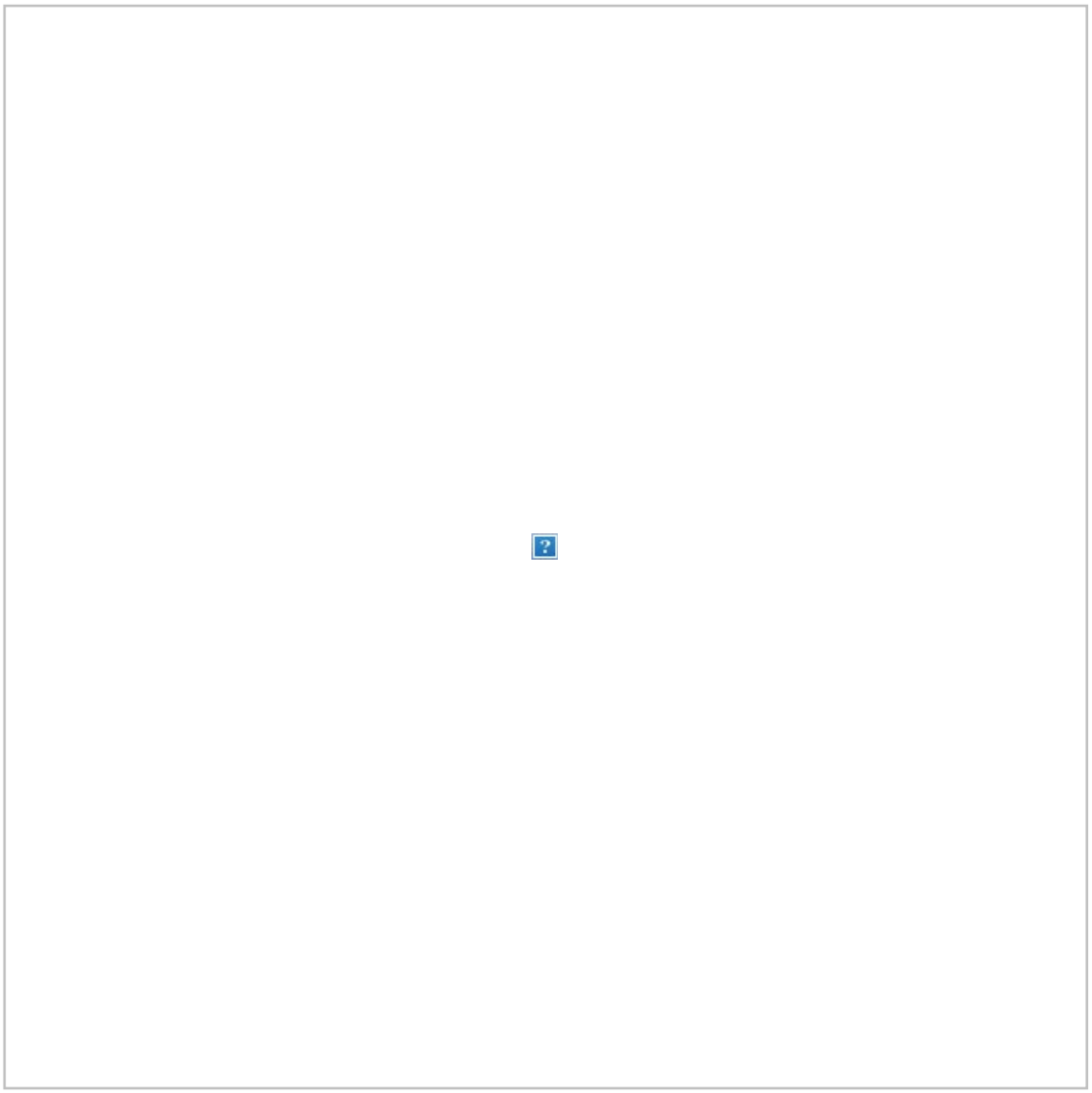




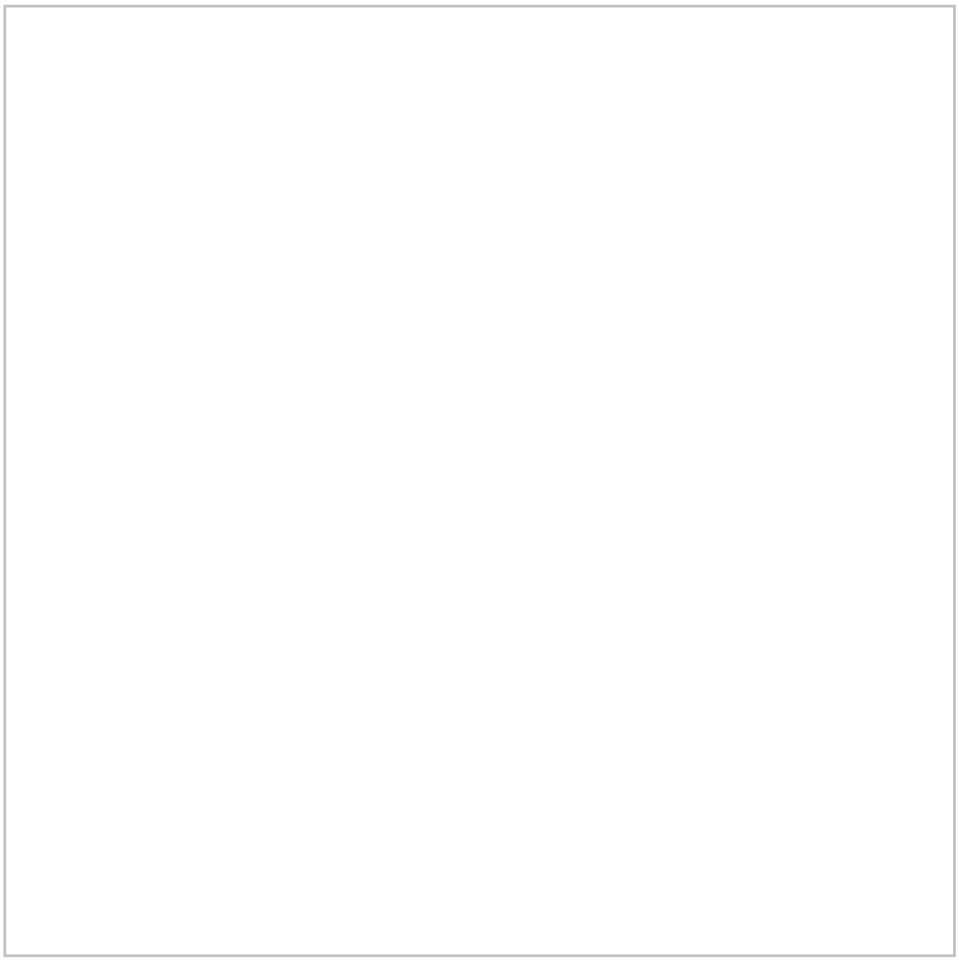
Guggenheim's Power & Utility Comp Sheet



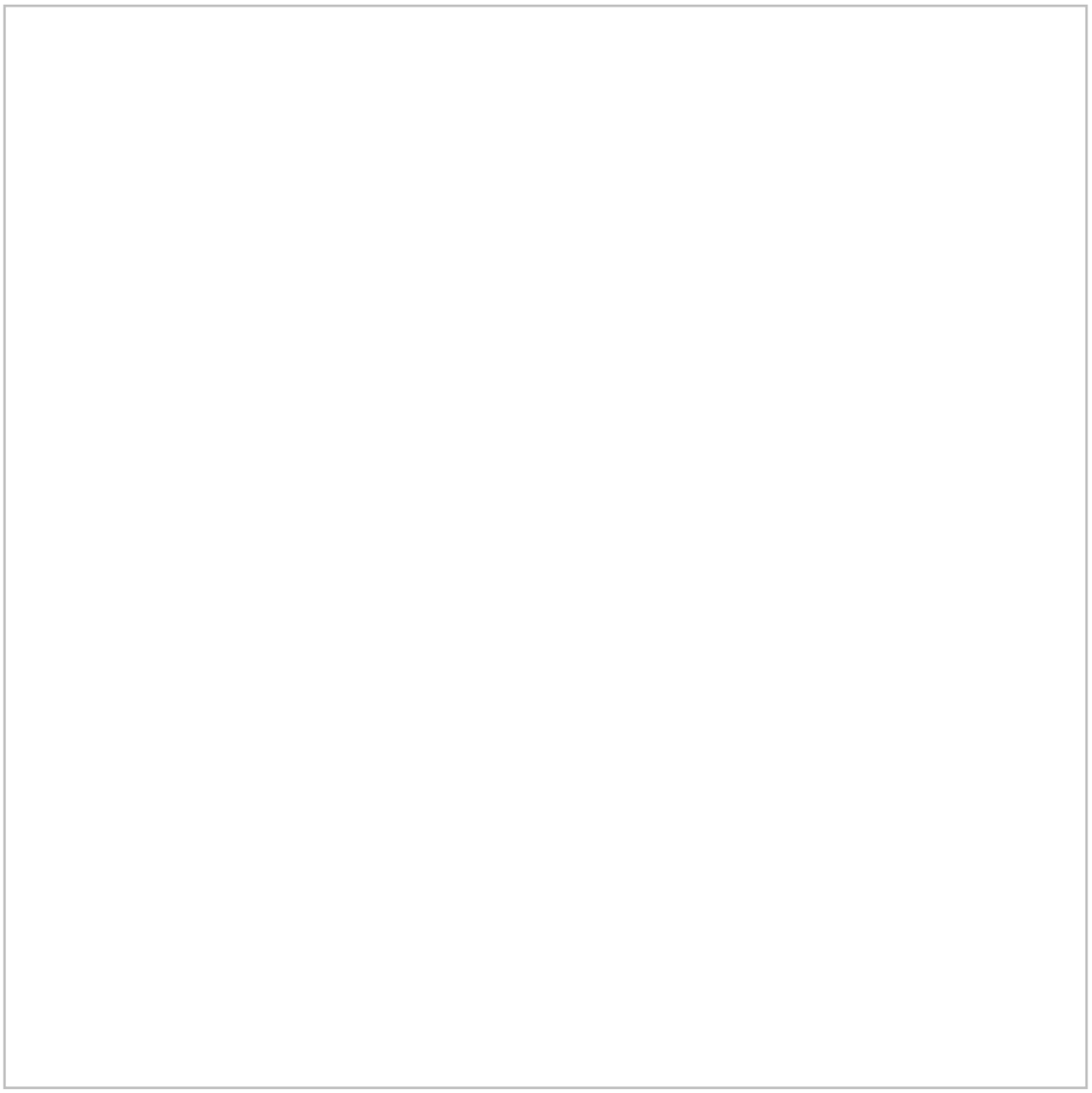
Share Price Performance (Year-to-Date, Three-Month, One-Month, & Five-Day Trailing)

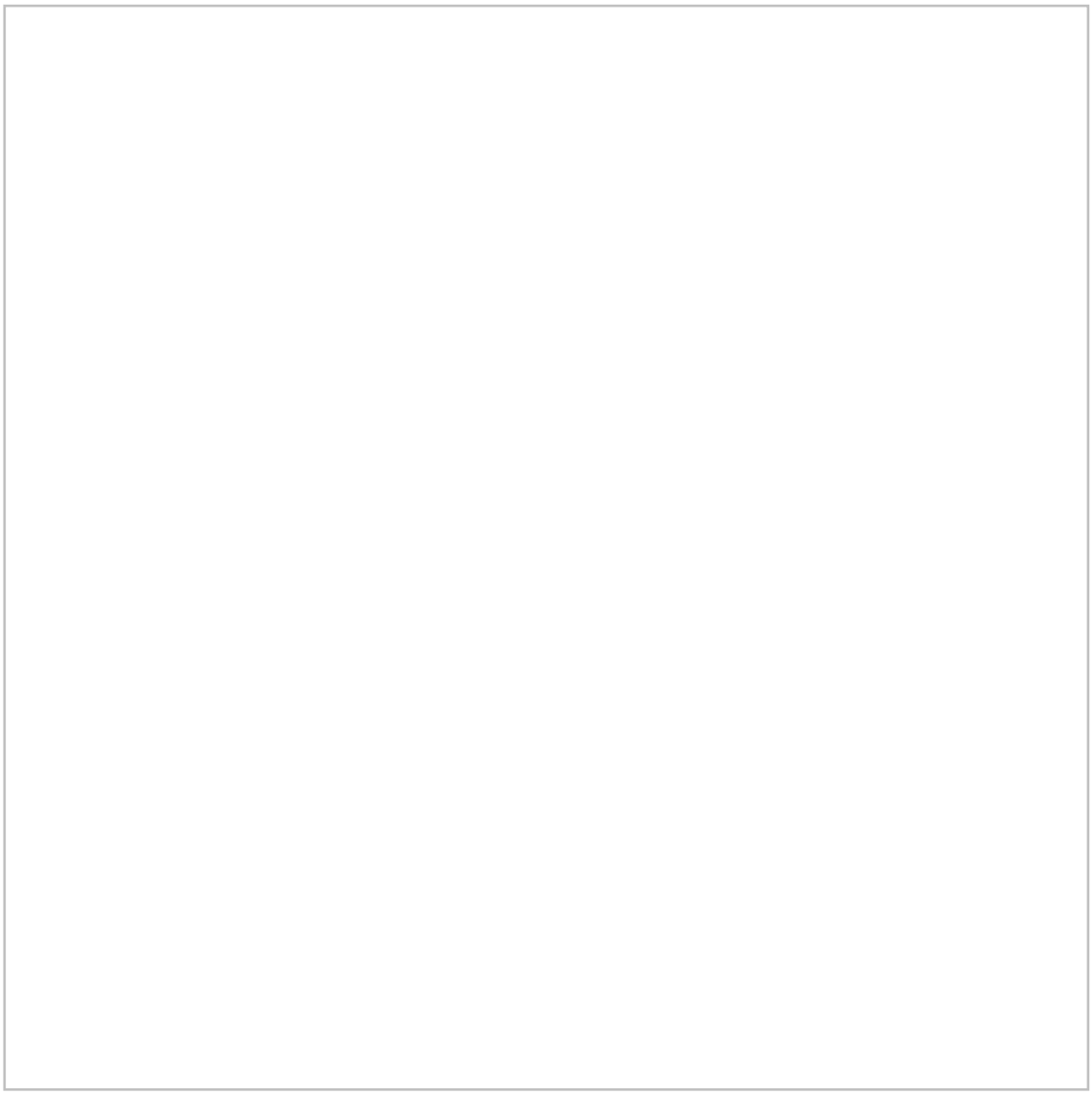


Guggenheim 2022 Client and Corporate Access Utility Events

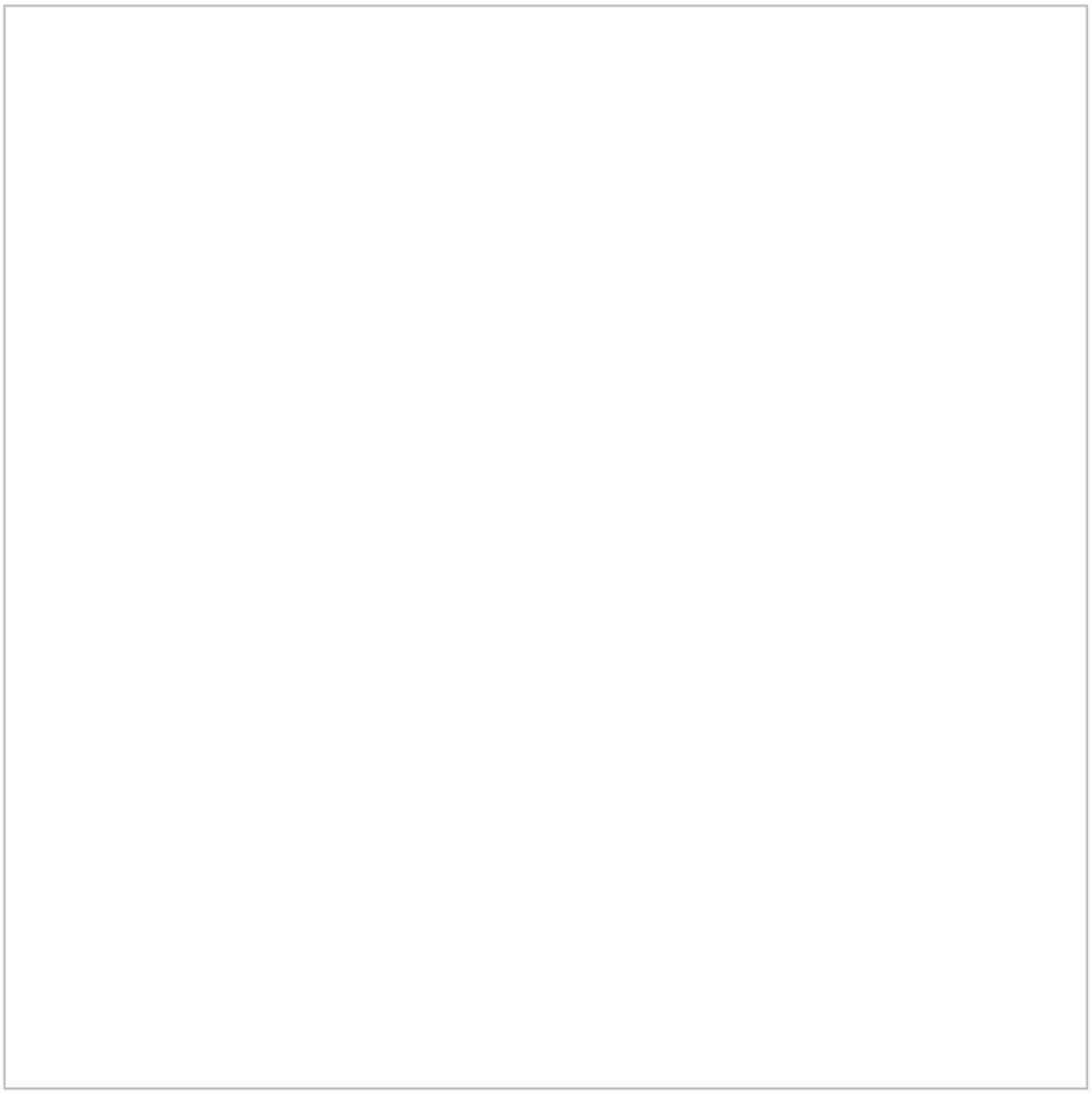


Generation and Mix

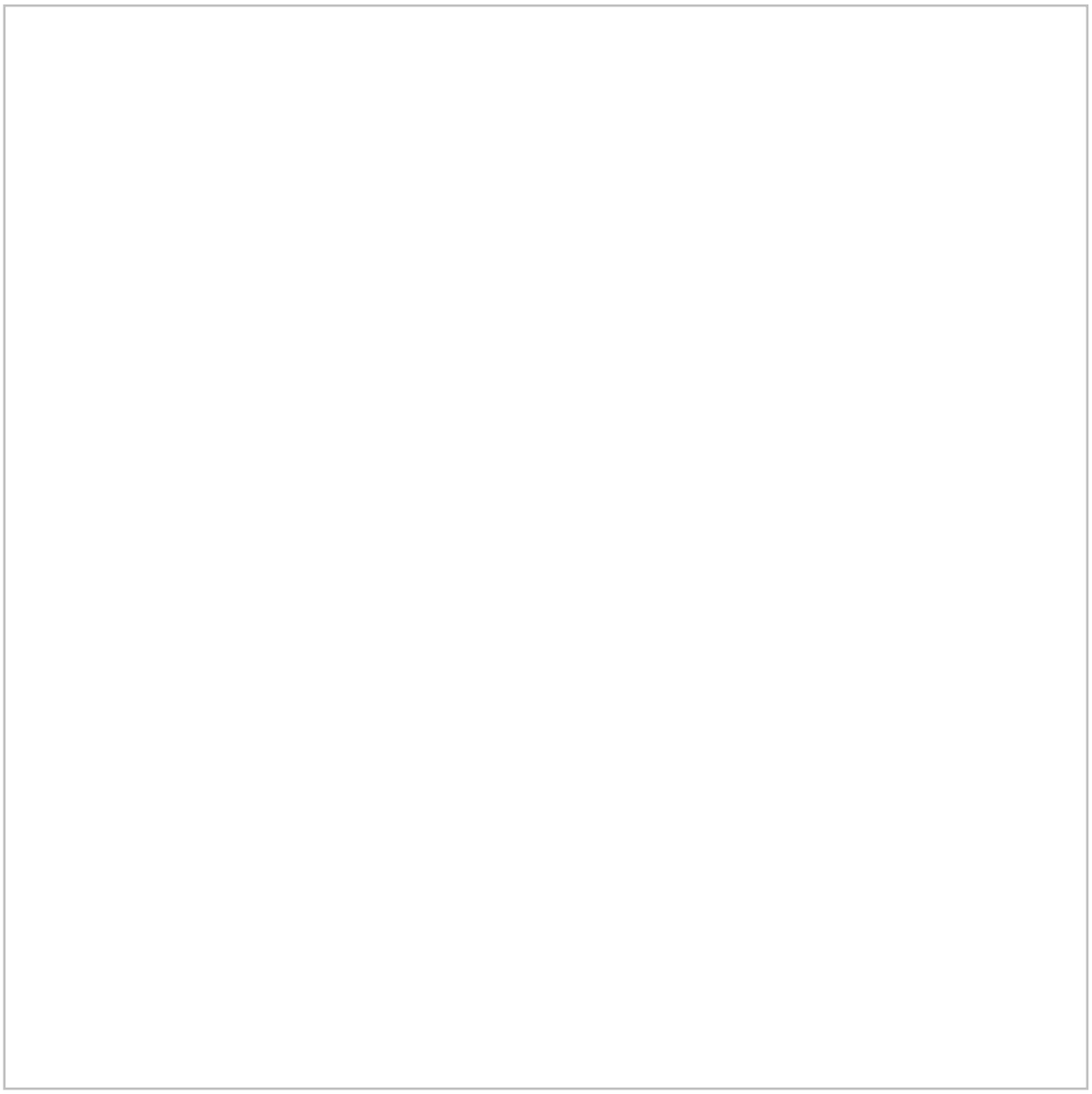




Weather



Regulatory Calendar



Key Research

Guggenheim's Forward Commodity Curves

- Forward Power Curves, GenCo MtM, and Weekly Commentary

Key Research

- **'22 Utilities Outlook: Sector Cheap, Fundamentals Strong but Get Ready for Another Bumpy Ride – Choose Your Picks Wisely**
- What Comes Up Must Come Down? Persevering Against Rising Yields – Defensive Positioning, Higher EPS Growth, Constructive Policy and ROE Trends, We See Support for Utilities as Sector Decouples from Rates
- Show Me the Money on Gas LDCs? Reality – Keeping Is More Valuable Than a Check for 2x Rate Base

- AEE NDR – Straightforward Updates Reinforce Premium Position; Gen Transition and Policy Work Continue
- ETR “In Person” NDR – Energy Intensive Industrial Customer Base and Heavy Storm Activity Dilutive to Valuation? Let’s Talk Accretion…
- Uranium Baseline: Russia-Ukraine Fallout
- D: C-Suite NDR – Political Noise Gone with the Wind
- SJI: So Long and Thanks for All the Memories; LDC M&A Gets Even Hotter
- WEC NDR: Decarbonization and Growth Remain on Track; ESG Focus Is Clear Throughout This Premium Utility’s Plans
- PCG: Misconceptions Gone in a Flash Ahead of Our NY Meetings; PCG 8K Highlights 10% EPS CAGR Through 2026
- DUK: CEO NDR - Accelerating Growth Driven by Clean Energy Transformation with a Decade of Visibility and Earnings Upside… What’s Not to Like?
- CEG: The Longest Half Life of Any IPP? We Like but We Wait - Policy Upside Remains TBD; Initiating Coverage with NEUTRAL
- SO: Georgia Power IRP filed; coal retirements on track for 80% shut down by 2028; Southern Power to provide majority of replacement capacity
- NI: CEO(s) Catch-Up: Incoming CEO Brings Experience and Existing NI Knowledge; Business and Strategic Reviews Underway; May Analyst Day Next Event
- Timely Regulatory Insights: Open Dialogue with CT, GA, and VA Commissioners – Two Way Better Than One Way
- PNW: C-Suite Meeting Highlights Path to Higher Rate Base Growth and Earnings; Alignment with a Cooperative Commission Remains Key to Execution
- AVA: Washington Multiyear Rate Case Filed; 11-Month Process Kicks Off in Pursuit of Earning Allowed Return in 2023
- EXC: Constellation Analyst Day Lays Out Clear Strategy and Key Details; Investor Comfort May Take Time
- EXC: RemainCo Details Largely in Line with Our Expectations
- EXC: Straightforward Spin? Constellation Details Much Appreciated, but Expectations Should Be Otherwise Grounded

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Beat vs BofA, Miss vs Street; Growth reiterated, positive

NiSource (NI) reported 1Q22 adj. EPS of $0.75 vs BofAe of $0.74, Street of $0.78, and 1Q21 EPS of $0.77. YoY results reflect higher operating costs, some dilution partially offset by continued investment. Importantly, though expected by us, NI reiterated its near-term and long-term growth targets including the 7-9% growth to '24 off of a '21 actual base. There was some skepticism among investors on whether mgmt. would be in a position to reiterate growth given the impact of the DOC's AD/CVD investigation, and while mgmt. acknowledges the likelihood for delays, they clearly identify the offsets available. The analyst day has been pushed into the fall timeframe given solar uncertainty and the need for additional time for the strategic review. We expect more clarity on the longer-term growth prospects including details on cost cutting ability and the up to $750M in incremental capex stemming from the 2021 IRP during the analyst day. We remain positive on strategic review prospects, longer-term growth driven by incremental investments and O&M efficiencies and see the current valuation discount to peers driven by solar concerns as unjustified. Reiterate Buy.

Reiterating growth to '24; what are the offsets?

NI reiterated the 7-9% EPS growth rate through '24 off of the '21 actual results and walked through the potential **'24 EPS impacts** of delays to solar projects expected to be placed into service in '22 and '23. Specifically, mgmt. called out a drag of ($0.09-$0.10) based on renewables delays assuming ~$1B is place in service in '23 and the other ~$1B is placed in service in '24+ which compares to BofAe drag of ~$0.14. The offsets include **1)** pulling forward $400M-$500M in tracked capex/other investments leading to +$0.04-$0.05 (in-line with BofA), **2)** accelerating O&M savings +$0.03-$0.04, and **3)** assuming less financing needs associated with the delayed projects +$0.01-$0.02. The sum of the mitigation measures fully offsets the impact of the potential delays; should enable a relief rally for shares. Further, mgmt. noted the ability to time recovery of projects as they are placed into service which is likely causing the $0.04-$0.05 delta between our assumed impact of delays and mgmt.'s assumed impact. NI also has extended its expected retirement date of Schahfer coal units 17 & 18 to 2025 to support customer reliability as the replacement renewables are being placed into service.

OH rate case is top of mind too; rebuttal later this month

Public Utility Commission of Ohio (PUCO) Staff recommended a disappointing revenue requirement range of $35M-$57M adjustment vs $221M ask (16%-26% of request) in Columbia Gas of OH's rate case. Drivers of the delta appears to be the test year operating income that Staff calculated which shows less of a deficiency. We believe there could be some adjustments to tracked revenue and expenses as well. While the ROE and equity layer were fair in our view, and we note NI will be filing rebuttal testimony in the case later this month. Elsewhere, we note the ongoing PA rate case as another item to watch – NI requested an $82.2M revenue increase based on an 11.2% ROE and 54.38% equity layer. We believe there is room to reach a constructive middle ground in the case based on historical precedent; watch posture for settlement in OH into late May- key for tone on shares. *See page 2 for more details on solar in-service.*

04 May 2022

Equity

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Stock Data

Price	28.96 USD
Price Objective	36.00 USD
Date Established	31-Mar-2022
Investment Opinion	A-1-7
52-Week Range	23.65 USD - 32.59 USD
Mrkt Val (mn) / Shares Out (mn)	11,740 USD / 405.4
Average Daily Value (mn)	123.78 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2022E)	10.1%
Net Dbt to Eqty (Dec-2021A)	134.5%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

DOC: Department of Commerce

AD/CVD: anti-dumping/countervailing duty

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Solar projects shifting

We outline the shifts in NI's solar project commercial operation dates (COD) below as they shift from '22-'23 to '23-'25. Interestingly, the NextEra Energy (NEE) projects are expected to come online in '23-'24 vs the other projects being developed by EDP Renewables and Capital Dynamics that are now expected to come online in '24-'25 despite having earlier '23 CODs. We believe this is a testament to the strength of NextEra's renewables development platform.

Exhibit 1: NI Build Transfer Solar
We outline the new expected CODs for NI's solar projects below

Build Transfer Solar	Capex	New COD	Prior COD	Developer
Dunns Bridge I Solar	$240	'23	4Q22	NextEra
Crossroads Solar	$200	'23	4Q22	EDP Renewables
Elliott Solar	$180	'24-'25	2Q23	Capital Dynamics
Fairbanks Solar	$245	'24-'25	3Q23	Invenergy
Dunns Bridge II Solar + Storage	$420	'23-'24	4Q23	NextEra
Cavalry Solar + Storage	$190	'23-'24	4Q23	NextEra
Total	$1,475			

Source: BofA Global Research, company filings

BofA GLOBAL RESEARCH

Price objective basis & risk

NiSource Inc (NI)

Our $36 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 17.5x for gas and 18.4x for electric with a 2.0x premium for both the electric & gas utilities' strong growth rates and incremental renewable buildout, with capex potentially beginning in '24, but acknowledge industrial gen load migration 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.

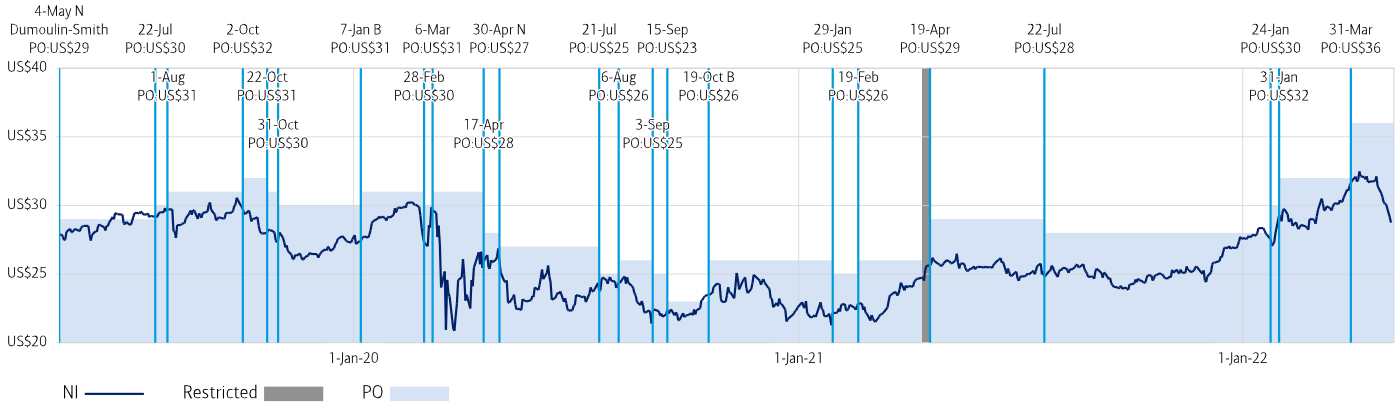
Analyst Certification

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

Important Disclosures

NiSource Inc (NI) 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.

Equity Investment Rating Distribution: Energy Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	70	54.69%	Buy	56	80.00%
Hold	36	28.13%	Hold	28	77.78%
Sell	22	17.19%	Sell	11	50.00%

Equity Investment Rating Distribution: Utilities Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	76	50.00%	Buy	55	72.37%
Hold	36	23.68%	Hold	30	83.33%
Sell	40	26.32%	Sell	23	57.50%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1916	57.18%	Buy	1207	63.00%
Hold	705	21.04%	Hold	452	64.11%
Sell	730	21.78%	Sell	362	49.59%

[R1] 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.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2] 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.

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Subject: The Fleishman Daily 5/4/22 - NI, FTS, PNW, AEP, AES, ERCOT, EIX, CNP, PEG, CMS, LNG, OKE, ET, WMB, ETRN, MPLX
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May 4, 2022

THE FLEISHMAN DAILY 5/4/22

NI, FTS, PNW, AEP, AES, ERCOT, EIX, CNP, PEG, CMS, LNG, OKE, ET, WMB, ETRN, MPLX

The Fleishman Daily 5/4/22
Utilities: NI, FTS, PNW, AEP, AES, ERCOT, EIX, CNP, PEG, CMS
Midstream: LNG, OKE, ET, WMB, ETRN, MPLX

Call to Action on US Energy Crisis – Swapping coal for solar now – Biden Administration wake up!

The inevitable solar delays due to the DoC AD/CVD anti-circumvention review continue. But today's announcement is icing on the cake. NI announced 6-18 months delays in their solar projects being built by large developers NEE and EDP. But NI also announced they would be extending the life of their 850MW Schaefer coal unit by 2 years to 2025 from 2023 to insure reliability. So this climate-focused Administration is now directly responsible for extending the life of coal plants all for a filing by one small private solar panel maker that no one has ever heard of. And fueling massive cost inflation for solar while nat gas is at a 13-yr high of $8/mcf, all of which will be flowed through to US consumers. And to top it all off, Silfab the 2nd largest solar panel manufacturer in the US (much larger than Auxin) filed with DoC that they are halting work on a new US factory due to the DoC investigation too. Someone please wake up!

Utilities

NI – Q1 misses; 2022 guide and EPS growth targets reaffirmed; sees 6–18-month delays for most solar projects, offsetting w/ capex pull forward and cost cuts; better than feared
FTS – Q1 EPS in-line, rate base/dividend growth affirmed; quantifies MISO transmission as $1.0-1.5B opportunity

PNW – Q1 beats on strong sales growth, 2022 guidance reaffirmed; uneventful
AEP – KyPSC approves Mitchell Operating Agreement; sale order expected today
AES – Expands renewables relationship with Microsoft to data centers in California
ERCOT – Issues warning expecting record temps/demand for May
EIX – 2022 & 2023-25 CoC cases key this year
CNP – Energizer bunny...capex keeps going and going
PEG – Don't Wreck-it Ralph
CMS – Coaling all ESG investors, we're clean

Midstream

LNG – Big Q1 beat, 17% 2022 guidance boost and another contract for Corpus Stage III; wow!
OKE – Q1 a little light vs consensus and maintained 2022 guidance; mixed
ET – Incremental smaller 0.4 mtpa contract for Lake Charles LNG; Making lot of progress
WMB – Gas strategy paying off
ETRN – Pleading the Fourth
MPLX – Steady results meet a high bar

Quarterly data: Weather, Forward Prices, Spot Prices, Nuke Outages

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Clean Energy Comps, Valuation Charts, Models, Arb Spreads

Utilities

NI – Q1 misses; 2022 guide and EPS growth targets reaffirmed; sees 6–18-month delays for most solar projects, offsetting w/ capex pull forward and cost cuts; better than feared

- **Q1 miss.** Reported Q1 EPS of $0.75 – a miss vs consensus at $0.78 but matched our estimate
- **2022 guidance reaffirmed.** Guidance range of $1.42-1.48 vs us/cons at $1.45
- **EPS growth targets reaffirmed off 2021A.** 5-7% annual EPS growth through 2023, 7-9% CAGR through 2024
    - For 2024: sees potential ($0.09-0.10) headwind from delayed renewable investments being fully offset by +$0.04-0.05 from $400-500M capex pull forward, +$0.03-0.04 from accelerated cost cuts and +$0.01-0.02 from lower financing drag
        - This assumes ~$1B of renewables are in-service by YE23 ($400M already done)
        - Notes that electric rate case options provide flexibility to timely recovery renewables as they go into service
- **Anticipates 6–18-month delays for most solar projects.** This is for projects with previously scheduled completion dates in 2022 & 2023; updated timelines are as follows
    - $440M of capex spent on projects (Dunns I and Crossroads) delivered in 2023

    - $610M of capex spent on projects (Dunns II and Cavalry) delivered in 2023-24
    - $425M of capex on projects (Fairbanks and Elliott) delivered in 2024-25
- **Financing plan unchanged, may be adjusted to reflect updated renewables timing.** This refers to the timing of debt issuances (hence the lower financing drag above)
- **Ohio rate case.** NI is in the process of filing its response to the underwhelming Staff recommendation; it is expected later this month
- **Investor Day formally delayed until some point in the fall.**

Q1 results are more of a side show, with most of the focus being on NI's update with respect to the timeline for its renewable projects. And we think the update there is better than feared given that the EPS growth commitments were reaffirmed, with NI expecting to completely offset the impact of the project delays. That said, there are still a lot of moving pieces and the extent of the delays will be key to understanding the ultimate EPS impact in 2024. We expect that NI will have more specific timelines at its Investor Day this fall after the DoC's preliminary decision is released in late August. The perverse impact of this all is that NI is now having to extend the lives of its Schahfer coal units 17 & 18 (850 MW) until 2025 from 2023 to ensure reliability! In addition, we will also be looking for an update on the Ohio rate case as well as the strategic review under new CEO Lloyd Yates.

<u>FTS – Q1 EPS in-line, rate base/dividend growth affirmed; quantifies MISO transmission as $1.0-1.5B opportunity</u>

- **FTS reported adjusted 1Q22 EPS of $0.78 vs. $0.77 last year – in-line** versus $0.78 consensus and our $0.78
    - ITC +0.01 on rate base growth
    - Canadian utilities +0.02 on rate base growth
    - Central Hudson -0.01 on costs
    - Energy infrastructure -0.01 on weaker Belize hydro
    - Share dilution -0.01
- No 2022 guidance as expected (consensus: $2.81, WRe: $2.87)
- **Reaffirms 6% dividend growth target through 2025**
- Five-year capex plan of $20.0B reaffirmed
    - Upside: Lake Erie Connector ($1.7B) – Ontario Minister of Energy directed ISO to negotiate procurement contract before 8/15/22
    - Upside: MISO long-range transmission – quantified as $1.0-1.5B (USD) opportunity for the first time; 6 of 18 projects run through service territory, including MI/IA where there are ROFRs for incumbents; spend would occur through 2030, unclear if any materializes in five-year plan
    - Woodfibre LNG issued notice to proceed in April and pending FID – would unlock FTS' Eagle Mountain gas line ($350M of capex in the plan)
    - Q1 capex of $1.0B, relative to $4.0B guidance
- **Filing Arizona rate case next month.** Will propose to eliminate certain adjustor mechanisms and modify existing adjustor to provide timely renewable investment recovery.
- **Rate base growth reaffirmed at 6% CAGR** ($37.3B/41.6B in 2024/2026)
- **FX.** No impact in Q1 (every $0.05 in FX change = $0.06 EPS and $450M capex)

- **Sales.** Arizona/UNS: Weather-normal flat
    - Other Electric sales – Eastern Canada up 6% and Caribbean up 7% on tourism recovery

Overall an in-line earnings print from FTS with the rest of the plan reaffirmed. The company quantified the much-anticipated MISO opportunity and we'll be curious where from a timing perspective the capex could show up from this, as well as the Lake Erie transmission line. We'll also be looking for more color on the Arizona rate case strategy.

PNW – Q1 beats on strong sales growth, 2022 guidance reaffirmed; uneventful

- **Q1 beat.** PNW reported Q1 EPS of $0.15 – ahead of us/cons at $0.07
- **2022 guidance, 5-7% EPS CAGR both reaffirmed.** PNW still expects 2022 EPS range of $3.90-4.10 – vs consensus/us at $4.02/$4.01
    - Drivers for 2022 guidance are unchanged; still expects W/A sales growth of 1.5-2.5%
- **Capex, financing plans both unchanged too.** 2022-23E capex of 1.53B/yr, 2024E is $1.65B; no equity until after next rate case
- **1Q22 W/A sales growth of 4.4%.** Retail up 3.5%, C&I up 5.1%; total customer growth was 2.2%

The update from PNW looks pretty uneventful as Q1 results tend to have a pretty small impact on the full-year outlook. That said, the strong sales growth from last year looks to be continuing which likely bodes well for future quarters. On the call, we will mostly be looking for an update on rate case timing. The upcoming rate case coupled with the ACC election this fall are what matters most for PNW this year, in our view.

AEP – KyPSC approves Mitchell Operating Agreement; sale order expected today

- On 5/3, the KyPSC approved the Mitchell Operating Agreement between KY Power and Wheeling Power; both currently AEP subsidiaries but the former is being sold to Algonquin/Liberty Utilities.
- Mitchell is a coal plant jointly owned by KY Power and Wheeling (in WV). MOA approval by both the KyPSC and WV PSC is a condition to close the deal. WV PSC is expected to issue a decision soon.
- One condition of the deal is to sell KY Power's share in Mitchell to Wheeling by 2028 (though at what price is TBD); as the latter has been authorized by the WV PSC to make the necessary investments to comply with the EPA's Effluent Guidelines, which will allow Wheeling to operate the plant beyond then. Wheeling is looking to take over operations of Mitchell from KY Power.
- The KyPSC is scheduled to issue a decision on the sale of KY Power to Liberty by today (5/4) - the statutory deadline to issue an asset sale/transfer in the state.
- If there is no decision today, the application is deemed approved.
- FERC approvals of both the MOA and sale/transfer are required.

Despite the lack of a quorum at the KyPSC (only one commissioner), yesterday's MOA and

presumably today's decision put AEP on track to close the deal by its end of 2Q22 target. We think deal closing is largely in the stock.

AES – Expands renewables relationship with Microsoft to data centers in California

- This morning, AES announced a 20-yr agreement with Microsoft to provide renewable energy to its data centers in California
    - AES and MSFT already have an agreement where AES will supply 24/7 renewable energy to its data centers in Virginia
- Under the agreement, AES will partially match MSFT's load with energy sourced from a portfolio that includes 110 MW of solar and 55 MW of 4-hr battery storage located in CASIO

This is a further demonstration of AES' ability to supply its core C&I customer base with innovative solutions to help them achieve their sustainability goals. It appears that AES is not developing/won't own the assets being used, but still makes a nice margin by providing the solution for MSFT. This is similar to its other 24/7 agreements with GOOG and MSFT where not all the assets are actually AES-owned.

ERCOT – Issues warning expecting record temps/demand for May

- Yesterday, ERCOT issued a warning that higher-than-normal demand is expected for the upcoming weekend due to extreme hot weather
    - ERCOT is expecting 69.3 GWs of demand on Saturday, which would be a record for a May weekend, as temperatures surpass 100 degrees
        - This compares with the previous May demand record of ~67 GWs and all-time summer demand record of 74.8 GWs
- ERCOT is asking for power plants to either postpone or return from outages, but at this time sees sufficient generation to meet demand

This will obviously be closely watched after the Winter Storm Uri catastrophe last year. ERCOT warnings since then have generally been managed. The commodities environment has already been incredibly volatile and we haven't even reached ERCOT summer yet.

EIX – 2022 & 2023-25 CoC cases key this year

Click here to view our complete note

Higher 17/18 damages but more color on recovery plans; CoC key 2022 event. EIX's 1Q22 EPS of $1.07 beat consensus by $0.26 but included $0.17 of timing. EIX reaffirmed 2022 guidance of $4.40-4.70 and 2025 guidance of $5.50-5.90. Mgmt announced an increase in 2017/18 wildfire damages but also for the first time specified the amount on which it will seek recovery and when the request will be made. And EIX touched on its recent 2023-25 Cost of Capital application (10.53% request vs 10.30% currently allowed), as well as the pending 2022 CoC case. In the latter, a proposed decision is expected at any time on whether to cut 2022 ROEs by ~60bp or leave them unchanged. We think the CPUC's decision will be a key data point for the market, as it gauges the risk to 2023-25 ROEs, which could be decided by YE22. EIX assumes its currently allowed CPUC ROE in guidance, whereas our estimates

assume a 50bp cut. That's ~$0.25 depending. We see the stock at a 24% discount to peers on our 2024E. We think it remains undervalued, given continued progress on wildfire prevention/mitigation, and we see upside from recovery of 2017/18 damages or a better 2023-25 ROE than we assume.

CNP – Energizer bunny...capex keeps going and going

Click here to view our complete note

Q1 in-line, 2022 guide and growth outlook reaffirmed. CNP reported 1Q22 EPS of $0.47 which matched us and was in-line with cons. Comparable results were flat YoY as customer growth and favorable weather were offset by expense timing and lost earnings from the LDC sales. CNP reaffirmed its 2022 guide of $1.36-1.38 and said that EPS growth will be back half weighted. The annual 8% EPS growth target through 2024 and expectation to be at the mid-to-high end of 6-8% annually thereafter through 2030 was also reaffirmed.

PEG – Don't Wreck-it Ralph

Click here to view our complete note

Big Q1 beat on asset sale timing. PEG's 1Q22 EPS of $1.33 easily bested our above-consensus estimate of $1.23. Most of this stemmed from timing impacts of the fossil/solar sale, with headwinds coming in 2H22 related to last year's held-for-sale classification and resulting depreciation/interest savings.

CMS – Coaling all ESG investors, we're clean

Click here to view our complete note

Q1 EPS beats and 2022 guidance reaffirmed. CMS reported Q1 EPS of $1.20 – beating our above-consensus estimate and ahead of $1.09 last year. Favorable weather and strong sales were key drivers. CMS reaffirmed 2022 guidance at $2.85-2.89. CMS affirmed its 6-8% EPS CAGR long-term, with continued confidence in the high-end excluding any IRP upside.

Midstream

LNG – Big Q1 beat, 17% 2022 guidance boost and another contract for Corpus Stage III; wow!

- LNG reported Q1 EBITDA of $3.153B vs., $1.452B last year, trouncing consensus of $1.9B. EBITDA more than doubled on increased output from a full quarter of CCL3, the in-service of Sabine 6 and much higher global gas prices. Higher gas prices means both higher margins for marketing and higher lifting margins under the Henry Hub + 15% pricing structure
- Significant 2022 guidance boost. Based on the quicker in-service of Sabine 6, prospects for increased output and the strength in global gas prices Cheniere boosted 2022 guidance to $8.2B-$8.7B from $7B-$7.5B. Distributable cash flow is now expected to be $5.5B-$6B vs. $4.3B-$4.8B
- Uses of cash. Cheniere paid down $800M of debt and repurchased $25M of shares
- A new contract for Corpus Stage III. Cheniere announced a 15-year, 0.85 mtpa integrated production marketing deal with ARC Resources, a Canadian natural gas producer. Pricing would be based on JKM, less shipping costs and Cheniere's fee. The contract would start on commercial operation of Train 7 of Stage III. FID for Stage III continues to be targeted for this summer once financing is completed. First LNG from

the site expected in late 2025.

Investor expectations (and ours) were pretty elevated for the Q1 report but we think the updated guidance far exceeded any of those expectations. The additional $1B+ of distributable cash flow could mean an acceleration of leverage reduction and other capital return. We'll be looking for more color on use of cash flow, how the company can further boost production from its existing LNG terminals under the DOE/FERC authorizations, and next steps on future trains.

OKE – Q1 a little light vs consensus and maintained 2022 guidance; mixed

- ONEOK reported Q1 EBITDA of $864M, about flat with last year but short of the $884M consensus as well as our estimate. The benefit of higher NGL volumes and lower operating costs was largely offset by the absence of Uri gains from last year
- NGL volumes were up 24% in the Rockies and 10% in the Mid-Con though were down vs. Q4 largely on seasonality
- MB-5 construction schedule moved forward. OKE now expects the MB-5 fractionator to be completed in Q2-23, one quarter earlier than before
- Guidance unchanged. OKE continues to see EBITDA of $3.47B-$3.77B for 2022

The quarter was short of expectations which we believe may have been due to weather, which tends to have an outsized impact on volumes in Q1. That said we believe the main investor focus will be any additional color on the 2022 guidance. Most companies reporting so far have boosted their 2022 outlooks on the elevated commodity price environment so we'll be looking for whether the company is in a position to suggest if it's trending higher in the range.

ET – Incremental smaller 0.4 mtpa contract for Lake Charles LNG; Making lot of progress

- Yesterday, ET announced an SPA with SK Gas and Trading for 0.4 mtpa over an 18-year term starting as soon as 2026
- Total contracts announced over the past month now equal 5.1 mtpa, all with fixed liquefaction fees and 18-20 year terms
- ET's press release says recent contracting activity has increased their confidence in reaching FID by yearend

ET has been active on the LNG contracting front with deals with ENN, Gunvor, and now SK! Our understanding is ET would prefer to build out all three trains totaling 16.5 mtpa but could also do a two train project totaling 11 mtpa. On tonight's earnings call we'll be looking for updates on contracting goals to move forward as well as plans to bring in strategic and infrastructure partners. For more on our thoughts on the value of Lake Charles to ET, see our recent Midstream of Consciousness (**link**).

WMB – Gas strategy paying off
Click here to view our complete note
Strong update but street seems to have been there. Williams put up a strong quarter and

boosted 2022 guidance by 5% along with a message of even greater comfort in the long-term growth potential of the company over the next several years. Despite this the stock was only about in line with the sector on the day. This is the third company so far in Q1 earnings that had a good report and better outlook but just a tepid stock reaction. It appears that that market has been baking this upside in. We remain Peer Perform on WMB but it remains a high-quality gas play that has been executing well.

ETRN – Pleading the Fourth
Click here to view our complete note
New 2022 guide and MVP timeline. ETRN posted a solid Q1 that topped consensus by ~2%. The 2022 EBITDA guide came in a little light vs. expectations but we view the outlook as a little conservative given the commodity backdrop. MVP remains in play but is now targeted for a 2H-23 completion under a new set of permits, but there is a lot of focus on legislative solutions. We remain Outperform as we view ETRN stock as a cheap call option on MVP completion.

MPLX – Steady results meet a high bar
Click here to view our complete note
In line quarter with light volumes. MPLX reported 1Q22 EBITDA in line with consensus. Volumes missed our expectation in G&P due to weather and timing issues, and in L&S pipelines likely due to MPC refinery outages. MPLX's sector-leading and formulaic capital return story continued with $850M of Q1 FCF almost exactly equal to $758M of common / pref distributions plus $100M of buybacks. On the call, mgmt. expressed openness to another special distribution in addition to buybacks, and we see more excess FCF over the balance of the year as capex is front-end loaded and MPLX had working capital outflows in Q1.

Wolfe Events

May 9-10: AWK virtual non-deal roadshow in Europe
May 17-18: Wolfe hosted in-person AGA meetings
June 1-2: FTS virtual non-deal roadshow in Australia
June 2: DUK in-person non-deal roadshow in Boston
June 16-17: BE in-person non-deal roadshow in Europe
June 29: EMA in-person non-deal roadshow in NYC

Recent Popular Reports

Wolfe Clean Energy Initiation
Utilities Top 10 for 2022
Midstream Top 10 for 2022
Clean Energy Top 10 for 2022
Power Supply Outlook 2021
Wolfe Hydrogen Primer
Wolfe Resi Solar Primer
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
5/3/22	SO	Hearing on SO testimony		VCM26
5/5/22	Various	CPUC voting meeting		
5/10/22	NYSE	Short Interest Release		
5/11/22	AGR/DUK/ORS	BOEM Lease Auction Results		Carolinas
5/16/22	OGE	Rebuttal Testimony	202100164	OG&E OK Rate Case
5/18/22	OGE	Settlement Conference	202100164	OG&E OK Rate Case
5/19/22	Various	CPUC voting meeting		
5/20/22	ED	Staff Testimony	22-E-0064/22-G-0065	CECONY Electric & Gas Rate Cases
5/24/22	NYSE	Short Interest Release		

View Comp Table

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UBS

NiSource Inc.

1Q'22 Miss; Guidance Reiterated

Equities

Americas

Electric Utilities

12-month rating	**Neutral**
12m price target	**US$31.00**
Price (04 May 2022)	**US$29.51**

RIC: NI.N **BBG:** NI US

Trading data and key metrics

52-wk range	US$32.46-23.84
Market cap.	US$12.5b
Shares o/s	423m (COM)
Free float	99%
Avg. daily volume ('000)	1,417
Avg. daily value (m)	US$42.5
Common s/h equity (12/22E)	US$5.94b
P/BV (12/22E)	2.2x
Net debt to EBITDA (12/22E)	6.2x

EPS (UBS, diluted) (US$)

	12/22E	
	UBS	**Cons.**
Q1	0.75	0.78
Q2E	0.13	0.14
Q3E	0.12	0.12
Q4E	0.42	0.42
12/22E	1.45	1.45
12/23E	1.54	1.55
12/24E	1.66	1.73

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1Q'22 Adj. EPS; 2022 Guidance

NI reported 1Q Adj. EPS of $0.75 vs. $0.80 consensus, $0.77 UBSe, and $0.77 in 1Q'21. Reiterated 2022 non-GAAP EPS of $1.42-$1.48, with 5%-7% growth in 2023 and 7%-9% growth '21-'24. Equity needs were unchanged at $200-$300mln in '22 and $0-$150mln in '23.

Solar Project Delays; Shahfer Coal Units Stay Open Two More Years

Management noted that the solar project that were originally planned to start in 2022-2023 will experience delays of 6-18 months given the US Dept of Commerce (DoC) circumvention investigation (see our earlier note: Memo Released by Dept. of Commerce…, 5/4/22). As a result of the solar project delays the scheduled shutdown of the Shahfer coal plant Units 17 and 18 two years to 2025. The two projects under construction at Indiana Crossroads and Dunbridge I are moving from the end of '22 to mid '23. The balance of projects that have not begun construction face a projected delay given assumptions around the DoC investigation. Management noted that they believe they have the cap-ex flexibility to still meet the 10%-12% rate base growth target through 2024. On the call management walked through ($0.09)-($0.10)/share for the delayed solar projects - $1Bln in '23 and $1Bln in '24+; this will be offset by pulling forward $400-$500mln of tracked investments in to '22/23 - +$0.04-$0.05; reduced O&M efficiency +$0.03-$0.04; and lower financing costs related to the project delays themselves +$0.01-$0.02. As a result of solar delays the NIPSCO electric rate case may need to be filed with forward step increases as the delayed solar projects come into service. There is precedent for these type of step increases in Indiana.

Analyst Day in the Fall

Management shifted the analyst day timing to the fall of this year. During the call management indicated that they expected answers in the fall related to the strategic review, with a definitive view of where they are taking the business going forward. They expect to have more insight into solar time and the generation transition plan, and the capital plan beyond 2024.

Valuation:

We are reiterating our $31 price target premised upon a 10% premium to the regulated utility average multiple of 18.6x and our UBSe 2023 EPS of $1.54. Our 10% premium is the sum of a 10% premium for overall group undervaluation, a 2% premium for 2nd quartile regulation, and a 2% discount for 3rd quartile EPS growth.

Highlights (US$m)	12/19	12/20	12/21	12/22E	12/23E	12/24E	12/25E	12/26E
Revenues	5,184	4,697	4,900	5,208	5,448	5,644	5,813	5,980
EBIT (UBS)	1,047	1,031	1,046	1,163	1,276	1,402	1,497	1,591
Net earnings (UBS)	495	507	573	627	677	734	782	833
EPS (UBS, diluted) (US$)	1.32	1.32	1.37	1.45	1.54	1.66	1.75	1.85
DPS (net) (US$)	0.84	0.88	0.90	0.96	1.02	1.08	1.14	1.20
Net (debt) / cash	(10,374)	(10,501)	(11,253)	(12,379)	(14,576)	(15,173)	(15,677)	(16,090)
Profitability/valuation	**12/19**	**12/20**	**12/21**	**12/22E**	**12/23E**	**12/24E**	**12/25E**	**12/26E**
EBIT (UBS) margin %	20.2	22.0	21.3	22.3	23.4	24.8	25.8	26.6
ROIC (EBIT) %	7.9	7.5	7.4	7.5	7.2	7.3	7.4	7.6
EV/EBITDA (UBS core) x	10.6	9.9	10.4	11.2	10.7	10.4	9.9	9.5
P/E (UBS, diluted) x	21.2	18.6	17.9	20.4	19.2	17.8	16.9	16.0
Equity FCF (UBS) yield %	(1.6)	(6.0)	(6.2)	(8.2)	(14.8)	(1.7)	(0.8)	0.2
Dividend yield (net) %	3.0	3.6	3.6	3.3	3.5	3.7	3.9	4.1

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$ 29.51 on 04-May-2022 11:09:29 EDT

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Equity Research

WELLS FARGO

Price Target Change — May 4, 2022

Natural Gas LDCs

NiSource Inc. (NI)

NI: Managing Solar Delays; 7-9% CAGR Through '24 Affirmed

Our Call

As feared, the DOC investigation is causing delays ranging from 6-18 months for NI's solar projects. Even so, the company affirmed '22 EPS guidance of $1.42-1.48 and, more importantly, the 7-9% CAGR though '24 as a result of capital and O&M flexibility. While the delays introduce additional uncertainty, we are encouraged that NI is maintaining financial targets. We reiterate our Overweight rating and lower our price target to $33/sh (6-8% premium to blended LDC/electric peers) from $35/sh solely reflecting lower peer group multiples since our recent update.

Solar Delays. The U.S. DOC circumvention investigation has led NI to expect delays ranging from 6-18 months. For context, of the $2B IRP investment plan (NI-owned), $400mm of projects are complete and $150mm are transmission projects resulting in "at risk" investment totaling nearly $1.5B, or 15% of the original $10B '21-24 capex plan. Of those, Dunns Bridge I ($240mm) and Crossroads ($200mm) are under construction and the in-service dates have been pushed from late '22 to mid-'23. The rest of the projects now have targeted in-service dates of '23-25 (vs. '23 previously). NI outlined a clear mitigation plan to the $0.09-0.10 EPS impact of the delays on '24E including the pull-forward of other investment subject to trackers ($0.04-0.05), O&M flexibility ($0.03-0.04) and financing timing ($0.01-0.02). We are encouraged by the company's ability to express confidence in the 7-9% CAGR, though uncertainty on the solar side (ultimate timing and cost) bears monitoring.

EPS Outlook. We have updated our model to reflect potential solar delays along with system modernization backfill opportunities and other minor tweaks. Our '22-26E EPS are $1.45, $1.55, $1.72 (from $1.74), $1.82 & $1.90.

Regulatory Update. NI filed new rate cases in PA ($82mm) and VA ($41mm) and reached what appears to be a constructive settlement ($72mm vs. $110mm ask) in the NIPSCO Gas case. Shifting to the OH rate case, last month the Staff recommended a relatively low $35-58mm increase vs. the company's $221mm request. In addition to a lower ROE (9.55% vs. 10.95% request), the biggest delta appears to be O&M assumptions. While we think the starting point makes a settlement more challenging, it remains early in the process.

Analyst Day. In light of the solar delays, NI is now planning for a Fall Analyst Day, which is expected to shed light on the post-'24 outlook along with potential strategic business updates. We continue to believe the sale of one or more smaller LDCs is the most likely outcome as NI looks to finance the next leg of growth

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Rating	Overweight
Ticker	**NI**
Price Target/Prior:	**$33.00/$35.00**
Upside/(Downside) to Target	**14.0%**
Price (05/03/2022)	**$28.96**
52 Week Range	$23.65 - 32.58
Shares Outstanding	405,734,408
Market Cap (MM)	$11,750
Enterprise Value (MM)	$21,371
Average Daily Volume	5,063,661
Average Daily Value (MM)	$147
Dividend (NTM)	$0.94
Dividend Yield	3.2%
Net Debt (MM) - last reported	$9,621
ROIC - Current year est.	10%
3 Yr EPS CAGR from current year (unless otherwise noted)	6%

$ EPS	2021A	2022E Curr.	2022E Prior	2023E Curr.	2023E Prior
Q1 (Mar)	0.77 A	0.75 A	0.76E	-	NC
Q2 (Jun)	0.13 A	0.12 E	NC	-	NC
Q3 (Sep)	0.11 A	0.11 E	NC	-	NC
Q4 (Dec)	0.39 A	0.47 E	0.46E	-	NC
FY	1.37 A	1.45 E	NC	1.55 E	NC
P/E	21.1x	20.0x		18.7x	

Source: Company Data, Wells Fargo Securities estimates, and Refinitiv.
NA = Not Available, Volatility = Historical trading volatility

All estimates/forecasts are as of 5/4/2022 unless otherwise stated. 5/4/2022 14:03:28EDT. Please see page 4 for rating definitions, important disclosures and required analyst certifications.
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Financials

NI Earnings Model ($ millions except per share data)	2021	2022E	2023E	2024E	2025E	2026E
Revenues	**$4,901**	**$5,164**	**$5,399**	**$5,722**	**$5,961**	**$6,135**
Expenses						
Cost of Gas, Purchased Power & Fuel	1,392	1,401	1,409	1,418	1,427	1,436
O&M	1,409	1,421	1,476	1,486	1,506	1,527
Depreciation & Amortization	748	809	886	972	1,034	1,092
Other	289	292	296	300	304	309
Total Expenses	**$3,838**	**$3,922**	**$4,068**	**$4,176**	**$4,271**	**$4,363**
EBIT	**$1,063**	**$1,242**	**$1,331**	**$1,546**	**$1,690**	**$1,772**
EBITDA	**$1,811**	**$2,051**	**$2,218**	**$2,518**	**$2,724**	**$2,864**
Other Income	41	41	41	41	41	41
Interest Expense	341	363	362	406	461	475
Income Taxes	132	221	243	283	305	321
Tax Rate	*17%*	*24%*	*24%*	*24%*	*24%*	*24%*
Earnings						
Net Operating Earnings	$630	$698	$768	$898	$965	$1,017
Preferred Dividends	55	55	55	55	55	55
Noncontrolling Interest	4	4	4	4	4	4
Income from Continuing Operations	**$571**	**$639**	**$709**	**$839**	**$906**	**$958**
Avg. Diluted Shares Outstanding	417	442	457	489	498	504
Ongoing EPS	**$1.37**	**$1.45**	**$1.55**	**$1.72**	**$1.82**	**$1.90**
Q1 EPS	0.77	0.75				
Q2 EPS	0.13	0.12				
Q3 EPS	0.11	0.11				
Q4 EPS	0.39	0.47				

NI Supplemental Information	2021	2022E	2023E	2024E	2025E	2026E
Dividend Information						
Dividends Per Share - YE Rate	$0.88	$0.94	$1.00	$1.07	$1.15	$1.23
Dividends Paid Per Share	0.88	0.94	1.00	1.07	1.15	1.23
Payout Ratio	64%	65%	65%	62%	63%	65%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$1,838	$2,476	$3,496	$2,436	$2,245	$2,454
Book ROE	10.2%	9.9%	9.7%	10.3%	10.8%	10.7%
FFO/Debt	11%	14%	15%	16%	16%	16%
Debt/EBITDA	5.9x	5.5x	5.5x	5.0x	4.9x	4.9x
Common Equity as % of Total Capitalization	38%	38%	39%	38%	39%	39%

Source: Wells Fargo Securities, LLC estimates and company filings

Acronyms

DOC - Department of Commerce

IRP - Integrated Resource Plan

LDC - Local Distribution Company

O&M - Operations & Maintenance

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EVERCORE ISI

Energy | Power & Utilities

May 04, 2022

NiSource Inc

NI | $28.96

Outperform | Target Price/Base Case: $32.00 (from $30.00)

Company Update

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Company Statistics

Market Capitalization (M)	$11,750
Shares Outstanding (M)	406
Dividend	0.88
Dividend Yield	3.0%
Payout Ratio	60.7%
Expected Total Return	13.5%
Fiscal Year End	Dec

Earnings Summary

	2022E	2023E	2024E
EPS	**$1.45**	**$1.54**	**$1.73**
P/E	**20.0**	**18.8**	**16.7**
EPS vs Consensus	**(0.3)%**	**(0.5)%**	**0.3%**
Consensus EPS	**$1.45**	**$1.55**	**$1.72**
Consensus P/E	**19.9**	**18.7**	**16.8**

1 Year Price History



Source: FactSet

Mitigation Efforts Underway to Offset Solar Delays

NiSource reported a modest Q1 adjusted EPS miss, posting 1Q22 adjusted EPS of $0.75 versus consensus of $0.77, our estimate of $0.80, and 1Q21 of $0.77. The Company reaffirmed its 2022 EPS guidance of $1.42-1.48 and its long-term 7-9% EPS CAGR outlook, including 5-7% annual growth through 2023, based on the 2021 actual of $1.37. NiSource's 2022 capex plan remains unchanged at $2.4-2.7 billion as does its total 2021-2024 capex program at ~$10 billion, with preliminary changes made to specific annual years due to expected solar project delays in light of the DOC investigation and a pull forward of tracked spending. NiSource's original plan called for $2 billion in renewable generation investments through 2023 ($0.20 or ~12% of our 24E), but the Company is now targeting to complete half of the projects ($1 billion) by 2023 with the remaining $1 billion to be invested in 2024 and beyond. To mitigate the lost earnings impact of the $1 billion in delayed investment ($0.10 EPS contribution), the Company is pulling forward $400-500 million of tracked investments into 2022-2023, which will contribute $0.05 of EPS. O&M savings and lower projected financing costs due to delayed investments will contribute another +$0.05 of EPS. NiSource's total capex plan is still expected to drive rate base growth of 10-12% CAGR in 2021-2024 under an unchanged financing program. NI will now host its 2022 Analyst Day this fall instead of its original planned date of May 2022, stating that the shift in timing will enable it to gain a clearer line of sight into the solar project timing and help it provide more details around the strategic review it is conducting, so that it can provide a definitive long-term plan beyond 2024.

Rate case update: Columbia Gas of Ohio's rate case is on schedule and awaits a recommendation from the Commission, with new rates expected to become effective in 3Q22. In April the company received a Staff recommendation with a revenue recommendation of $46 (average) million versus a $221 million request with the difference driven by the most by the disallowance of $70 million of O&M expense and the delta between the ROE request of 10.9% versus Staff's range of 9-10%. The equity ratio request of ~51% was not disputed. NI currently has an allowed ROE of 10.4% and equity ratio of 51% in Ohio. Separately, in its NIPSCO Indiana gas rate case, NI reached a settlement agreement in April for a $72 million revenue increase versus a request of $110 million. The Company also settled on an ROE of 9.8% versus a request of 10.5% with an unchanged equity ratio of 57%. The settlement in this case for authorized ROE and equity layer match NiSource's current make-up for Indiana gas. New proposed effective dates of rates are September 2022 and March 2023. Separately, On March 18th NiSource filed a Pennsylvania gas rate case, requesting an initial revenue increase of $82.2 million with an 11.2% ROE and 54.38% equity ratio on $3.0 billion forecasted rate base with a 12/22 test year; an order is expected in 4Q22. On April 29th, NiSource filed a Virginia gas rate case, requesting $40.6 million net of the SAVE infrastructure tracker ($17.7 million) with a 10.75% ROE and 39.3% equity ratio on a rate base of $1.0 billion with a 12/21 test year.

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DOC investigation delaying solar project timelines, most 6-18 months. NiSource now expects to retire the Schafer coal units 17 & 18 by the end of 2025 versus 2023 previously. The Company continues to plan to retire Michigan City between 2026 and 2028. NiSource said electric rate case options provide flexibility to timely recovery of renewable project investments as they are put in service, and a mitigation plan is being developed and implemented to maintain the 2024 growth commitment (discussed above).

Target Price Derivation

Maintaining our 2022-2024 EPS estimates and Outperform rating but raising our target price to $32 from $30/share. Our 2022-2024 EPS estimates remain $1.45, $1.54 and $1.73, respectively. Our bear case in Exhibit 1 below derives an unchanged $28/share valuation while our bull case is remains $35/share. Our base case applies a gas LDC trading multiple of 18.5x 2024 EPS for NI's gas assets and a conservative 5% premium (to our new peer target 19.0x multiple) for the electric business, which we estimate will grow rate base by 10%+ through 2024 versus peers at 6-7%. We apply a blended multiple for parent drag. We are raising our peer target multiple to 19.0x to be close to where group is trading today and also to be similar to our scenario 2 in our DDM analysis shown on page 5 of our April 24 note.

Exhibit 1: NiSource SOTP Valuation

Base Case	'24 EPS	P/E	Val/Shr
Gas EPS	$1.22	17.7x	$21.61
Electric EPS	$0.78	20.0x	$15.56
Parent/Other	($0.27)	18.5x	($5.08)
Consolidated 2024 EPS	**$1.73**	18.5x	**$32.00**
ETR (including dividend)			14%

Bull Case	'24 EPS	P/E	Val/Shr
Gas EPS	$1.27	19.0x	$24.12
Electric EPS	$0.80	20.0x	$16.05
Parent/Other	($0.27)	18.9x	($5.17)
Consolidated 2024 EPS	**$1.80**	18.9x	**$35.00**
ETR (including dividend)			21%

Bear Case	'24 EPS	P/E	Val/Shr
Gas EPS	$1.14	16.9x	$19.19
Electric EPS	$0.74	18.0x	$13.28
Parent/Other	($0.27)	17.5x	($4.79)
Consolidated 2024 EPS	**$1.60**	17.5x	**$28.00**
ETR (including dividend)			0%

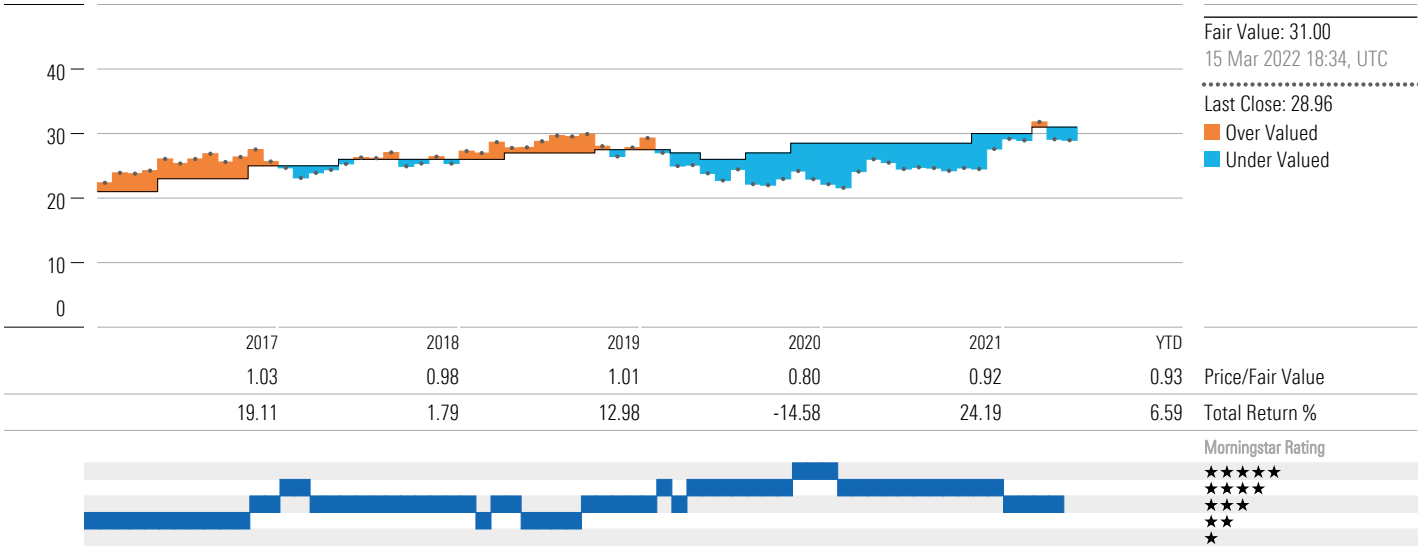
Source: Evercore ISI

Note: ETR based on closing price as of 5/3/22

NiSource Inc NI ★★★ 3 May 2022 21:27, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Moat Trend™	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
28.96 USD	31.00 USD	0.93	11.75 USD Bil	Narrow	Stable	Low	Standard	
3 May 2022	15 Mar 2022 18:34, UTC		3 May 2022					4 May 2022 05:00, UTC

Price vs. Fair Value



	2017	2018	2019	2020	2021	YTD
Price/Fair Value	1.03	0.98	1.01	0.80	0.92	0.93
Total Return %	19.11	1.79	12.98	-14.58	24.19	6.59

Total Return % as of 3 May 2022. Last Close as of 3 May 2022. Fair Value as of 15 Mar 2022 18:34, UTC.

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The primary analyst covering this company does not own its stock.

[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.

NiSource's Flexibility Supports Our Earnings Growth Outlook; Remains Top Utilities Pick

Analyst Note Travis Miller, Strategist, 4 May 2022

We are reaffirming our $31 per share fair value estimate for NiSource after the company reported earning $0.75 per share on an adjusted basis during the first quarter of 2022. Results remain on track to meet our full-year and long-term outlooks. We are reaffirming our narrow moat and stable moat trend ratings.

We think NiSource's combination of a 3.3% dividend yield and potential for more than 7% annual growth makes it among the most attractive utilities in our coverage. The stock trades at a 5% discount to our fair value estimate and a discount to other utilities with similar growth outlooks.

NiSource's diverse mix of businesses and growth projects should minimize any impact from potential delays of its planned solar projects and coal plant retirements due to federal policy uncertainties. We are not changing our $8 billion of capital investment forecast in 2022-24, including $2 billion of renewable energy investments, in line with management's plan. We estimate only about $500 million of solar investment could be delayed, and we expect NiSource can pull forward planned infrastructure investment to offset those delays. Potential delays don't impact our 2022 outlook. Management reaffirmed its $1.42 to $1.48 EPS guidance range for 2022, in line with our estimate.

We still expect NiSource to file a critical rate review proposal at its Indiana electric utility late this year

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NiSource Inc NI ★★★ 3 May 2022 21:27, UTC

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Sector
Utilities

Industry
Utilities - Regulated Gas

Business Description

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 renewable energy.

with new rates effective in late 2023. The outcome of this proceeding will likely determine whether NiSource hits the high end or low end of management's 7%-9% annual average earnings growth range through 2024.

New CEO Lloyd Yates said he plans to announce the outcome of his strategic review of NiSource's portfolio this fall. This could include marketing some of NiSource's six gas distribution companies, given the relatively high market valuations of recent gas utilities deals. We think the most likely divestitures are NiSource's smaller gas utilities in Kentucky, Pennsylvania, and Maryland.

Business Strategy & Outlook Travis Miller, Strategist, 15 Mar 2022

After decades of deriving most of its income from natural gas distribution and midstream businesses, NiSource has transitioned to a more diversified earnings mix. About 60% of NiSource's operating income comes from its six natural gas distribution utilities and 40% from its electric utility in Indiana following the 2015 separation from Columbia Pipeline Group. The electric utility might increase its share of earnings if new CEO Lloyd Yates decides to divest some of NiSource's smaller gas utilities.

NiSource's utilities have constructive regulatory frameworks that allow it to collect a cash return of and a cash return on the bulk of its capital investments within 18 months. We expect NiSource to invest more than $8 billion over the next three years, including what could be $2 billion of renewable energy projects in Indiana, where NiSource enjoys favorable regulation.

That growth could extend even longer based on electric and gas system infrastructure improvement projects NiSource has identified. Replacing steel and cast-iron pipe with plastic at its natural gas distribution utilities is a key initiative along with investments across the business that reduce greenhouse gases. Almost all of these investments receive favorable regulatory treatment, allowing NiSource to earn near its regulatory allowed returns.

In October 2020, NiSource sold its Columbia Gas of Massachusetts utility and received $1.1 billion of proceeds that it used to strengthen the balance sheet and prepare for its planned infrastructure investments. The sale came nearly two years after a natural gas explosion on NiSource's Massachusetts system killed one person north of Boston. Insurance covered roughly half of the almost $2 billion of claims, penalties, and other expenses.

Earnings are set to rebound quickly from their low in 2020 when COVID-19 pandemic costs, lower energy use, the Massachusetts utility sale, and a large equity issuance weighed on earnings. We expect modest customer growth combined with NiSource's infrastructure growth investments to support 8% annual earnings growth and 6% annual dividend growth from 2022 to 2026.

Bulls Say Travis Miller, Strategist, 15 Mar 2022

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MORNINGSTAR®

NiSource Inc. (NI): Managing through solar delay to maintain robust regulated growth; remain Buy

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We reiterate our Buy rating on mid-cap regulated utility NiSource (NI) after 1Q2022 earnings as we see the company's 7-9% EPS growth through 2024 as still intact despite the announced solar project delays stemming from the current Department of Commerce (DoC) panel tariff circumvention investigation. We believe the new CEO's ongoing business review process supports the plan to manage various capital, operational, and strategic considerations to deliver on its robust growth commitments, not reflected in NI's relative P/E discount to regulated utility peers. We believe the upcoming Investor Day (Fall 2022) should offer additional details on this front, a potential near-term catalyst for the stock. Our unchanged $31 price target reflects 7% total return versus 1% for regulated utility peers.

We highlight the following key takeaways and thoughts following NI's 1Q earnings call:

- **Management remains confident in preserving its 2023 and 2024 EPS power despite solar investment delays.** While NI's revised capital spend assumptions — in light of the DoC investigation uncertainty — result in a net decrease in 2023 and potentially 2024 investments, the company expects these pulled-forward capex to qualify for the various existing trackers, which minimize lag and help provide the offset when combined with more aggressive O&M savings measures. We note the original solar investment timing, even if unchanged, would have resulted in only a partial-year revenue benefit in 2023 given the timing of the Indiana rate case, which supports NI's ability to achieve solidly within the 5-7% CAGR from 2021A-2023E and the 7-9% CAGR from 2021A-2024E. Our slightly adjusted estimates reflect some shift in spending and cost/financing, but we see the original growth power as intact.
- **Business review remains on-going; management looks to complete any strategic decisions by Investor Day.** While the delay in the Investor Day to Fall 2022 was largely driven by the current DoC investigation uncertainty, management believes this additional time should allow time for more concrete strategic outcomes to share with investors. We note the new CEO previously communicated a comprehensive approach to the review process, with all items and options on the table including organic growth opportunities at its electric/gas utilities and cost initiatives, as well as inorganic options that could encompass both a purchase or sale of utility assets. We continue to believe these options

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either support increased earnings growth visibility or an opportunity to unlock value of NI's utility asset portfolio.

- **Looking to proactively manage cost inflation.** Management sees 6-10% cost increase this year in certain parts of the business from a combination of labor and materials; that said, they noted these cost increases are all reflected in the 2022 guidance as well as in the reiterated growth rate. While future cost remain uncertain, they look to secure as many multi-year contracts as possible to increase predictability.

We adjust our 2022-2024 EPS estimates, still reflecting an 8.3% CAGR from 2021 EPS of $1.37. Key drivers of the changes include 1) shift in timing of capital spend to reflect the solar capex delays but partially offset by other tracker-eligible electric/gas investments, 2) lower O&M through 2024 to embed NI's accelerated cost management plans through its NI Next program, and 3) lower interest expense, especially in 2023, stemming from the net decrease in utility capital spend. **Our 12-month, $31 price target remains unchanged,** reflecting a 7% total return versus 1% for Regulated Utilities.

Key downside risks include: (1) NI continues to face additional solar development delays which potentially pressure earnings power, (2) unfavorable outcome in the outstanding and upcoming rate cases which lowers allowed returns, (3) NI fails to realize rate base additions and instead has more PPA generation, and (4) NI announces strategic initiatives that are dilutive to EPS.

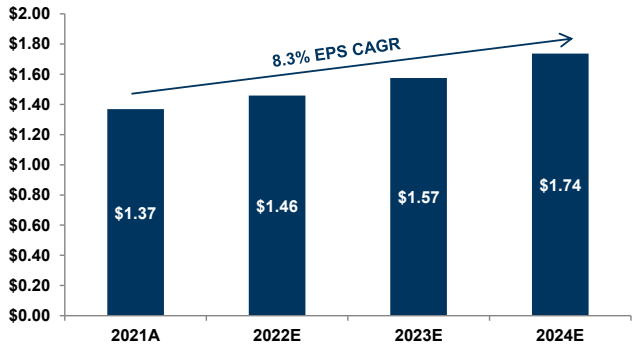
NI in Exhibits

Exhibit 1: We slightly adjust our estimates to reflect changes in timing of capital and operating expenses, but remain above consensus...
EPS New vs Old vs Consensus...

	EPS Estimates			% Difference	
	GS-New	GS-Old	Cons.	vs. Old	vs. Cons.
2022E	$1.46	$1.47	$1.45	(1%)	0%
2023E	$1.57	$1.58	$1.55	(1%)	2%
2024E	$1.74	$1.75	$1.72	(0%)	1%
CAGR	8.3%	8.4%	8.3%	(0%)	(0%)

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 2: ...with NI's EPS growth at one of the highest rates among our coverage universe...
EPS CAGR, 2021-2024

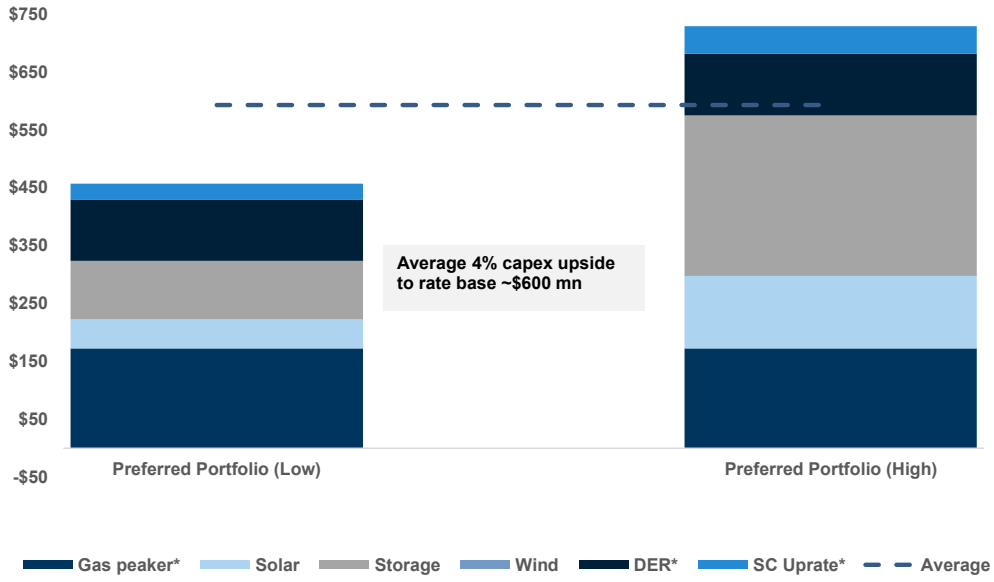


Source: Goldman Sachs Global Investment Research

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Exhibit 3: We believe incremental generation fleet transition investments could offer growth upside beyond 2024

Capital investments under the preferred portfolio highlighted in NIPSCO's November 2021 IRP filing, $ millions



*Assuming equal split between utility-owned/PPA for capacity investments except for Gas Peaker, Sugar Creek Uprate & Distributed Energy Resources (DER), where 100% of investments are assumed to be utility-owned. Calculation of % of rate base utilitizes 2023E rate base figures.

Source: Goldman Sachs Global Investment Research, NIPSCO

Exhibit 4: Our $31, 12-month price target embeds an 8% P/E premium to our 18x industry base multiple

NI Valuation Table

NI valuation			
Deriving Blended Multiple			
	Gas	**Electric**	**Total**
2023 EBIT	781.7	468.2	1,249.9
% 2023 EBIT	62.5%	37.5%	
Target Multiple	19.00x	20.00x	19.4x
Price Target			
2023 EPS			$1.57
Target Multiple			19.4x
Price Target			**$31**

Source: Goldman Sachs Global Investment Research

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NI	12m Price Target: **$31.00**	Price: **$28.96**	Upside: **7.0%**

Buy

Market cap: $11.4bn
Enterprise value: $24.0bn
3m ADTV: $143.3mn
United States
Americas Utilities
M&A Rank: 3

GS Forecast

	12/21	12/22E	12/23E	12/24E
Revenue ($ mn) New	**4,899.6**	**5,377.7**	**5,646.6**	**5,933.6**
Revenue ($ mn) Old	4,899.6	5,143.8	5,450.2	5,772.5
EBITDA ($ mn)	1,763.0	1,973.5	2,149.4	2,451.4
EBIT ($ mn)	1,014.6	1,177.8	1,266.1	1,473.9
EPS ($) New	**1.37**	**1.46**	**1.57**	**1.74**
EPS ($) Old	1.37	1.47	1.58	1.75
P/E (X)	18.0	19.9	18.4	16.7
Dividend yield (%)	3.6	3.2	3.5	3.7
Net debt/EBITDA (X)	5.5	5.5	5.5	5.4

	3/22	6/22E	9/22E	12/22E
EPS ($)	0.75	0.13	0.15	0.43

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 3 May 2022 close.

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IN Fact

May 4, 2022 | 21:43 ET~

NiSource

NI-NYSE	Rating	Price: May-4	Target ↓	Total Rtn
	Outperform	$29.67	$33.00	14%

Just What the Doctor Ordered – Fall Analyst Day to Provide Incremental Clarity

Bottom Line:

NI's 1Q22 operating EPS of $0.75 missed our/consensus estimates of $0.77. But more importantly, although the company acknowledged it is expecting delays of 6-18 months on its solar generation program, management laid out mitigation plan that it believes preserves its long-term growth objectives including an unaffected 2024 outlook. **We reiterate our Outperform rating on NI shares but have lowered our target price to $33 to reflect the MTM of our peer group utility multiples.**

Key Points

Despite a potentially longer-than-expected delay in its regulated solar program, management outlined a mitigation plan to keep its $10bn capital plan (2021-2024) intact and provides continued support for its 10-12% rate base growth outlook as it works through potential changes in the in-service dates of its solar investments**. As such, management continues to expect diluted NOEPS CAGR of 7-9% through 2024 including near-term annual growth of 5-7% through 2023.** While investors will continue to keep a watchful eye on the AD/CVD investigation, focus can now turn to what should be a positive set of updates at the company's Fall Analyst Day, when management intends to outline the extension of its growth outlook potentially through 2027, present the outcome of its strategic review and provide more details on how it will mitigate the potential delays in its solar investment program.

Management believes that it has sufficient flexibility in the timing of other gas and electric infrastructure investments to mitigate the delays in its renewable investments and is working on a "mitigation plan to maintain its 2024 outlook." **Specifically, management sees ~$0.09-0.10 of delay-related 2024 EPS offset by $0.04-0.05 of pulled forward capex, $0.03-0.04 of O&M offsets and $0.01-0.02 of lower financing cost (Exhibit 2).**

We maintain our Outperform rating given the company's 7% discount to the electric group (17.1x 2024E), which we believe does not adequately reflect both the company's growth prospects, nor any optionality related to the upcoming strategic review. While we would expect to get some more color on the scope and potentially some initial conclusions around its Fall Analyst Day, we continue to expect the process is likely to conclude with a focus on portfolio optimization to help enhance its strategic focus and potentially provide alternative funding alternatives as management looks to extend its regulated growth beyond 2024.

Key Changes		
Target	Estimates	Q2 / 22E
$33.00↓	EPS	$0.15
$36.00	*Previous*	*$0.07*

For disclosure statements, including the Analyst Certification, please refer to page(s) 7 to 10.

BMO Capital Markets

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Company Data			in $
Dividend	$0.94	Shares O/S (mm)	405.7
Yield	3.2%	Market Cap (mm)	$12,038
P/BV	1.7x	Net Debt (mm)	$8,942

BMO Estimates				in $
(FY-Dec.)	2020A	2021A	2022E	2023E
EPS	$1.32	$1.37	$1.46	$1.54
DPS	$0.84	$0.88	$0.93	$0.99
EBIT	$1,064	$1,178	$1,324	$1,482
EBITDA	$1,789	$1,964	$2,143	$2,345

Consensus Estimates				
	2020A	2021A	2022E	2023E
EPS			$1.45	$1.55

Valuation				
	2020A	2021A	2022E	2023E
P/E	22.5x	21.7x	20.4x	19.2x
Div. Yield (%)	2.8%	3.0%	3.1%	3.3%

QTR. EPS	Q1	Q2	Q3	Q4
2020A	$0.76	$0.13	$0.09	$0.34
2021A	$0.73	$0.13	$0.11	$0.39
2022E	$0.75a	$0.15	$0.10	$0.46
2023E	$0.94	$0.15	$0.11	$0.34

Our Thesis

We like several aspects of NI following the sale of Columbia Gas of Massachusetts and removal of the previously guided $500-700mm equity issuance overhang, which we believe meaningfully de-risked the story.

BMO Capital Markets

NiSource - Block Summary Model

Income Statement	2020A	2021A	2022E	2023E
Electric Operations	362	430	510	625
Gas Distribution	668	704	757	831
Parent & Other	2	2	2	2
Consolidated EBIT	1,064	1,178	1,324	1,482
Depreciation & Amortization	726	786	819	862
EBITDA	1,789	1,964	2,143	2,345
Interest Expense	371	366	406	483
Income Tax	127	144	169	196
Income from continuing operations	508	572	653	708
Weighted Average Shares Outstanding	384	419	449	459
Diluted Operating EPS	$1.32	$1.37	$1.46	$1.54
Dividends per Share	$0.84	$0.88	$0.93	$0.99
Cash Flow Statement	**2020A**	**2021A**	**2022E**	**2023E**
Operating Cash Flow	1,681	1,426	1,546	1,623
Investing Cash Flow	(879)	(2,050)	(2,500)	(3,350)
Financing Cash Flow	(100)	587	906	1,709
Net Change in Cash Flow	701	(37)	(48)	(18)
EOP Cash on Balance Sheet	804	767	719	701
Common stock (net)	360	1,211	348	198
Net debt issued/(repaid)	82	(200)	1,032	2,020
Dividends paid	(323)	(369)	(419)	(454)
Balance Sheet	**2020A**	**2021A**	**2022E**	**2023E**
Common Equity	5,735	7,189	7,812	8,304
Preferred Equity	880	880	880	880
Total Debt	9,746	9,546	10,578	12,598
Enterprise Value	$20,351	$21,666	$23,171	$25,451
Common equity %	35.1%	40.8%	40.5%	38.1%
Preferred equity %	5.4%	5.0%	4.6%	4.0%
Total Debt %	59.6%	54.2%	54.9%	57.8%
Book Value per Share	$17.21	$19.25	$19.37	$19.99

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

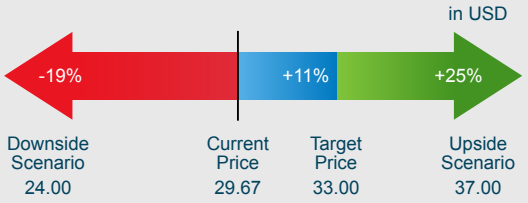
Our target price is the product of a P/E-based sum of the parts. We utilize a regulated-group average multiple using 2024E EPS as base valuation and then make specific adjustments to reflect our current view of the fundamental outlook.

Upside Scenario $37.00

Our upside scenario reflects continued multiple expansion associated with the company's premium and above-average earnings and dividend growth profile.

Downside Scenario $24.00

Our downside scenario reflects a tightening monetary policy and a deceleration of the company's rate base growth.



Key Catalysts

Use of proceeds from CMA sale. Potential for further asset rotation.

Company Description

NiSource, Inc. is a regulated utility holding company, serving approximately 3.5 million natural gas customers and 500,000 electric customers across seven states. Through its Columbia Gas and NIPSCO brands, it provides natural gas, electricity, and other products and services. The company was founded in 1987 and is headquartered in Merrillville, Indiana.

NI-NYSE Research
Glossary
Company Models

Just What the Doctor Ordered – Fall Analyst Day Should Provide Incremental Clarity

Bottom Line: Despite a potentially longer-than-expected delay in its regulated solar program, NiSource management outlined a mitigation plan that it believes will keep its $10 billion capital plan (2021-2024) intact and provides continued support for its 10-12% rate base growth outlook as it works through potential changes in the in-service dates of its solar investments. As such management continues to expect diluted NOEPS CAGR of 7-9% through 2024 including near-term annual growth of 5-7% through 2023. While investors will continue to keep a watchful eye on the AD/CVD investigation, focus can now turn to what should be a positive set of updates at the company's Fall Analyst Day where management intends to outline the extension of its growth outlook potentially through 2027, present the outcome of its strategic review, and provide more details on how it will mitigate the potential delays in its solar investment program. **We reiterate our Outperform rating on NI shares but have lowered our target price to $33 to reflect the MTM of our peer group utility multiples.**

Since the end of March and concurrent with the DOC's announcement of its intention to investigate potential Chinese circumvention of AD/CVD duties, NI shares have fallen nearly 9% and underperformed the broader utility sector by nearly 4%. At the center of the issue was the potential for delays and/or cost increases associated with nearly $1.7 billion of solar and related investments that were under construction or under development to support the planned 2023 retirement of its Schafer 16 & 17 coal units. On today's call management acknowledged it is expecting delays of 6-18 months on its solar generation program and is working with its developers to establish revised in-service dates for the projects as well as working through the allocation of any cost increases related to both the turn-key build-own-transfer aspects of the acquisitions as well as any incremental tariff.

Importantly, despite the solar in-service delays (and similar to other utilities), the company believes its 2021-2024 capital program remains on track at the $10 billion level and it continues to expect diluted NOEPS CAGR of 7-9% through 2024 including near-term annual growth of 5-7% through 2023. Supporting this outlook is management's view that it has sufficient flexibility in the timing of other gas and electric infrastructure investments that can be shifted to mitigate the delays in its renewable investments and is working on a "mitigation plan to maintain its 2024 outlook." Specifically, management sees ~$0.09-0.10 of delay-related 2024 EPS offset by $0.04-0.05 of pulled-forward capex, $0.03-0.04 of O&M offsets, and $0.01-0.02 of lower financing cost (Exhibit 2).

Exhibit 1: NIPSCO Renewable Investment Program

Project	Developer	Original Cost	Original In service	Revised In service
Total Progam Cost		**$2,025**		
Rosewater Wind - In Service	EDPR	$100	2021	
Indiana Crossroads Wind - In Service	EDPR	$300	2021	
Projects In Service		**$400**		
Dunns Bridge I Solar	NextEra Energy	$240	2022	Mid-'23
Crossroads Solar	EDPR	$200	2022	Mid-'23
Transmission	NIPSCO	$75	2023	N/A
Investment in service by YE23		**$915**		
Dunns Bridge II Solar + Storage	NextEra Energy	$420	2023	N/A
Cavalry Solar + Storage	NextEra Energy	$190	2023	N/A
Fairbanks Solar	Invenergy	$245	2023	N/A
Elliott Solar	Tenaska/Capital Dynamics	$180	2023	N/A
Transmission	NIPSCO	$75	2023	N/A
Investment in service by YE24+		**$1,110**		

Source: BMO Capital Markets, Company Filings

Exhibit 2: NiSource Initial 2024 Mitigation Plan

Delayed Renewable Investments • ~$1.0B in-service by 2023 • ~$1.0B in-service 2024+	($0.09 - $0.10)
Pulling Forward Tracked/Other Investments • ~$400-$500M Pulled into 2022/2023	+$0.04 - $0.05
O&M • Accelerating NiNEXT and operational excellence opportunities	+$0.03 - $0.04
Financing Cost • Less financing need with delayed projects	+$0.01 - $0.02
Total 2024 EPS Impact	$0.00

Source: BMO Capital Markets, Company Filings

After making an assumption on the timing of the company's $150 million in renewable-related transmission spending, we see the need to shift roughly $500 million in capex in the 2022-2023 time frame, which is consistent with the company's estimate of tracker investments that could be pulled forward over the same time frame (Exhibit 2). Assuming a 12-month delay for roughly 75% of the remaining renewable capital spending that was to come in service in the first part of 2023, we see roughly $825 million of delayed investment in 2024 with the remaining $275 million falling into the 2025 time frame. Using our $1,110 million of delayed investment in 2024 and applying a 9.75% ROE/47.86% equity layer, we see roughly $0.10 of delay-related EPS that would need to be mitigated using our 494 million diluted share count. On the O&M front we see the $0.03-0.04 of mitigation as achievable given it represents roughly 1.5% ($20-25 million P/T) of our total forecast O&M and given the company's diversified, multi-state operations it has flexibility to harvest savings away from states with active regulatory activity.

Fall Analyst Day Should Provide Additional Clarity. NiSource now expects to hold an Analyst Day in the fall where we would expect management to provide updates on several key items including: 1) the extension and drivers of its 5-7% growth outlook with a roll forward that could potentially run through 2027. In addition to delivering more detail on its ~$750 million 2021 IRP, we would expect the company to focus on the acceleration of its gas infrastructure capital program; 2) present the outcome of its strategic review including "definitive announcements" of where management and the Board of Directors is taking the business. Our base case remains that the company is likely to outline additional cost and safety initiatives as well as the potential to monetize smaller, non-core regulated assets (KY, VA, MD) to offset any incremental equity requirements driven by an extended and accelerated capital program; and 3) provide an update on the timing of its solar project delays and mitigation efforts to meet its growth objectives.

Uneventful 1Q22 Earnings results. For 1Q22, NI's operating EPS of $0.75 missed our own and consensus estimates of $0.77. Electric earnings were about $8 million higher QOQ as higher revenues, net of fuel and tracked expenses outpaced essentially flat operating expenses. On the gas side, operating earnings were $31 million higher as revenues net of fuel and tracked expenses rose $66 million and were only partially offset by a $35 million increase in operating expenses. Finally, dilution was the primary downside driver as diluted average shares were up 12% due to the equity units issued in 2021. **Management sees the full year on track and reaffirms its 2022 non-GAAP diluted net operating earnings per share (NOEPS) guidance of $1.42-1.48.**

We maintain our Outperform rating given the company's 7% discount to the electric group (17.1x 2024E), which we believe does not adequately reflect both the company's growth prospects, nor any optionality related to the upcoming strategic review. While we would expect to get some more color on the scope and potentially some initial conclusions around its Fall Analyst Day, we continue to expect the process is likely to conclude with a focus on portfolio optimization to help enhance its strategic focus and potentially provide alternative funding alternatives as management looks to extend its regulated growth beyond 2024. **Our 2022, 2023, and 2024 estimates remain unchanged at $1.46, $1.54, and $1.72, respectively. We have lowered our target price to $33 reflecting the MTM of our peer utility group multiples used in our SOTP valuation framework.**

Exhibit 3: NiSource Inc. - Model Summary

NI Model Summary	2019	2020	2021	2022	2023	2024	5-Year
EPS By Segment							
Electric Operations	$0.76	$0.63	$0.72	$0.82	$1.01	$1.15	*13%*
Gas Distribution	$1.12	$1.17	$1.09	$1.14	$1.19	$1.24	*1%*
Corporate & Other	($0.56)	($0.48)	($0.44)	($0.50)	($0.66)	($0.67)	*7%*
Consolidated E.P.S.	**$1.32**	**$1.32**	**$1.37**	**$1.46**	**$1.54**	**$1.72**	**6%**
Dividend per share	**$0.80**	**$0.84**	**$0.88**	**$0.93**	**$0.99**	**$1.05**	*5%*
Payout Ratio total	60.8%	63.6%	64.4%	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	21.5x	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	$1,426	$1,546	$1,623	$1,824	*0.8%*
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%	9.5%	9.6%	9.2%	9.4%	
Columbia Gas of Maryland ROE	9.7%	9.3%	9.4%	9.5%	9.2%	9.3%	

Source: BMO Capital Markets, Company Filings

Exhibit 4: NiSource Inc. - Key Assumptions

Key Model Assumptions	2019	2020	2021	2022	2023	2024	5-Year
Total Capital Expenditures by Segment							
Electric Operations	$469	$422	$650	$1,100	$1,650	$500	**$4,322**
Gas Distribution	$1,380	$1,267	$1,400	$1,400	$1,700	$1,500	**$7,267**
Consolidated Capital Expenditures	**$1,849**	**$1,689**	**$2,050**	**$2,500**	**$3,350**	**$2,000**	**$11,589**
YE Rate Base Estimates							
NIPSCO Electric	$4,866	$5,240	$5,747	$6,515	$7,814	$7,931	*10.3%*
Columbia Gas of Ohio	$3,106	$3,412	$3,803	$4,182	$4,674	$5,080	*10.3%*
Columbia Gas of Pennsylvania	$1,883	$2,069	$2,306	$2,536	$2,834	$3,081	*10.3%*
NIPSCO Gas	$1,660	$1,824	$2,033	$2,236	$2,499	$2,716	*10.3%*
Columbia Gas of Massachusetts	$1,098	$1,207	$0	$0	$0	$0	
Columbia Gas of Virginia	$789	$867	$966	$1,063	$1,188	$1,291	*10.3%*
Columbia Gas of Kentucky	$338	$371	$413	$454	$508	$552	*10.3%*
Columbia Gas of Maryland	$136	$150	$167	$184	$206	$224	*10.4%*
Total Rate Base	**$13,876**	**$15,138**	**$15,437**	**$17,171**	**$19,722**	**$20,874**	***10.6%***

Source: BMO Capital Markets, Company Filings

Exhibit 5: NiSource Inc. - SOTP Valuation

							BMO Low Case		BMO Base Case		BMO High Case	
Regulated, Corporate & Other	Valuation Metric	2024E 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	$1.15	Electric	18.3x	+7.5%	19.7x	15.8x	$18	19.7x	$23	21.7x	$25
Gas Distribution	EPS	$1.24	Natural Gas	17.5x	+10.0%	19.3x	15.0x	$19	19.3x	$24	21.3x	$26
Corporate & Other	EPS	($0.67)	Blend	19.5x	+0.0%	19.5x	19.5x	($13)	19.5x	($13)	21.5x	($14)
Utility & Parent Value		**$1.72**					13.8x	**$24**	19.5x	**$33**	21.5x	**$37**
Total NiSource Inc.								**$24**		**$33**		**$37**
Upside/(Downside)								(20%)		13%		24%
Current Yield								3%		3%		3%
Total Return								**(17%)**		**16%**		**28%**

Source: BMO Capital Markets, Company Filings

Citi Research
ACTION

04 May 2022 17:57:28 ET | 11 pages

NiSource Inc (NI.N)

One Step Back to Go Two Steps Forward?

CITI'S TAKE

NI announced solar delays of 6-18 months for its slate of projects, while leaving the $1.745B solar capital estimate unchanged, extended the operating life of Schahfer units 17 and 18 to compensate for the lost capacity, and reaffirmed 2022 guidance despite headwinds as tracked capital pulls forward.

Solar Delays Are Here: 6-18 Months for 2022/23 Projects — As we have been writing about since July '21 (links here and here), NiSource is not insulated from the global supply chain challenges and the recent DOC reviews. Two 2022 projects already in construction (Dunns Bridge I & Crossroads) were pushed to 2023, which collectively account for ~$440M of capex. See below for an updated solar capital spending timeline reflective of delays.

Solar Cost Overruns – Who Foots the Bill? — There is a lot of ambiguity around who ultimately will foot the bill should solar projects come in over budget. General cost overruns are typically covered in contracts with the developers. However, NI would need to work with developers/regulators to determine who bears the risk from potential DoC tariffs, as contracts with developers do not include tariff provisions.

Schahfer Coal Plant Extended 2 Years — Schahfer units 17 & 18 (722MW cumulative capacity) will now run through 2025 (vs. 2023 prior) as a result of the solar delays to ensure customer reliability, with a full coal exit expected 2028. Schahfer produced ~3.5M metric tons of CO2 in 2020, according to EPA data.

Minimal Financing Plan Changes — The delayed projects will push out some debt issuance needs, so NI should benefit from deferred financing costs. The ATM plan was left unchanged ($200-300M in 2022 and $0-150M in 2023), but is biased lower.

Guidance Reaffirmed — NI reaffirmed 2022 EPS guidance of $1.42-1.48 despite the announced delays, noting opportunities to pull forward $400-500M of tracked investment into 2022/23 to offset lost solar contribution. Reduced financing costs associated with delayed projects & expense reduction initiatives also help offset.

Analyst Day Delayed until Fall — The investor day was formally delayed from Spring to Fall (widely anticipated) to allow the company to get more clarity on the business review and solar project timelines. Expect the current capital plan to be extended past 2024, and NiSource to make progress on the LDC monetization plans.

Increasing PT to $30 — New PT reflects higher peer multiples and CoC changes.

Neutral	
Price (04 May 22 16:00)	US$29.67
Target price	US$30.00↑
from US$28.00	
Expected share price return	1.1%
Expected dividend yield	3.4%
Expected total return	4.5%
Market Cap	US$12,038M

Price Performance
(RIC: NI.N, BB: NI US)



EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2021A	0.75A	0.12A	0.11A	0.39A	1.37A	1.37A	1.27A
2022E	**0.75A**	**0.21E**	**0.11E**	**0.38E**	**1.45E**	**1.45E**	**1.45E**
Previous	0.75E	0.20E	0.10E	0.40E	1.44E	na	na
2023E	**0.73E**	**0.23E**	**0.30E**	**0.32E**	**1.58E**	**1.55E**	**1.54E**
Previous	0.74E	0.21E	0.28E	0.31E	1.55E	na	na
2024E	**0.76E**	**0.27E**	**0.35E**	**0.39E**	**1.76E**	**1.73E**	**1.66E**
Previous	0.78E	0.25E	0.33E	0.37E	1.73E	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 non-US research analyst disclosures.

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Prepared for Michael Weisenburger

NI.N: Fiscal year end 31-Dec						Price: US$29.67; TP: US$30.00; Market Cap: US$12,038m; Recomm: Neutral				
Profit & Loss (US$m)	**2020**	**2021**	**2022E**	**2023E**	**2024E**	**Valuation ratios**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Sales revenue	4,676	4,900	5,073	5,138	5,430	PE (x)	22.5	21.7	20.5	18.8	16.8
Cost of sales	-1,855	-2,141	-2,254	-2,093	-2,196	PB (x)	2.3	2.0	2.0	1.9	1.8
Gross profit	2,821	2,759	2,819	3,045	3,234	EV/EBITDA (x)	18.4	14.4	13.0	12.9	12.3
Gross Margin (%)	60.3	56.3	55.6	59.3	59.6	FCF yield (%)	-4.9	-5.1	-7.3	-15.0	-3.2
EBITDA (Adj)	**1,370**	**1,755**	**2,014**	**2,166**	**2,422**	Dividend yield (%)	2.8	2.9	2.9	2.9	3.0
EBITDA Margin (Adj) (%)	29.3	35.8	39.7	42.2	44.6	Payout ratio (%)	63	62	60	55	50
Depreciation	-746	-748	-721	-799	-887	ROE (%)	-0.1	9.9	12.2	11.2	11.9
Amortisation	0	0	0	0	0	**Cashflow (US$m)**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
EBIT (Adj)	**624**	**1,007**	**1,293**	**1,367**	**1,534**	EBITDA	1,370	1,755	2,014	2,166	2,422
EBIT Margin (Adj) (%)	13.4	20.6	25.5	26.6	28.3	Working capital	72	-260	-90	-26	-73
Net interest	-371	-341	-369	-455	-512	Other	-248	-281	-520	-600	-681
Associates	0	0	0	0	0	**Operating cashflow**	**1,194**	**1,214**	**1,404**	**1,540**	**1,668**
Non-Op/Except/Other Adj	-210	37	39	44	44	Capex	-1,758	-1,838	-2,363	-3,550	-2,100
Pre-tax profit	**43**	**703**	**962**	**955**	**1,066**	Net acq/disposals	1,116	0	0	0	0
Tax	12	-118	-180	-189	-212	Other	-237	-367	80	0	0
Extraord./Min.Int./Pref.div.	-59	-55	-55	-55	-55	**Investing cashflow**	**-879**	**-2,205**	**-2,283**	**-3,550**	**-2,100**
Reported net profit	**-3**	**530**	**727**	**711**	**798**	Dividends paid	-322	-345	-426	-470	-501
Net Margin (%)	-0.1	10.8	14.3	13.8	14.7	**Financing cashflow**	**-193**	**1,011**	**984**	**2,098**	**520**
Core NPAT	509	560	644	711	798	**Net change in cash**	**122**	**21**	**105**	**88**	**88**
Per share data	**2020**	**2021**	**2022E**	**2023E**	**2024E**	**Free cashflow to s/holders**	**-564**	**-624**	**-959**	**-2,010**	**-432**
Reported EPS ($)	-0.01	1.30	1.63	1.58	1.76						
Core EPS ($)	1.32	1.37	1.45	1.58	1.76						
DPS ($)	0.83	0.85	0.86	0.87	0.89						
CFPS ($)	3.10	2.97	3.15	3.42	3.69						
FCFPS ($)	-1.47	-1.53	-2.16	-4.46	-0.95						
BVPS ($)	12.90	14.55	15.11	15.78	16.53						
Wtd avg ord shares (m)	375	409	435	441	443						
Wtd avg diluted shares (m)	385	409	445	451	453						
Growth rates	**2020**	**2021**	**2022E**	**2023E**	**2024E**						
Sales revenue (%)	-10.2	4.8	3.5	1.3	5.7						
EBIT (Adj) (%)	12.1	61.3	28.4	5.7	12.3						
Core NPAT (%)	2.7	10.1	14.9	10.5	12.3						
Core EPS (%)	0.2	3.7	5.5	9.1	11.9						
Balance Sheet (US$m)	**2020**	**2021**	**2022E**	**2023E**	**2024E**						
Cash & cash equiv.	126	95	130	130	130						
Accounts receivables	791	826	720	738	781						
Inventory	401	499	449	459	483						
Net fixed & other tangibles	18,643	20,491	22,152	24,903	26,115						
Goodwill & intangibles	1,486	1,486	1,486	1,486	1,486						
Financial & other assets	593	761	652	659	674						
Total assets	**22,041**	**24,157**	**25,590**	**28,375**	**29,669**						
Accounts payable	589	698	449	454	459						
Short-term debt	526	618	1,166	2,719	3,099						
Long-term debt	9,220	9,183	9,855	10,755	11,355						
Provisions & other liab	5,868	6,385	6,412	6,416	6,419						
Total liabilities	**16,203**	**16,884**	**17,882**	**20,343**	**21,332**						
Shareholders' equity	5,838	7,273	7,708	8,032	8,337						
Minority interests	0	0	0	0	0						
Total equity	**5,838**	**7,273**	**7,708**	**8,032**	**8,337**						
Net debt (Adj)	**9,621**	**9,707**	**10,891**	**13,343**	**14,323**						
Net debt to equity (Adj) (%)	164.8	133.5	141.3	166.1	171.8						

For definitions of the items in this table, please click here.

Powered by: dataCentral

Prepared for Michael Weisenburger

Solar Delay Analysis

We include below a table breaking down all of NI's near-term solar exposure, split between the utility-owned projects and PPAs. We also highlight differences between prior estimates and current guidance for project costs and COD dates. Note that NI now expects all projects to be delayed 6-18 months.

Figure 1. NI Solar Projects

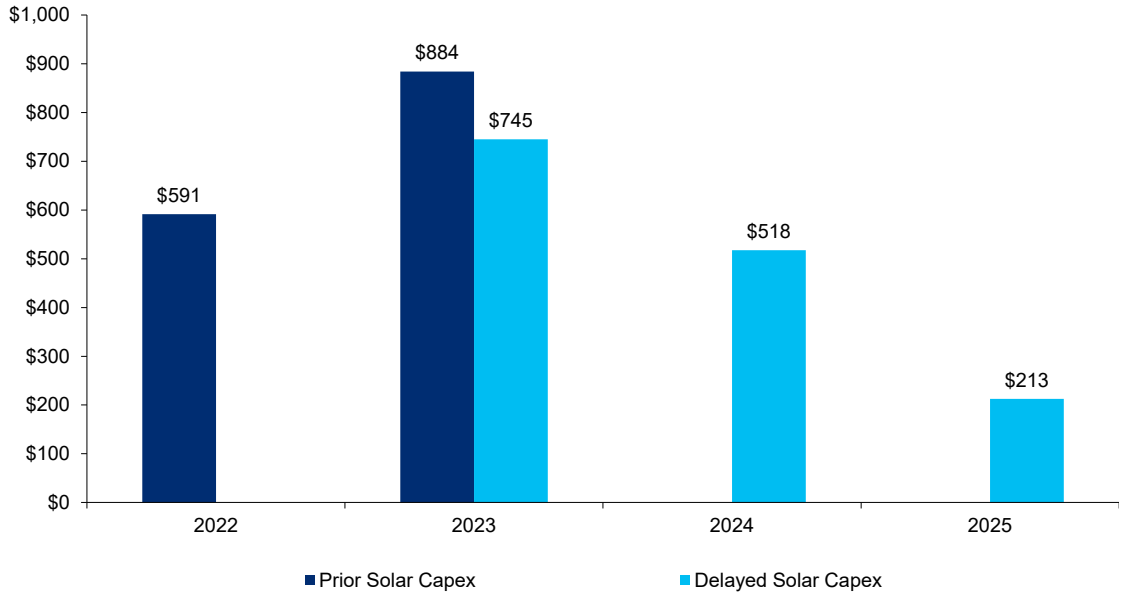
			Capacity (MW)		NIPSCO Investment			In-Service Date		
JVs	Status	PPA Contract	Solar	Storage	Prior Estimate ($M)	Current Estimate ($M)	Delta	Prior Estimate	Current Estimate	Delay
Dunns Bridge I Solar	In Construction	-	265	-	$240	$240	$0	Q4 2022	2023	1 yr
Crossroads Solar	In Construction	-	200	-	$200	$200	$0	Q4 2022	2023	1 yr
Dunns Bridge II Solar + Storage	Approved	-	435	75	$420	$420	$0	Q4 2023	2023-2024	1-2 yr
Cavalry Solar + Storage	Approved	-	200	60	$190	$190	$0	Q4 2023	2023-2024	1-2 yr
Fairbanks Solar	Approved	-	250	-	$245	$245	$0	Q3 2023	2024-2025	1-2 yr
Elliot Solar	Approved	-	200	-	$180	$180	$0	Q2 2023	2024-2025	1-2 yr
Total Investment					**$1,475**	**$1,475**	**$0**			
PPAs										
Brickyards Solar	Approved	20 yrs	200	-	-	-	-	Q4 2022	2024	2 yr
Greensboro Solar + Storage	Approved	20 yrs	100	30	-	-	-	Q4 2022	2023-2024	1-2 yr
Gibson Solar	Approved	22 yrs	280	-	-	-	-	Q2 2023	2024	1 yr
Green River Solar	Approved	20 yrs	200	-	-	-	-	Q2 2023	2024	1 yr

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Source: Citi Research, Company Reports

Below, we highlight how NI's $1,475mn capital plan for solar has shifted to the right based on current guidance. Note that for COD estimates split between two years (i.e. 2023-2024), we assume the project is completed on the midpoint of the two provided dates (i.e. 6/30/2024). We also assume that capital expenditures start one year prior to the COD date for illustrative purposes. See below for an updated timeline.

Figure 2. Solar Capital Timeline - Prior vs. Current Guidance ($ in millions)



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Source: Citi Research, Company Reports

Prepared for Michael Weisenburger

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, and 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 that 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 $30 target price. Our NAV yields a value of $32. 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 $32 and $29, respectively.

Risks

The key risks to our investment thesis are as follows: (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.

Prepared for Michael Weisenburger

GUGGENHEIM

May 4, 2022

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NI: Slight Miss on 1Q22; 2022 Analyst Day "Officially" Pushed Out; Solar Issues Pervasive… But Electrification Should Remain on Track

Key Message: NI's 2022 analyst day has officially been pushed to Fall 2022 instead of May, due to the significant uncertainty that currently surrounds the government's investigation into suspected antidumping and anticircumvention relating to solar panels entering the US as well as providing more time for Mgmt. to provide a more comprehensive update around capital growth opportunities and strategic moves that could include the sale of one or more gas utilities. NI's slides provided investors with a bridge that supports NI's ability to fully mitigate the 2024 EPS impact of ~$400m–$500m of renewable project investment that is now expected to be delayed by 6–18 months between now and YE23. Mgmt. pointed to its ability to pull forward tracked investments and reducing O&M. We reiterate our BUY rating and have increased our PT to $32 from $30, which reflects the multiple uplifts we have seen in the sector.

While NT tailrisks remain around renewables, NI is not anomalistic, as a majority of our utilities under coverage have already or likely will warn around the structural risks with solar in anticipation of the DoC investigation around tariff circumvention. We believe NI has enough dry pounder in plan to offset the NT capital shifts from solar with several facets of the story. Reiterate BUY ahead of a NT event catalyst being the fall analyst day.

For more on our views specifically relating to NI's LDC M&A potential, see pgs. 12-13 of our research note HERE).

"Despite the expected delays in solar projects, the resiliency and flexibility of our business plan continues to support our commitment to deliver 7–9% compound annual growth in non-GAAP NOEPS from 2021 through 2024. I also look forward to sharing details around the extension of this growth plan at our Investor Day event this fall." – ***NiSource CEO Lloyd Yates***

Investors seemed broadly supportive of mgmt.'s plans to backfill the delayed solar investment and further trim O&M as needed in order to eliminate any EPS impact vs. existing 2024 guidance. For the time being, we defer to mgmt.'s projections until we are able to gather more specifics and stress-test our own assumptions, but we do believe that they have enough dry powder and levers/offsets to mitigate NT blips. We are maintaining our full year '22/'23/'24/'25 estimates, based on the assumption that mgmt. will be able to successfully pull forward capital investments and manage costs between now and 2024 in line with today's guidance. As a reminder, Mgmt. reinforced on the call that they did not envision a change in the shaping of their growth trajectory through '24.

Investors need visibility beyond 2024, and an extra year just isn't enough relative to peers' existing disclosures. We continue to expect the overall growth update at NI's analyst day to feature a longer-term capital plan outlook, vs. a one-year roll to 2025 which would put them a year behind most mid/large utilities' existing five-year 2022–2026 capital plans, which were announced back with 4Q21 results or even at last November's EEI conference. This is consistent with our conversation with new CEO Lloyd Yates – see our note HERE.

(continued on next page...)

NI BUY

NiSource Inc.
Sector: Power & Utilities

Earnings Release

Share Price	$29.67
Price Target	$32.00
Prior	*$30.00*

EPS ($) (FY DEC)	1Q	2Q	3Q	4Q	FY
2022	0.75	0.15E	0.10E	0.46E	1.45E
Prior	*0.77*	*0.14E*	*—*	*0.44E*	*—*
P/E					20.4x
2023	0.80E	0.16E	0.09E	0.48E	1.53E
Prior	*0.88E*	*0.17E*	*0.08E*	*0.41E*	*—*
P/E					19.4x
2024	0.88E	0.19E	0.12E	0.51E	1.70E
Prior	*0.96E*	*0.21E*	*—*	*0.42E*	*—*
P/E					17.4x

Market Data

52-Week Range	$23.65 - $32.59
Dividend	$0.96
Dividend Yield	3.2%
Market Cap (M)	$12,040
Enterprise Value (M)	$21,092
Shares Out (M)	405.8
ADV (3 mo; 000)	4,862

This report is intended for Michael Weisenburger at NiSource, Inc. (NI). Unauthorized distribution of this report is prohibited.

Regarding the strategic review process, mgmt. specifically avoided any language that might indicate the likelihood of an LDC sale but **were clear on today's call that they "will have answers in the fall…** and expect definitive announcements in terms of where we're taking the business." **In our view, a sale of one or more of NI's smaller LDCs continues to make sense** as a means of streamlining the business operationally and focusing NI's capital and mgmt.'s energies more towards the company's proven strategy of ESG-friendly electrification and decarbonization which has been serving the story well to date.

NiSource LDCs — 2021 year-end rate base, ROEs, capex, and recovery mechanisms

Company	2021 YE Rate Base (US$m)	2021 YE Rate Base (% of total)	Authorized ROE	Modernization Program Investments	Estimated Annual Modernization Program Investments	Recovery Mechanism
Columbia Gas of OH	$3,900	26%	10.39%	~$10.6B	$520M - $600M	Tracked
Columbia Gas of PA	$2,400	16%	N/A	~$4.1B	$340M - $410M	Rate Case (Forward TY)
NIPSCO Gas	$2,000	13%	9.85%	~$5.0B	$165M - $220M	Tracked
Columbia Gas of VA	$1,100	7%	9.70%	~$500M	$67M - $70M	Tracked
Columbia Gas of KY	$423	3%	9.275%	~$900M	$40M - $43M	Tracked
Columbia Gas of MD	$198	1%	9.65%	~$230M	$30M - $35M	Tracked
NIPSCO Electric	$4,900	33%	9.75%	~$5.0B	$220M - $275M	Tracked

Note: NIPSCO effective equity = 50% with deferred taxes included in rate base for NIPSCO electric and gas

Source: Company materials, Guggenheim Securities, LLC

NI reported a slight miss for 1Q22, coming in at $0.75 vs. Guggenheim at $0.77 and consensus of $0.78. The company reiterated 2022 guidance of $1.42-$1.48 ($1.45 midpoint) vs. Gugg/consensus of $1.45/$1.45 and maintained both existing EPS CAGRs (5%–7% for '21–'23, and 7%–9% for '21–'24), despite today's major changes to the company's capital plans. Given our assumptions around a potential LDC sale and mgmt.'s decisiveness on the timing of any potential announcement, **we have removed the –2.0x LDC sector P/E discount from our sum-of-the-parts NI valuation and are now applying a +3.0x turn premium** specifically to the company's LDCs to reflect our expectation of a premium in order to reflect our expectation of an anticipated premium being paid vs. public market valuations. As a result, **our SOTP-driven PT moves to $32 from $30, previously**.

Guggenheim and consensus forecasts for NI net operating EPS

EPS($)	1Q	2Q	3Q	4Q	FY	Cons
2022E	0.75A	0.15E	0.10E	0.46E	**1.45E**	*1.45E*
Prior	*0.77E*	*0.14E*	*0.10E*	*0.44E*	*1.45E*	
2023E	0.80E	0.16E	0.09E	0.48E	**1.53E**	*1.55E*
Prior	*0.88E*	*0.17E*	*0.08E*	*0.41E*	*1.53E*	
2024E	0.88E	0.19E	0.12E	0.51E	**1.70E**	*1.74E*
Prior	*0.96E*	*0.21E*	*0.12E*	*0.42E*	*1.70E*	
2025E	0.87E	0.24E	0.20E	0.52E	**1.84E**	*1.86E*
Prior	*0.97E*	*0.23E*	*0.13E*	*0.51E*	*1.84E*	

Source: Bloomberg, Guggenheim Securities, LLC estimates.

This report is intended for Michael Weisenburger at NiSource, Inc. (NI). Unauthorized distribution of this report is prohibited.

Valuation

We value NI as a regulated utility, arriving at our $32 PT using our regulated group multiple of 19.5x, with a premium to reflect top-quartile rate base growth through the forecast period, and applying to 2024 fundamentals. We value the company via SOTP, and 1) we attribute a 1.0x premium on NIPSCO, reflecting strong renewable-driven rate base growth, and 2) we assign the gas business a 3.0x premium to reflect an expectation of an M&A announcement at the Fall 2022 analyst day (vs. our standard 2.0x discount applied to all LDCs broadly). Applied to our 2024 $1.70 EPS estimate and discounted back by one year, we arrive at our twelve-month $32 PT.

Risks

Risks to our valuation primarily include an underwhelming conclusion to NI's strategic review at its analyst day later this year, as well as traditional risk factors inherent with all regulated utilities, including: (1) rate case risk (albeit with heightened focus on the incorporation of renewables in 2H23), (2) potential for a lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

This report is intended for Michael Weisenburger at NiSource, Inc. (NI). Unauthorized distribution of this report is prohibited.

NISOURCE (NI)

NI: Finding ways to eclipse solar delays

May 4, 2022

Rating:
Outperform
Price:
$29.67
Price Target:
$33.00
Prior: $34.00
% Upside:
11.2%

View NI Model
View Comp Table

Company Information

52-Week Range	$24 - $32
Market Cap. (MM)	$12,038
Enterprise Value (MM)	$23,995
Shares Out. (MM)	405.7
Dividend Yield	3.2%
Dividend Payout Ratio	65.0%
ROE	10.7%
Debt to Cap	61.5%
Avg. Value Traded (MM)	$224.70

Price Performance

	YTD	LTM
NI	7%	15%
UTY Index	(0)%	8%
S&P 500	(10)%	3%



Priced as of 05/04/22

The Wolfe Byte
The Q1 update was better than feared as NI addressed solar delays with a lot of detail and outlined several steps that it would take to offset the impacts. 2022 guidance as well as the 7-9% EPS CAGR through '24 were reaffirmed. Our PT moves to $33 on lower multiples.

Anticipating 6-18-month delays for solar projects... The focal point of the report was an update with respect to the timeline of NI's solar and co-located storage projects given the disruption caused by the DoC's AD/CVD investigation. NI is anticipating 6-18 mo delays for most projects, such that ~$1B of capex will be pushed to 2024 from 2023. Similarly, $440M of capex from 2022 will move into 2023. The extent of individual project delays will be important to NI's rate case strategy and the timing of cost recovery. In order to maintain reliability, NI is extending the life of its Schahfer coal units to 2025 from 2023.

...But capex pull forward, cost cuts expected to offset. NI reaffirmed its EPS growth targets — 5-7% annually through '23 and the 7-9% CAGR through '24 — despite the solar delays, which were the reason for the earnings step up in '24. NI's prelim assessment for '24 is that the delays will cause a $0.09-0.10 headwind but will be completely offset by $0.04-0.05 from pulling forward $400-500M of capex, $0.03-0.04 from cost cuts and $0.01-0.02 from less financing drag. Rate case precedent in Indiana provides flexibility in timing step increases to coincide with when projects are put into service. We think NI did a good job addressing this issue, which has been an overhang on the stock.

Q1 misses; Analyst Day moved to the fall. Q1 EPS of $0.75 missed cons at $0.78 but matched us and 2022 guidance was reaffirmed. NI moved its Analyst Day to the fall to get beyond the DoC's preliminary decision and complete its biz review. This review is comprehensive, and we think could include further cost reductions and potential gas LDC sales. In OH, NI will file its response to the Staff report later this week and sup testimony next week. NI then hopes to engage in settlement talks.

PT down to $33. We are leaving our estimates unchanged given NI's mitigation measures. Our PT moves $1 lower to $33 on lower electric/LDC multiples. We remain Outperform rated.

ESTIMATES

($)	2022E	2023E	2024E
EPS FY	1.45 E	1.53 E	1.74 E
Cons.	1.45 E	1.55 E	1.72 E
P/E	20.4x	19.4x	17.1x
Dividend per Share FY	0.94 E	1.00 E	1.06 E
Dividend Yield	3.2%	3.4%	3.6%

Source: Company Documents, Wolfe Research, FactSet
Numbers may not add up due to rounding; Fiscal Year Ends December



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WOLFE RESEARCH

May 4, 2022

Investment Conclusion

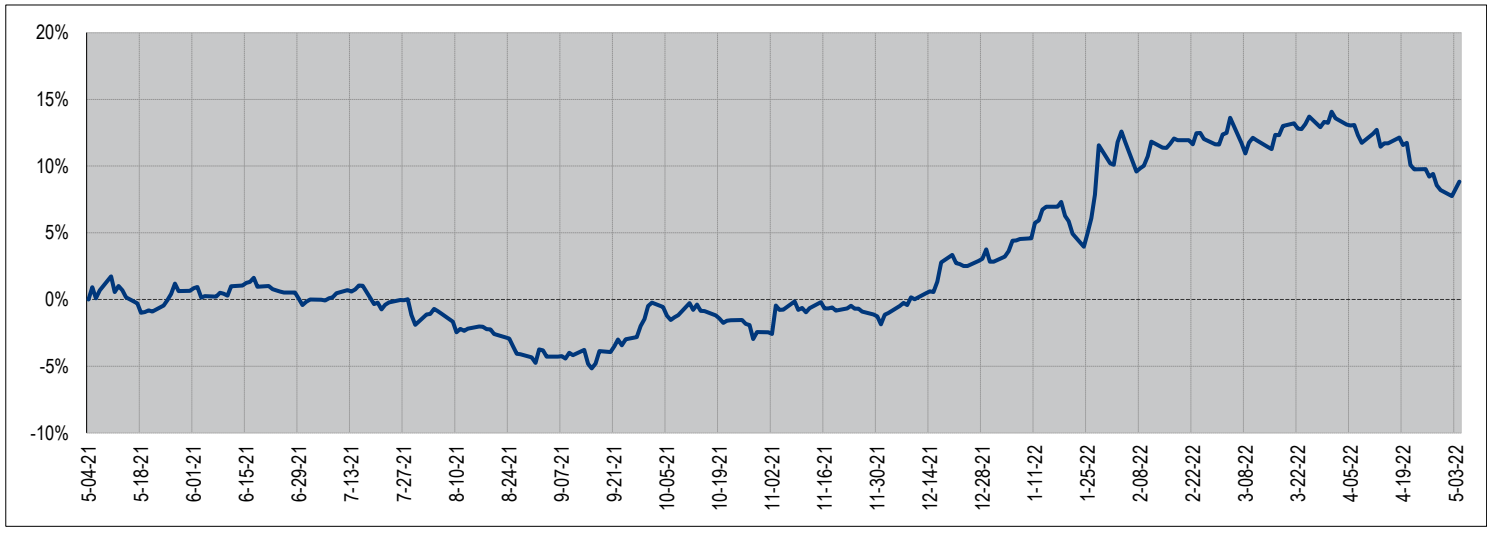
We are Outperform rated on NI. NI's rate base growth of 10-12% and EPS growth of 7-9%, on average, through 2024 places it amongst the best growth stories in the sector. The dramatic shift toward renewables at NI's Indiana electric utility and fact that it will be coal-free by 2026 or 2028 is also helpful from an ESG standpoint. After a solid 2021, we believe that the company is back to the old NiSource – executing on its financial plan after a couple of years of disappointments following the Merrimack Valley incident. We see recent gas LDC sales as constructive value markers (2x rate base or better) for NI and gas LDC companies generally. This could help lead to NI taking strategic action with its own portfolio once NI completes its business review. Details if the review will be unveiled at a planned Analyst Day this fall. Having activist (Elliott) involvement at NI is a plus too.

Exhibit 1: Gas LDC Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E Multiple 2022E	2023E	2024E	2025E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Atmos Energy	ATO	$115.31	135	$15,617	21.0x	19.5x	18.1x	17.1x	2.3%	8.6%	49%	1.9x	51%
ONE Gas	OGS	85.82	54	4,642	21.0x	19.5x	18.4x	17.2x	2.9%	6.9%	61%	2.0x	36%
NiSource	NI	29.67	406	12,038	20.4x	19.4x	17.1x	N/A	3.2%	6.0%	65%	2.2x	41%
Northwest Natural Gas	NWN	49.16	34	1,684	19.4x	18.1x	17.4x	16.5x	3.9%	0.8%	76%	1.6x	38%
Pure-play Average					**20.5x**	**19.1x**	**17.8x**	**17.0x**	**3.1%**	**5.6%**	**63%**	**1.9x**	**42%**
New Jersey Resources	NJR	44.60	96	4,284	19.6x	18.3x	15.7x	16.1x	3.3%	9.0%	64%	2.6x	37%
South Jersey Industries	SJI	34.44	122	4,216	20.6x	19.2x	18.3x	17.7x	3.6%	2.9%	75%	2.0x	36%
Southwest Gas	SWX	88.74	66	5,859	19.4x	18.3x	17.8x	16.8x	2.8%	4.7%	54%	1.8x	31%
Spire Inc.	SR	74.35	52	3,848	18.8x	17.0x	16.0x	15.1x	3.7%	5.1%	70%	1.6x	42%
Diversified Average					**19.6x**	**18.2x**	**16.9x**	**16.4x**	**3.3%**	**5.4%**	**66%**	**2.0x**	**36%**
Average - electric utilities (ex PCG and EIX)					**20.2x**	**19.0x**	**17.8x**	**16.9x**	**3.3%**	**5.1%**	**66%**	**2.3x**	**41%**

Source: Wolfe Utilities & Power Research, FactSet

Exhibit 2: NI vs the Regulated Average



Source: Wolfe Utilities & Power Research, FactSet

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WOLFE RESEARCH

May 4, 2022

Exhibit 3: Financial Summary

Financial Summary	2022E	2023E	2024E
EPS	$1.45	$1.53	$1.74
Diluted Shares Outstanding	435	444	469
Dividends Per Share	$0.94	$1.00	$1.06
Dividend Yield	3.2%	3.4%	3.6%
Dividend Payout Ratio	65%	65%	61%
Equity Ratio	39%	37%	37%
FFO/Net Debt	14%	14%	15%
Valuation Metrics			
P/E	20.4x	19.4x	17.1x
Price/Book	2.2x	2.1x	2.1x
EV/rate base	1.5x	1.4x	1.4x
Segment EPS			
Gas Distribution	$1.15	$1.23	$1.29
NIPSCO Electric	0.55	0.57	0.71
Parent & Other	(0.25)	(0.28)	(0.27)
Total EPS	**$1.45**	**$1.53**	**$1.74**

Source: Wolfe Utilities & Power Research

Company Description

NiSource, headquartered in Merrillville, Indiana, operates two separate business lines: electric utility and gas distribution LDCs. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.5 million customers in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, and Maryland.

Investment Thesis

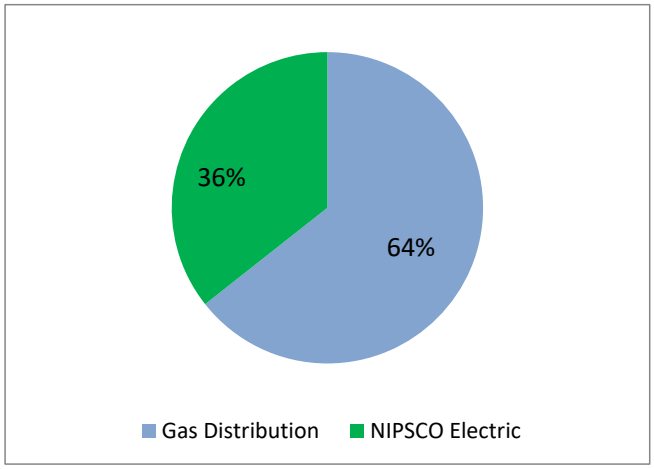
We see above-average rate base and earnings growth potential for NiSource relative to other electric and natural gas distribution utilities. NI has a $40B backlog of capital investment with recovery largely through trackers in mostly constructive regulatory environments. The dramatic shift toward renewables at NI's Indiana electric utility and fact that it will be coal-free by 2026 or 2028 is also helpful from an ESG perspective.

Exhibit 4: Model Assumptions

Model Assumptions	2022E	2023E	2024E
Capital Spending by Segment ($M)			
Gas Distribution	$1,435	$1,585	$1,585
Electric	1,090	1,940	490
Parent	25	25	25
Total Capex	**$2,550**	**$3,550**	**$2,100**
Financings ($M)			
Total Equity Issued/(Repurchased)	$340	$190	$40
Total Hybrids Issued/(Repurchased)	$0	$863	$0
Total Debt Issued/(Repurchased)	$1,100	$1,100	$600

Source: Wolfe Utilities & Power Research

Exhibit 5: 2024E EPS by Segment



Source: Wolfe Utilities & Power Research

Valuation

Our $33 price target is derived by applying P/E multiples on NI's electric and gas LDC earnings in 2024. We target a 5-10% premium to our target regulated average of 19x. For the gas LDCs use a group average of 18x. Risks for NiSource are 1) bad regulatory outcomes; 2) pipeline safety incidents. Upsides are 1) additional growth projects and 2) customer/sales growth

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ARGUS

NYSE: NI

NISOURCE INC

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 in six states. 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. The company has approximately 7,500 employees. NI shares are a component of the S&P 500.

Analyst's Notes

Analysis by David Coleman, May 25, 2022

ARGUS RATING: BUY

- Raising target
- NiSource reported 1Q22 results on May 4. The company posted adjusted net income of $328.7 million or $0.75 per share, compared to $304.8 million or $0.77 per share a year earlier.
- Management noted that due to supply chain constraints, most projects have been pushed out 6-18 months.
- However, management reiterated its 2022 guidance that was issued at the end of the fourth quarter.
- We are maintaining our 2022 adjusted EPS estimate of $1.48, at the high end of management's guidance range and implying growth of 8%. We look for growth to continue in 2023 and are maintaining an adjusted EPS estimate of $1.55.

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 trade above their historical five-year average for P/E, price/book though price/cash flow remains below the five year historical average. We are raising our target price to $34 from $32.

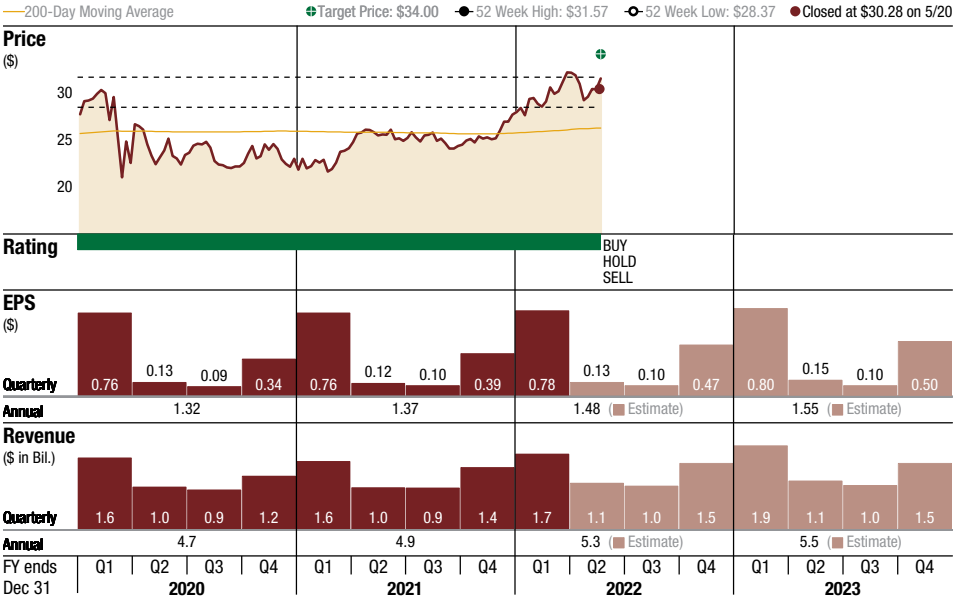
We note that NiSource could become a buyout target, as larger utilities and private equity firms pursue smaller utilities because of their stable earnings growth and above-average dividend yields. The company has also allocated significant capital to green energy generation.

RECENT DEVELOPMENTS

NI shares have outperformed over the past quarter, gaining 10% while the S&P 500 has lost 10%. They have outperformed the broad market and the Utility industry ETF,

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	$31.44
Target Price	$34.00
52 Week Price Range	$23.65 to $32.59
Shares Outstanding	392.41 Million
Dividend	$0.94

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	57.5%
Return on Equity	10.6%
Net Margin	13.7%
Payout Ratio	0.64
Current Ratio	0.70
Revenue	$5.23 Billion
After-Tax Income	$716.20 Million

Valuation

Current FY P/E	21.24
Prior FY P/E	22.95
Price/Sales	2.36
Price/Book	2.26
Book Value/Share	$13.94
Market Capitalization	$12.34 Billion

Forecasted Growth

1 Year EPS Growth Forecast	8.03%
5 Year EPS Growth Forecast	4.00%
1 Year Dividend Growth Forecast	6.82%

Risk

Beta	0.65
Institutional Ownership	96.04%

Please see important information about this report on page 5

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Analyst's Notes...Continued

IDU, over the past year though have underperformed over the past five years.

NiSource reported 1Q22 results on May 4. The company posted adjusted net income of $328.7 million or $0.75 per share, compared to $304.8 million or $0.77 per share a year earlier. Revenue rose 44% year-over-year to $1.87 billion.

In 2021, the company reported adjusted net income of $571.2 million or $1.37 per share, compared to $507.5 million or $1.32 per share in 2020.

Along with the results, management reaffirmed its 2022 guidance. The company expects adjusted EPS of $1.42-$1.48. It also projects 7%-9% growth in adjusted EPS through 2024 from a base of $1.37 in 2021. The company expects to reduce greenhouse gas emissions by 90% by 2030. According to the company, solar projects that were originally scheduled for completion in 2022 and 2023 will experience delays of approximately 6 to 18 months. NiSource now expects to retire Schahfer Generating Station's remaining two coal units by the end of 2025.

EARNINGS & GROWTH ANALYSIS

NiSource has two segments: Gas Distribution Operations and Electric Operations. In 1Q, Gas Distribution revenue rose 6% to $1.44 billion, while Electric Operations revenue increased 6% to $429.4 million.

In the Electric Operations segment, operating subsidiary Northern Indiana Public Service Co. (NIPSCO) received approval for its electric TDSIC plan from the Indiana Utility Regulatory Commission (IURC) on December 28, 2021. The plan includes $1.64 billion in current and planned investments from 2021 through 2026 to enhance the safety and reliability of electric infrastructure, as well as improve customer service. NIPSCO continues to execute on 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. On March 30, 2022, NIPSCO filed a petition with IURC seeking approval for the $40 million of retirement costs for the Michigan City Generating Station.

In Gas Distribution Operations, Columbia Gas of Ohio has requested a rate increase of $221.4 million, and NIPSCO is seeking a revenue increase of $110 million annually. Columbia Gas of Pennsylvania has filed a rate case for additional revenue of $82.2 million. NIPSCO Gas has requested $109.7 million of infrastructure trackers on a $2.4 billion forecasted rate base.

We are maintaining our 2022 adjusted EPS estimate of $1.48, at the high end of management's guidance range and implying growth of 8%. We look for growth to continue in 2023 and are maintaining our adjusted EPS estimate of $1.55.

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

Growth & Valuation Analysis

GROWTH ANALYSIS

($ in Millions, except per share data)	2017	2018	2019	2020	2021
Revenue	4,875	5,115	5,209	4,682	4,900
COGS	3,120	4,114	2,890	2,695	2,848
Gross Profit	1,754	1,000	2,319	1,987	2,051
SG&A	—	—	—	—	—
R&D	—	—	—	—	—
Operating Income	927	126	1,305	961	1,015
Interest Expense	349	347	371	365	337
Pretax Income	443	-231	507	-31	707
Income Taxes	315	-180	124	-17	118
Tax Rate (%)	71	—	24	—	17
Net Income	129	-51	383	-18	585
Diluted Shares Outstanding	331	357	376	384	417
EPS	0.39	-0.18	0.87	-0.19	1.27
Dividend	0.70	0.78	0.80	0.84	0.88
GROWTH RATES (%)					
Revenue	7.7	5.5	1.2	-11.5	5.8
Operating Income	7.1	-86.4	936.7	-26.3	5.5
Net Income	-61.2	—	—	—	—
EPS	-61.8	—	—	—	—
Dividend	9.4	11.4	2.6	5.0	4.8
Sustainable Growth Rate	1.1		3.4	-2.6	1.9
VALUATION ANALYSIS					
Price: High	$27.76	$28.11	$30.67	$30.46	$27.85
Price: Low	$21.65	$22.44	$24.69	$19.56	$21.09
Price/Sales: High-Low	1.9 - 1.5	2.0 - 1.6	2.2 - 1.8	2.5 - 1.6	2.4 - 1.8
P/E: High-Low	71.2 - 55.5	— - —	35.3 - 28.4	— - —	21.9 - 16.6
Price/Cash Flow: High-Low	11.3 - 8.8	8.6 - 6.9	13.6 - 10.9	9.6 - 6.2	9.6 - 7.3

Financial & Risk Analysis

FINANCIAL STRENGTH	2019	2020	2021
Cash ($ in Millions)	139	117	84
Working Capital ($ in Millions)	-1,892	-620	-825
Current Ratio	0.49	0.73	0.70
LT Debt/Equity Ratio (%)	153.8	189.2	170.0
Total Debt/Equity Ratio (%)	188.8	200.0	181.5
RATIOS (%)			
Gross Profit Margin	44.5	42.4	41.9
Operating Margin	25.1	20.5	20.7
Net Margin	6.3	-1.6	10.8
Return On Assets	1.5	-0.3	2.3
Return On Equity	6.6	-1.5	10.3
RISK ANALYSIS			
Cash Cycle (days)	22.7	35.2	35.4
Cash Flow/Cap Ex	0.9	0.6	0.7
Oper. Income/Int. Exp. (ratio)	2.4	0.9	3.1
Payout Ratio	303.9	64.6	229.7

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Analyst's Notes...Continued

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.

Our financial strength rating on NiSource is Medium. The company receives average scores on our main financial strength criteria of debt levels, fixed-cost coverage, profitability, earnings quality, and cash generation. The company has investment-grade ratings from Fitch (BBB), Moody's (Baa2), and Standard & Poor's (BBB+).

The company had cash of $130.4 million on hand at the end of 1Q22. Debt totaled $9.18 billion and accounted for 56% of total capitalization.

The company expects to make capital investments 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 pays an annualized dividend of $0.94 per share, for a relatively high yield of about 3.1%. The payout ratio is approximately 61%. We think the dividend is safe and likely to grow modestly over time. Our dividend payout estimates are $0.94 for 2022 and $1.00 for 2023.

MANAGEMENT & RISKS

Lloyd Yates succeeded Joseph Hamrock as the company's president and CEO on February 14, 2022. Donald E. Brown is the CFO. The chairman is Kevin T. Kabat, the former CEO of Fifth Third Bancorp. The COO is Pablo Vegas.

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 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.

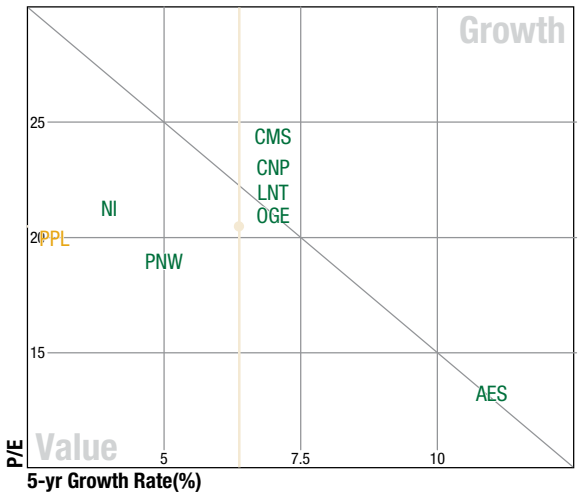
COMPANY DESCRIPTION

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 in six states. NiSource's principal subsidiaries include NiSource Gas Distribution Group Inc., a natural gas distribution holding company, and NIPSCO, a regulated gas and

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
PPL	PPL Corp	23,042	3.0	20.0	10.4	6.7	HOLD
CMS	CMS Energy Corporation	20,432	7.0	24.4	17.6	6.9	BUY
CNP	Centerpoint Energy Inc.	18,483	7.0	23.1	19.3	9.4	BUY
LNT	Alliant Energy Corp.	15,328	7.0	22.0	18.0	1.8	BUY
AES	AES Corp.	14,280	11.0	13.2	-1.3	8.0	BUY
NI	Nisource Inc. (Holding Co.)	12,337	4.0	21.2	13.7	4.7	BUY
PNW	Pinnacle West Capital Corp.	8,772	5.0	19.0	15.4	-6.1	BUY
OGE	OGE Energy Corp.	8,191	7.0	21.0	36.9	15.4	BUY
Peer Average		**15,108**	**6.4**	**20.5**	**16.3**	**5.9**	



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Analyst's Notes...Continued

electric company. NiSource derives substantially all of its revenues and earnings from the operating results of these rate-regulated utilities. The company has approximately 7,500 employees. NI shares are a component of the S&P 500.

VALUATION

We think that NI shares are attractively valued at current prices near $31, above the midpoint of their 52-week range of $24-$33. On the fundamentals, the shares trade at 21-times our 2022 EPS estimate, below the average multiple of 26 for comparable electric and gas utilities. They are also trading at a price/book multiple of 2.3, above the peer average of 2.1. The price/cash flow ratio is 9.3, below the peer average of 17. The dividend yield of about 3% is in line with the industry average. We are reiterating our BUY rating on NI with a revised 12-month target price of $34.

On May 25, BUY-rated NI closed at $31.44, up $0.20.

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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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Equity Research
6 May 2022

North America Power & Utilities

North America Power & Utilities: Q1 Earnings Takeaways: Part 4

Industry themes and company highlights from Q1 earnings for ATO, D, ES, NI, PNW, OGE, SRE

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Solar anti-circumvention and potential tariffs – most point to schedules being pushed out and uncertain costs, with a general view that the administration can't afford to be punitive if they wish to meet their renewable goals. The Commerce Department released a memo this week (May 2) outlining several important clarifications regarding its investigation. The memo clarified 1) solar wafers manufactured in target countries (Cambodia, Malaysia, Thailand or Vietnam) using polysilicon sourced from China are outside the scope of the investigation and 2) indicated a unique certification process allowing importers and exporters to provide a list of source country *and* specific Chinese manufacturers that supplied the components for the PV cells purchased by US buyers. 'Certified' PV cell imports from target countries would then be exempt from any tariffs if no 'key' inputs (undefined) are from China, or they would be subject to tariffs at 'company-specific' rates based on the Chinese manufacturer. Non-certified PV cells deemed to be circumventing would require importers to pay the country-wide Chinese tariff (much higher than company-specific rate). This is the critical clarification, in our view, as it provides US utilities with cost certainty parameters if it works with suppliers to quantify company-specific rates. The definition of 'key components' remains a material uncertainty ahead of the preliminary determination. Parties to the Commerce investigation have until May 9 to submit comments on a proposed certification process. Several solar takeaways by company:

D: Management expressed confidence that it could manage around potential tariff headwinds for its regulated and contracted solar deployment plan. D is still unsure whether its solar cell supplies from target countries is subject to tariffs, but were 'encouraged' by Monday's Dept of Commerce memo. 40% of D's panel supply is potentially impacted by tariffs (1.1gw total in plan across regulated and contracted), translating to $800mn of capex plans that could be exposed to tariffs. Management added that the panels themselves typically account for only 30% of total install capex, meaning a 50% tariff on panels would increase the total cost of the project by 15% (15% of $800mn is $128mn - representing 1% of total capex in the plan).

NI: The company expects delays in most of the solar and storage projects scheduled for completion in 2022 and 2023. Delays are expected to range from 6 to 18 months from the original dates for projects that have not yet started construction and these delays will be project by project, not portfolio wide. These delays result in a delay to the retirement of the Schahfer coal units until the end of 2025.

OGE: OGE acknowledged supply chain impacts from the ongoing investigation and is reviewing feedback testimony in its solar IRP RFP with the understanding that solar will not be available

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before 2025. To replace the needed capacity build, OGE released its flexible resource RFP last week that includes quick start resources like a hydrogen capable combustion turbine and battery storage options. OGE's current plan has no capex from the IRP, but it has generally been viewed as a likely source of upside to the current plan.

PNW: The company is in good shape for 2022 and 2023, and sees some supply chain challenges beyond that; they are reaching out to different suppliers to ensure they have the right timelines for their plans.

Inflation is another big topic. The general takeaway is that inflation is impacting the cost of capital projects and construction, but having a more muted impact on O&M aside from natural gas prices. While this is encouraging as capital plans will be met, even if it means less steel in the ground, and rampant O&M inflation is not being realized as of now by most, the natural gas prices are pressuring customer bills and remain a key area of focus for companies and regulators. Several takeaways by company:

NI: Company is broadly seeing 6-10% inflation (categories of spend with contracts are more flat). The higher inflation appears to be in materials and the capital side of the business. The company continues to expect the ability to flex O&M agility to both offset customer bill pressures as well as to offset any delays in capital deployment resulting from the solar issues.

OGE: OGE acknowledged inflationary pressures impacting materials and supplies and stated on the call that it would remain flexible and agile with investments to minimize customer bill impacts. OGE achieved a settlement in Arkansas to extend its formula rate plan and part one of the OK rate review is ongoing, but the ultimate mitigator of inflation is the strong customer and load growth attributes.

PNW: 2022 O&M is meaningfully lower than 2021 and the company is committed to managing within the range. Additionally, the significant sales growth (>4% to date with long term expectations of 3.5%-4.5%) helps to mitigate inflationary pressures. On the fuel side, Four Corners is a mine mouth plant helping with coal costs.

ES: The company is seeing pressures and supply chain challenges. The increase in commodities, cable and equipment is there and will mostly impact capital plans. On the O&M side although there are pressures, the rate structure has inflators/PBR adjustors to help offset cost increases.

ATO: Pipe costs are going up. In the near term the company has moved from maintaining a 3-month inventory to maintaining a 6-month inventory, meaning they have 95-100% of pipe on hand for the remainder of the year. The company is working on getting steel pipe to the mills for projects in 2023 and 2024. Current levels of inflation are consistent with the capital budget numbers provided. On O&M the company maintains a focus on controlling costs where they can.

Notable themes and company items:

D: The 1Q22 print was directly in line with guidance, and all material guidance and offshore wind LCOE and capex forecasts were reiterated ($7bn fixed cost contracts locked in, remaining $800mn commodity cost index exposure was updated for 2021 inflation and projections when filed and interest rates are 80% fixed with average 13-year tenors with $10bn pre-issuance notional interest rate hedges). Management highlighted its inflation-resilient profile as it looked back on 8% O&M cuts 1Q22 versus its investor day in 2019. D anticipates maintaining flat O&M moving forward and highlighted that the earnings profile is further protected from

unforeseeable inflation impacts given 75% of capital is rider eligible. D discussed recent VA legislation directing a working group to explore potential deployment of advanced small modular nuclear reactor technologies and applications and separate new laws directing state officials to designate industrial sites with high energy demand for a site readiness program that is designed to encourage utility infrastructure investment (strong data center growth is driving C&I volumes materially higher across D's footprint).

NI: The major takeaways were that even with delays to solar and storage projects, the company will maintain the 7-9% EPS CAGR 2021-2024. This will be accomplished by flexing up capital in gas and non-generation electric (in particular where riders apply) to fill any capital gaps along with O&M agility to provide up to 3-4 cents in EPS if needed. Any strategic reviews will be announced/identified at the analyst day next fall, as the CEO noted they are still early in the process.

PNW: Major focus is really on customer and sales growth, which remain above expectations and strong, giving confidence to the long-term 1.5%-2.5% customer growth and 3.5%-4.5% sales growth. The other focus is clearly on regulatory issues – the appeal of the 2021 rate case, the expected filing of a rate case this summer and any adjustments to the LFCR mechanism. While interactions with the ACC have been described as encouraging, the regulatory overhang will continue to exist until rate case decisions are finalized, in our opinion.

SRE: With a relatively quiet earnings release and reiteration of all material guidance, questions on the earnings call were overwhelmingly focused on the LNG export pipeline. Cameron phase 2 selected two feed contractors for a competitive process for turnkey EPC contracts, with an outcome expected in summer 2023. Cameron phase 2 is also awaiting FERC environmental assessment, which the agency expects to complete in December (Cameron's additional 1Mtpa train has electric drive design with 44% less GHG). SRE hinted that additional commercial contracting information for SRE's 1Mtpa offtake commitment could be expected next quarter and set expectations for FID after the EPC process results are final next summer. Port Arthur (largest project at 13.5Mtpa) has seen a renewed level of contract negotiations (discussions with over 20 offtakers) given European and Asian gas markets. ECA phase 1 (3Mtpa) is on track for COD by end of 2024. Outside of LNG, SRE disclosed that it completed an incremental $250mn of share repurchases YTD (comes after $500mn in 2021 and early 2022) and reiterated its plan to buy back $1bn by year end 2023. Management's philosophy on valuation is that SRE should trade at a premium to the broader utility group (our read through is that valuation is not a concern for buybacks despite the run in SRE shares relative to the group). Oncor increased board-approved 2022 capex to $3bn ($200mn increase to prior plan), received TCOS approval in March with plans to file its one-year delayed rate case in May, and received 80 transmission interconnect request in 1Q, representing a 78% QoQ increase.

OGE: Load growth continues to prove a rising tide lifts all boats - with 3.5%-5% annual growth forecasts reiterated as population trends and corporate development aid volumes (Georgia Pacific will add 20-50 basis points via expansion at its manufacturing plant alone). ET unit liquidation began in April with $246mn pre-tax proceeds, with plans on track to exit a majority of ownership by year end. OGE is using proceeds to reduce $300mn-$400mn of HoldCo debt, with full proceeds expected to fund upsized capex potential. Management was unbothered by response testimony received last week in part one of its OK rate review, commenting that intervenor and staff stances did not reflect commission views and is relatively consistent with past cases at this stage. Winter storm Uri securitization was approved by the OK Supreme Court on Monday.

ES: The call was singularly focused on the strategic review of the offshore wind joint venture. The review could result in the sale of a portion or all of ES's portion of the partnership and could be for current projects, unused leases or both. The review is expected to conclude by year-end

and ES does not see any impact to long-term earnings as any lost earnings from offshore would be replaced by lower financing costs (debt and equity) combined with higher regulated investment. Additional regulated investment opportunities highlighted were AMI and transmission.

ATO: The company narrowed guidance to the top end of the range (now $5.50-$5.60) and commentary was more on customer growth, supply chain and shifting views on natural gas for energy security. Overall, the message remained consistent and the thematic backdrop has improved.

High Grade Utilities 1Q 22 Earnings

Balancing Sizable Investment Opportunities

CORE

Key Points: 1) ES weighs exiting offshore wind; we upgrade to Market Weight, 2) Issuance needs largely maintained ($1.0-1.5bn at D holdco, VEPCO notable), 3) No change to credit rating targets; CNP, CMS and NI all reiterated commitments.

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Trade Ideas/ Rating Changes

- Upgrade Eversource to **Market Weight** from **Underweight** on potential to exit offshore wind investment, focus on regulated business.
- Swap into **ES 3.375% 2032s** and out of **D 2.250% 2031s;** Swap into **ES 3.450% 2050s** and out of **D 4.600% 2049s**.
- Swap out of VEPCO **D 2.950% 2051s** and into Georgia Power **SO 3.250% 2051s.**
- Swap out of Sempra **SRE 4.000% 2048s** and into Southern California Edison **EIX 3.450% 2052s**, **2.950% 2051s** or **3.650% 2050s**.

Earnings Key Themes Highlights

As with last week (Utilities: 1Q 22 Earnings - Consistent Execution, 29 April 2022), utilities that reported 1Q 22 results this week have largely maintained on track with annual guidance and capex guidance, with debt issuance remaining consistent with prior guidance. We viewed EIX as having one of the more notable earnings releases this week (EIX: Multi-pronged approach to mitigating fire risk, 04 May 2022). Disruption to the pace of solar build out continued as a theme, with NiSource noting scope for 6-18 month delays.

- **Issuance Guidance:** Where companies have guided, they have remained largely consistent, including $1.0-1.5bn at Dominion VEPCO , $1.0-1.5bn at Vepco, $800mn at Consumers Energy, $500-700mn at NiSource (albeit a possible delay to $800mn renewables-related debt issuance).
- **ESG highlights:** NiSource noted that the solar tariff uncertainty will delay its solar projects by 6-18 months. PEG will continue to own their nuclear plants until there is greater clarity on Federal production tax credits. Eversource may exit their offshore wind investment; Dominion remains committed to their project, with no cost change ($10bn). CMS noted accelerated coal exit (by 2025), net-zero at Electric operations by 2040s (one of the utility leaders) and net-zero at natural gas operations by 2050.

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- **Credit Ratings:** CNP and CMS want to retain credit metric cushions, NI indicated a commitment to current ratings ahead of their Fall investor day, ES's potential move to exit offshore wind could improve ratings trajectory. SRE's LNG expansion goals constraint credit ratings, with S&P at risk; FID on Cameron Phase 2 now expected after summer 2023. We continue to expect Dominion to maintain mid-BBB holdco rating at S&P (despite the positive outlook).

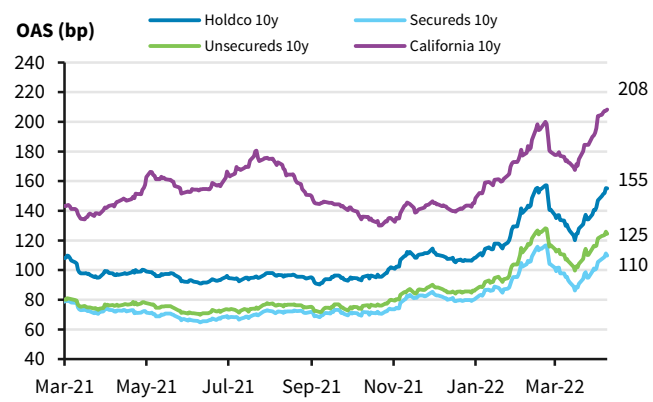
Relative Value

- Swap into **ES 3.375% 2032s** and out of **D 2.250% 2031s;** Swap into **ES 3.450% 2050s** and out of **D 4.600% 2049s**: Can pick up 15bp (albeit put in 5pts) in the 10y or take out 15pts while maintaining spread in 30y. We see scope for ES 2032s tightening in should it exit its offshore wind investment, shore up its Baa1 ratings and operate as largely T&D utility. We think it is more likely that Dominion will retain its Baa2/BBB ratings, with a FFO/Debt target of 15% not providing sufficient cushion for an upgrade at S&P. While under a regulated structure, we also note that Dominion continues to work on its $10bn offshore wind build out, bringing some construction risk in the medium term. We note Dominion has guided to $1.0-1.5bn of issuance needs.

- Swap out of VEPCO **D 2.950% 2051s** and into Georgia Power **SO 3.250% 2051s:** We favor a swap out of VEPCO into Georgia Power to maintain the cash price and pick up 40bp. While regulatory risk is elevated for Georgia Power, given the ongoing Vogtle construction, as well as an active regulatory calendar this year, we think this will decline with the successful start of the Vogtle project (expected in 4Q 22-1Q 23). At the same time, the start of the offshore wind project, and the potential for greater regulatory scrutiny given the $10bn cost, will raise regulatory risk for VEPCO from 2023. We note that Georgia Power has completed their issuance needs for 2022, while VEPCO has $1.0-1.5bn remaining. For more on Georgia Power, please see: Vogtle on track in schedule and cost, 28 April 2022.

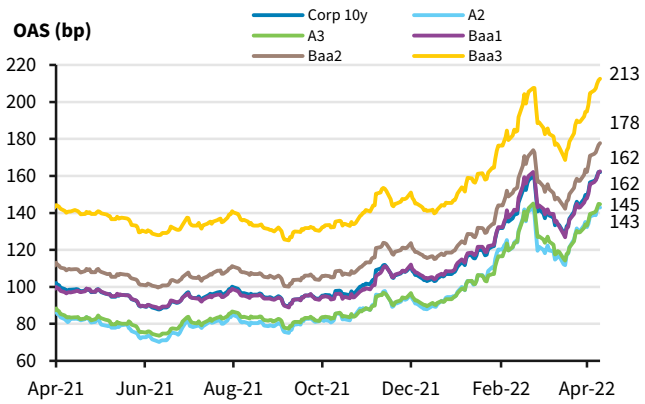
- Swap out of Sempra **SRE 4.000% 2048s** and into Southern California Edison **EIX 3.450% 2052s**, **2.950% 2051s** or **3.650% 2050s**: Pick up 10-20bp and take out 10-18pts in cash price to rotate into a secured opco from an holdco. As evidenced by Fitch recently putting EIX on positive outlook, we see positive momentum on SoCalEd's credit profile as it continues to reduce fire risk (no material fire caused by its equipment in 2021). While it would not be resolved in the near-term, we also view the late 2023 filing for recovery of 2017-18 wildfires costs as a key catalyst for the name. On the flip side, we think Sempra's credit profile is constrained by significant growth opportunities in LNG, at Sempra Infrastructure Partners. S&P has maintained Sempra at BBB negative outlook, with FID on Cameron Phase 2 being listed as a potential downgrade trigger. SoCalEd opco secured bonds are ~45bp wide to SRE opco San Diego Gas & Electric, a differential we expect to compress over time as SoCalEd's covered conductor program continues (see: Multi-pronged approach to mitigating fire risk, May 04 2022).

FIGURE 1. **Utility OAS by Type - 10y**



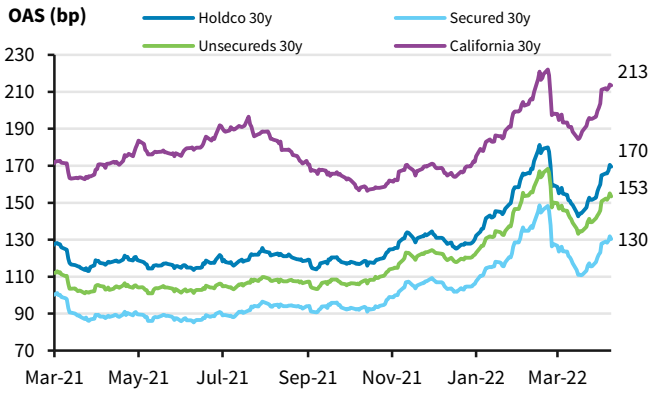
Source: Bloomberg Indices

FIGURE 2. **Corporate OAS by Rating - 10y**



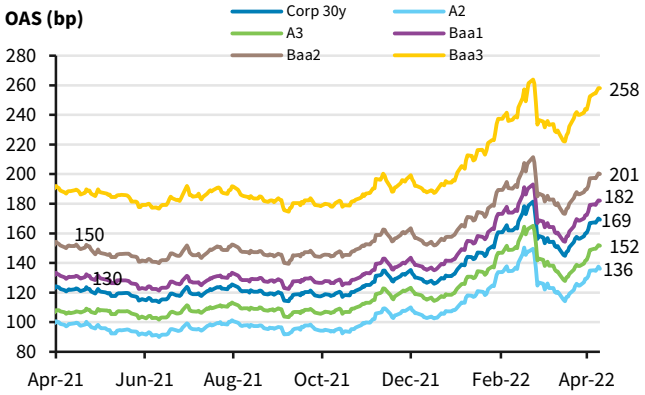
Source: Bloomberg Indices

FIGURE 3. **Utility OAS by Type - 30y**



Source: Bloomberg Indices

FIGURE 4. **Corporate OAS by Rating - 30y**



Source: Bloomberg Indices

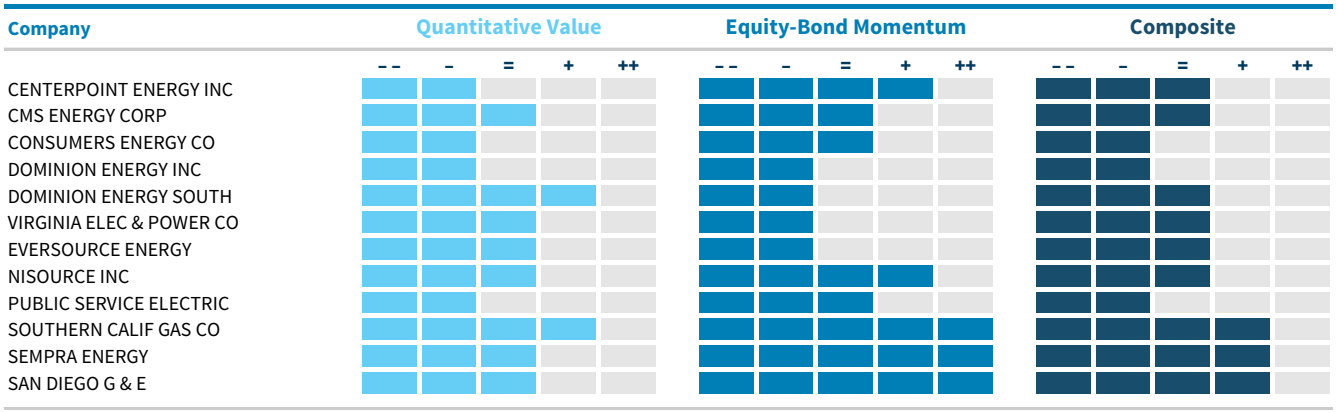
FIGURE 5. **Select Tickers versus the Index**

Issuer	Ticker	Amt Out ($mn)	Moody's	S&P	OAS	OASD	Excess Return 1Month	Excess Return 3Months	Excess Return YTD
Utility Index		520,813	A2/A3	A-/BBB+	141	9.6	(106)	(187)	(275)
Holdco & Other Custom Index		182,064	Baa1/Baa2	BBB+	141	7.9	(100)	(187)	(252)
CMS Energy Corp	CMS	1,850	Baa2/Baa3	BBB/BBB-	185	7.8	(11)	(183)	(173)
CenterPoint Energy Inc	CNP	2,200	Baa2	BBB	119	6.3	(97)	(151)	(200)
Dominion Energy Inc	D	10,795	Baa2/Baa3	BBB/BBB-	151	7.5	(94)	(166)	(221)
Eversource Energy	ES	6,050	Baa1	BBB+	115	5.7	(111)	(170)	(215)
NiSource Inc	NI	8,597	Baa2	BBB+	169	9.0	(156)	(420)	(484)
Sempra Energy	SRE	6,550	Baa2/Baa3	BBB/BBB-	167	8.9	(114)	(139)	(245)
Opco Secured Custom Index		253,781	A1	A	139	10.6	(113)	(176)	(279)
Consumers Energy Co	CMS	5,500	A1	A	116	13.8	(65)	(177)	(293)
Dominion Energy South Carolina	D	2,785	A3	A	162	11.3	(66)	(339)	(420)
Oncor Electric Delivery Co	ONCRTX	9,022	A2	A+	115	10.6	(31)	(133)	(208)
Public Service Electric & Gas	PEG	10,125	A1	A	100	9.9	(55)	(108)	(202)
San Diego Gas & Electric	SRE	5,900	A1	A	124	11.4	(134)	(196)	(283)

Issuer	Ticker	Amt Out ($mn)	Moody's	S&P	OAS	OASD	Excess Return 1Month	Excess Return 3Months	Excess Return YTD
Southern California Gas	SRE	4,650	Aa3/A1	A+/A	110	8.5	(110)	(209)	(297)
Opco Secured Custom Index		253,781	A1	A	139	10.6	(113)	(176)	(279)
Virginia Electric & Power	D	13,235	A2	BBB+	129	10.3	(97)	(163)	(260)

Source: Bloomberg Indices

FIGURE 6. **Barclays Credit Style Factors**



Source: Blocks represent exposures to the quantitative value, equity-bond momentum, and composite value-momentum styles (one block indicates a strongly negative exposure; five – a strongly positive exposure). For more details on Barclays Quantitative Portfolio Strategy Credit Style Factors, click here. Data as of 30 April 2022.

Centerpoint Energy (CNP)

We maintain our Market Weight rating on CenterPoint. 10y (2031s at ~155bp) and 30y (2049s at ~178bp) spreads are consistent with the tighter end of the range for mid-BBB holding companies, with DUK holdco 10-20bp wider. We think this is fair, with CNP FFO/Debt consistent with the utility holdco average, and limited holdco issuance needs. We expect the company to continue to utilize LDC asset sales to support any incremental increases in capital investment, while maintaining a 100-200bp cushion versus rating agency downgrade thresholds. We also believe that CenterPoint will continue to benefit from attractive customer and demand growth in the Houston area.

- **1Q 22 results:** We calculate 1Q 22 EBITDA of $795mn, +4.6% y/y , reflecting higher revenues (+8.5%), more than offsetting higher natural gas costs, fuel and purchased power costs (+17% y/y). O&M expenses were up more modestly (2.8% y/y). Cash from operations was meaningfully higher in 1Q 22 vs. 1Q 21, given the elevated natural gas costs due to storm Uri that was deferred (net regulated assets and liabilities of -$2,297mn in 1Q 21). Net Debt of $13.4bn was ~$2.4bn lower than at end 4Q 21. This was supported by $702mn of proceeds from sale of the remaining Energy Transfer Common Units. In 1Q 22, Centerpoint repaid $1.03bn of total debt ($425mn at CERC and $605mn at the holdco). There was a material decrease in Centerpoint's Commercial Paper outstanding (down from $2.7bn to $0.7bn).

- **Capital Expenditure:** The company increased their 2022 capex plan to $4.3bn (+$0.3bn), with the 5 year plan increased slightly ($19.3bn, +$0.1bn). Collaboration with the City of Houston on resiliency could mean further investments.

- **2021 Gas Cost recovery:** CNP noted that $1.1bn of Texas incremental gas costs to be securitized, expected by 3Q 2022. In Minnesota, CNP expects $345mn of incremental gas costs to be recovered; a recovery process over 63 month started in September 2021, but a commission order on prudence is expected in August 2022 (ALJ order expected May 24th).

- **Customer Affordability:** Management noted scope for 1-2% average O&M savings across the 10 year plans to help offset impacts on the customer bills from inflation. Smart meters were indicated as one solution. Higher load growth (including industrial demand in Texas) is also expected to be an offset.

- **LDC as 'pre-paid credit cards':** Management continues to be opportunistic around LDC sales, and will utilize proceeds to deploy into electric utility capex. That said, the company did not indicate a need to accelerate that process at this juncture. Electric Utilities make up ~62% of the asset mix, but the company did not indicate a formal view on mix.

- **Retain Credit Cushion:** Management continue to target 14-15% FFO/Debt, with a view towards the Moody's credit metrics. Moody's requires 13% for the current Baa2 rating (above 16% for an upgrade to Baa1). Centerpoint wants to maintain a cushion versus the 13% downgrade threshold, but did not indicate any intention for an upgrade. At S&P, the downgrade threshold is 12% (upgrade threshold of 15%); given the credit metric policy we do not see positive rating momentum in the near-term.

CMS Energy (CMS)

CMS Energy/Consumers Energy (CMS): We maintain a Market Weight rating on CMS Energy and Underweight on Consumers Energy. CMS Energy Corp trades, on average, wide to the utility index, largely reflective of the CMS junior subordinated notes. We see limited scope for upside as CMS continues with an elevated investment plan. Consumers Energy trades, on average, well inside the utility index. CMS FMBs 30y trade 130-140bp, largely in line with Michigan peer DTE Electric, and lines up with relatively strong FFO/Debt metrics (~23% versus 19% peer FMB average). The company has guided to $800mn of issuance this year.

- **1Q 22 Results:** We calculate 1Q 22 EBITDA of $801mn, +4.3% y/y, with improved revenue (+17.9% y/y) more than offsetting higher fuel (+21% y/y), purchased power (+21% y/y) and cost of natural gas sold (+68% y/y). Cash from operations was $707mn, $125mn lower y/y, given unfavorable working capital. We calculate FFO/Debt at ~15.5%, about flat to 4Q 21. 1Q 22 weather normalized electric deliveries was +2.7%, with higher commercial (+7.8%) and industrial (+2.1%) more than offsetting lower residential demand (-1.3%).

- **Integrated Resource Plan (IRP):** Management highlighted the recently settled 2021 IRP (Michigan Order expected in late June), which brought forward the exit from coal to 2025 from 2040 (Karn in 2023 and Campbell in 2025). The retired coal assets would received regulatory asset treatment (9%). The Clean Energy investment will include 8GW of new solar (up from 6GW previously), along with Battery investment.

- **Net-Zero Carbon Targets:** CMS targets net-zero carbon emissions in the electric business (including PAA and MISO market purchases) by 2040 and a 2050 Net Zero GHG emissions for the natural gas system (including customer and supplier emissions). The natural gas goals will including hydrogen fuel mix opportunities and carbon offsets.

- **Regulatory Developments:** CMS filed its Electric rate case on April 28th, for a 10.25% ROE (prior order was 9.9%) for a $272mn increase. The expected final order is 1Q 2023. For the natural gas utility, CMS had filed for a $233mn increase in December (10.25% ROE), with an expected October final order.

- **Inflation:** Elements to CMS's efforts to reduce impact of inflation includes 5-year union contracts in 2020 (more than 40% of works unionized). Non-union retention rate is over 95%. On the natural gas side, CMS continues to utilize generation hedges and leveraging gas storage assets. Long-term cost savings ($200mn) are largely supported by coal shutdowns.

- **Planned Financing:** This remains $800mn of FMBs at the Consumers opco. There are no

further financing expected at the holdcos.

- **Credit Ratings:** CMS Energy continues to maintain a mid-teens FFO/Debt target; management do not want to stress those metrics, and want to maintain some cushion. At Moody's the downgrade threshold is 14% (upgrade at 17%) for Baa2. S&P requires at least 13% FFO/Debt (upgrade at above 16%).

Dominion Energy (D)

We maintain our **Market Weight** rating on Dominion. Dominion holdco 10y (~145bp-155bp) and 30y (~175bp) trades ~15bp tight to mid-BBB holdco, and flat/slightly tight to high-BBB rated Eversource. While Dominion is on positive outlook at S&P, we think it may be challenging for the company to get the upgrade to high-BBB, with Dominion's 15% FFO/Debt target borderline for the upgrade. Tight spreads versus mid-BBB holdcos, nevertheless, also reflect Dominion's cleaner-than-average generation mix, with a lower reliance on coal generation. We maintain our **Underweight rating** on Virginia Electric & Power Co, with tight valuations for an unsecured opco, and **Overweight rating** on Dominion Energy South Carolina, given relatively wide valuations and a stable credit profile.

- **1Q 22 Results:** We calculate 1Q 22 EBITDA at $1,664mn, +5.2% y/y, with higher revenue (+10.6% y/y) more than offsetting higher costs: electric fuel (+23% y/y), purchased gas (+33% y/y) and O&M (+4.0% y/y). Cash from operations of $1,125mn (-$327mn) was moderately weaker y/y. We estimate FFO/Debt at ~12%, about 50bp weaker than in 4Q 21.

- **Inflation:** 75% of growth capital, along with much of rate base, is rider eligible, which allows for annual true ups, including for costs and interest rates without waiting for base rate proceedings. Dominion noted that their offshore wind project is largely derisked from inflationary impacts, with fixed cost agreements collectively representing ~$7bn of the total capital budget. Of the $7bn, around $800mn is subject to steel and metals commodity indexing.

- **Offshore Wind:** A final order for the state rider approval is expected in early August. For federal permitting, the next milestone is the draft environmental impact statement, which is expected in 2H 22. Dominion also stated they were confident that they have met the requirements for the presumption of prudency for investment in the project. Dominion confirmed that they would not be interested in offshore wind outside of the regulatory construct.

- **Solar Challenges:** The company believes that their solar projects are on track for 2022. Dominion also noted that while solar tariffs may be a material percentage of individual panel costs, it may not be as major a cost driver for the overall utility scalar solar installation (they noted a 50% tariff may increase total cost of project by 15%). For 2023, that would mean ~$120mn (or 1% of total capex) impact if there were a 50% tariff implemented. For regulated solar, the costs would be part of the rider approved solar projects (subject to annual true up approval).

- **Debt Issuance:** The company continues to target $1.0-1.5bn of issuance at Dominion Holdco, $1.0-1.5bn more at VEPCO (following $1.0bn already issued) and $200-400mn at Gas Distribution.

Eversource (ES)

Eversource (ES): We upgrade to Market Weight from Underweight on the basis that management are contemplating a potential exit from their offshore wind interest, and focus on regulated utility growth. While early in the process (a decision on how to proceed will be given

by year-end), we see scope for Eversource to maintain their Baa1 Moody's rating (currently on negative outlook) and potential upside at S&P (given the agency downgraded ES by two notches in 2019 on the back of the offshore investment). Should ES exit its offshore wind investment, and depending on its FFO/Debt target, we think ES would position itself as one of the strongest holding companies (similar to NEE). For reference, NEE trades ~15bp tight to ES; the lower-dollar XEL notes trade ~10bp tight to ES.

- **1Q 22 Results:** We calculate EBITDA of $1,189mn, +23% y/y, reflecting higher revenues (+23% y/y), more than offsetting higher purchased power, fuel and transmission cost (+39% y/y). At the time of writing, ES's 10Q was not published.

- **Potential Exit from Offshore Wind:** Eversource announced a strategic review of its Offshore Wind Joint Venture for all of Eversource's offshore interests, with the review to conclude by year-end. As possible outcomes, Eversource may sell all or part of its 50% interest. The proceeds of any sale would be used to support regulated clean energy capex and/or reduce financing needs. As of May 2022, Eversource has spent $1.3bn in the project, with expected spending of $0.9-1.0bn this year. The project would require $3-3.6bn of further spend over 2023-2026. Eversource's $1.2bn equity issuance plan is not impacted by the potential sale. Eversource sees sizable capex needs on the regulated side of the business. Orsted's ability to buy out Eversource's stake is confidential at this juncture.

- **Decarbonization:** Management briefly highlighted the Massachusetts Future of Gas proceeding, to help achieve the state's net-zero GHG goals, with a refreshed plan every three years. The Gas LDCs are requesting a Net-Zero Enablement Tariff to recover costs. Initiatives include electrification and securing lower carbon/ no carbon gases, as well as reducing over energy demand.

- **Credit Ratings:** Moody's had placed Eversource on negative outlook in June 2021, noting flagging credit metric performance versus the 15% downgrade threshold. The negative outlook also reflected the offshore wind build out. With the potential exit of offshore wind contemplated, we see scope for Moody's to extend the negative outlook period to capture management's ultimate decision around the ratings. We note that S&P had downgraded Eversource two notches on the offshore wind investment, thus leaving scope for rating upside should ES exit its stake.

NiSource (NI)

NiSource (NI): We remain Market Weight on NiSource. We view NiSource as having pursued one of the most credit-friendly strategies in the space, with no long-term debt issuance last year, and an improving FFO/Debt trajectory. That said, we think the strategic review from the new CEO, which appears broad-based with a view to consider all aspects of the portfolio, introduces some uncertainty. The company expects to have parameters for the strategic review in place for the investor day (now expected in the Fall). During their 1Q 22 earnings, management affirmed current rating goals, though their FFO/Debt target (14-15%) may have some moderate room to be lowered, given a 13% minimum requirement by the agencies. At this juncture, we see limited credit impact from the potential delay of solar projects by 6-18 months.

- **1Q 22 Results:** We calculate 1Q 22 EBITDA at $688mn, +9.9% y/y, with higher revenue (+21% y/y) offsetting the higher cost of sales (i.e. fuel costs: +48% y/y), and well as O&M (+9.0% y/y). Cash from operations improved y/y ($580mn, +$132mn y/y), benefiting from working capital and higher EBITDA. We estimate FFO/Debt of 16% (4Q 21: 15.2%).

- **Credit Ratings:** The company cited their commitment to 'current investment grade credit ratings', and maintains a 14-15% FFO/Debt longer-term target. Both Moody's and S&P's downgrade threshold is 13%.

- **Financing Plan:** Annual incremental long-term debt issuance remains **$500-700mn annually**; debt related to the renewable investment remains $800mn, though the company mentioned that the timing may shift as per potential delays to the renewable build out.

- **Solar Panel Investigation:** The US commerce department investigation means that there is uncertainty on timing on NiSource's solar build out plan, and management expect a 6-18 month delay. While the overall cost profile for the renewable build out was not increased; to the extent the tariffs are changed, NiSource would have to work with the regulator and the suppliers to see where the higher cost would sit. NiSource expects to retire 100% of coal-fired generation between 2026-2028 (which remains consistent with the overall goal last communicated. However, the Schahfer units 17 & 18 are expected to be retired by end of 2025, a two year delay. The company does not expect any approvals needed). The company does not expect a negative EPS impact in 2024 from the delays, supported by being able to pull forward tracker investments.

- **Investor Day:** The event has been shifted to the fall, to allow more time for visibility for solar panels, allow more time for the business review around evaluating potential for asset sales.

- **Regulatory Actions:** NiSource noted that the base rate case was filed in Virginia (April 29, 2022), requesting a 10.75% ROE and 39.3% equity capital structure.

Public Service Electric & Gas (PEG)

Public Service Electric & Gas (PEG): We maintain a Market Weight rating on PEG, which benefits from a relatively low risk T&D profile, and FFO/Debt metrics at the lower end of requirements for its A1 secured ratings at Moody's. We see management having clear ESG goals, including scope 1 and 2 net-zero by 2030, along with broader engagement on reducing scope 3 emissions over time.

- **1Q 22:** EBITDA was up 6.6% y/y, with higher revenues (+10.2%) more than offsetting higher energy costs (+14%) and higher O&M expense (9.2%). 1Q 22 cash from operations was also higher y/y (+$218mn), also reflecting an improved working capital in the quarter. We estimate FFO/Debt at 16%, about flat to 4Q 21. Moody's requires 17% FFO/Debt for the rating, but does make adjustments, including for cost of removal and energy efficiency that improves FFO/Debt.

- **Scope 3 emissions:** PEG noted that that Scope 1 and Scope 2 emissions were ~15% of total carbon emissions. PEG is seeking to find ways to address Scope 3 emissions, including the downstream customer use of energy, as well as emissions profiles of upstream suppliers. The company's current Net-Zero GHG vision is by 2030, based on scope 1 & 2 emissions.

- **Nuclear:** Relevant for the PSEG Power, the company noted that the PEG nuclear plants would not be eligible under the initial criteria. The company remains supportive of potential legislation for a tax incentive to preserve the economic viability of nuclear generation, to provide a floor price. Despite the NRC adjustment for the Peach Bottom licenses (reversing the initial 20 year extension awaiting environmental review), the company expects a sustained extension going forwards.

- **Ownership of Nuclear:** Despite the higher energy prices, PSEG wants to see action in Washington for an emission credit, or tax credit, to see if they would continue to be the natural owner of the nuclear assets. They would make a decision after potential legislative outcomes.

- **Collateral Posting:** End of quarter, PSEG Power had net collateral posting of $2.6bn due to out of the money hedges through to end 2023 (this accelerated over April from $1.5bn at

end March 2022). The collateral is expected to be returned to PSEG Power as it satisfies obligations under the hedges. PSEG Power issued a term loan of $1.25bn in March. PSEG's Master Credit Facility has a sub-limit of $1.25bn for PSEG Power and $1.5bn for PSEG holdco.

- **Offshore Wind:** PEG initiated investment opportunities for $1-3bn, depending on the transmission network projects selected.

Sempra Energy (SRE)

While SRE holdco bonds have average valuations wide to the index, we are cautious around rating evolution at S&P (mid-BBB negative outlook), with their more conservative take on LNG construction and maintain our Market Weight rating on the holdco. We also note a relatively more shareholder-friendly strategy at Sempra. The longer-dated SRE holdco notes trade ~170-180bp, which is on the tighter end of mid-BBB holdcos (DUK and SO at ~190-200bp). We also maintain our Market Weight rating on Southern California Gas, with tighter average valuations versus the index, and Overweight rating on SDG&E, with wider average valuations.

- **1Q 22 Results:** We calculate EBITDA at $1,430mn, +1.1% y/y. Revenue increase (+17% y/y), slightly outweighed higher cost of natural gas (more than double 1Q 21), and higher O&M costs (+8.6% y/y). Cash from operations of $1.6bn was higher ($105mn y/y), albeit benefiting from a more favorable working capital change ($326mn).

- **Regulatory Updates:** Both SDG&E and SOCalGas will file their California General Rate Case in May 2022 to update their authorized revenue requirement for 2024-2027. The CA utilities expect a decision on the off-cycle 2022 cost of capital in 2H 22, and have also filed their Cost of Capital application for 2023-2025. Oncor will file their rate case in Texas in May 2022.

- **LNG:** Cameron LNG Phase 2 is expected to be fully contracted before arriving at a Financial Investment Decision (FID). FID is not expected until after summer 2023. A number of potential LNG projects remain in development with no firm timing date: Vista Pacifico LNG (3-4 Mtpa), Port Arthur LNG (13.5 Mtpa), ECA LNG Phase 2 (12 Mtpa).

- **SIP minority stake sale:** Management still expect a 10% sale in Sempra Infrastructure Partners to ADIA for $1.785bn in 2Q 2022. Given a substantial slate of capex opportunities, financing was a key topic. SIP thinks about project-financing (50-60%) and retained cashflow as key sources of capital.

- **Potential M&A:** Sempra noted M&A off the table given the substantial organic growth opportunities both in SIP and the regulated utilities.

- **Oncor:** The company continues to see strong trends in Texas. Around the rate case, Oncor noted they will file in May 11th. They hope to settle as they have historically done, with some discussions already started with parties. Oncor would look to settle around the time of intervenor testimony, and ahead of hearings.

Summary of Ratings

Bloomberg U.S. Credit Index

	Old	New
U.S. HG Electric Utilities	Market Weight	Market Weight
CENTERPOINT ENERGY INC	Market Weight	Market Weight
CMS ENERGY CORP	Market Weight	Market Weight
CONSUMERS ENERGY CO	Underweight	Underweight
DOMINION ENERGY INC	Market Weight	Market Weight

DOMINION ENERGY SOUTH CAROLINA INC	Overweight	Overweight
EVERSOURCE ENERGY	Underweight	**Market Weight**
NISOURCE FINANCE CORP	Market Weight	Market Weight
PUBLIC SERVICE ELECTRIC AND GAS CO	Market Weight	Market Weight
SAN DIEGO GAS & ELECTRIC CO	Overweight	Overweight
SEMPRA ENERGY	Market Weight	Market Weight
SOUTHERN CALIFORNIA GAS CO	Market Weight	Market Weight
VIRGINIA ELECTRIC AND POWER CO	Underweight	Underweight

Source: Barclays Research

Analyst(s) Certification(s):
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Primary Issuers/Bonds
CENTERPOINT ENERGY INC, Market Weight, A/CD/CE/D/E/J/K/L/M

Representative Bond: CNP 2.95 03/01/30 (USD 90.38, 04-May-2022)

CMS ENERGY CORP, Market Weight, A/CD/CE/D/E/J/K/L/M

Representative Bond: CMS 3 05/15/26 (USD 96.27, 04-May-2022)

CONSUMERS ENERGY CO, Underweight, A/CD/D/E/J/K/L/M

Representative Bond: CMS 3 1/4 08/15/46 (USD 82.91, 04-May-2022)

DOMINION ENERGY INC, Market Weight, A/CD/CE/D/E/J/K/L/M

Representative Bond: D 2.85 08/15/26 (USD 95.76, 04-May-2022)

DOMINION ENERGY SOUTH CAROLINA INC, Overweight, CD/D/E/J/K/L/M

Representative Bond: D 4.6 06/15/43 (USD 96.19, 04-May-2022)

EVERSOURCE ENERGY, Market Weight, A/CD/CE/D/E/J/K/L/M

Representative Bond: ES 4 1/4 04/01/29 (USD 98.71, 04-May-2022)

NISOURCE FINANCE CORP, Market Weight, CD/D/J/K/L/M

Representative Bond: NI 4.8 02/15/44 (USD 91.38, 04-May-2022)

PUBLIC SERVICE ELECTRIC AND GAS CO, Market Weight, CD/D/J/K/L/M

Representative Bond: PEG 3 05/15/25 (USD 98.43, 04-May-2022)

SAN DIEGO GAS & ELECTRIC CO, Overweight, CD/D/J/K/L/M

Representative Bond: SRE 6 06/01/26 (USD 109.14, 04-May-2022)

SEMPRA ENERGY, Market Weight, A/CD/CE/D/J/K/L/M

Representative Bond: SRE 4 02/01/48 (USD 87.07, 04-May-2022)

SOUTHERN CALIFORNIA GAS CO, Market Weight, A/CD/D/J/K/L/M

Representative Bond: SRE 3.2 06/15/25 (USD 98.62, 04-May-2022)

VIRGINIA ELECTRIC AND POWER CO, Underweight, CD/D/E/J/K/L/M

Representative Bond: D 3.15 01/15/26 (USD 97.83, 04-May-2022)

Materially Mentioned Issuers/Bonds
DOMINION ENERGY INC, Market Weight, A/CD/CE/D/E/J/K/L/M

D 2 1/4 08/15/31 (USD 83.77, 04-May-2022)

D 4.6 03/15/49 (USD 96.93, 04-May-2022)

EVERSOURCE ENERGY, Market Weight, A/CD/CE/D/E/J/K/L/M

ES 3 3/8 03/01/32 (USD 91.03, 04-May-2022)

ES 3.45 01/15/50 (USD 78.96, 04-May-2022)

GEORGIA POWER CO, CD/CE/D/E/J/K/L/M

SO 3 1/4 03/15/51 (USD 75.38, 04-May-2022)

SEMPRA ENERGY, Market Weight, A/CD/CE/D/J/K/L/M

SRE 4 02/01/48 (USD 87.07, 04-May-2022)

SOUTHERN CALIFORNIA EDISON CO, A/CD/D/E/J/K/L/M

EIX 2.95 02/01/51 (USD 71.01, 04-May-2022)

EIX 3.45 02/01/52 (USD 78.56, 04-May-2022)

EIX 3.65 02/01/50 (USD 79.53, 04-May-2022)

VIRGINIA ELECTRIC AND POWER CO, Underweight, CD/D/E/J/K/L/M

D 2.95 11/15/51 (USD 77.09, 04-May-2022)

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For sectors rated against the Bloomberg U.S. High Yield 2% Issuer Capped Credit Index, the Bloomberg Pan-European High Yield 3% Issuer Capped Credit Index excluding Financials, the Bloomberg Pan-European High Yield Finance Index or the Bloomberg EM Asia USD High Yield Corporate Credit Index, the analyst expects the six-month total return of the sector to exceed the six-month total return of the relevant index.

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For sectors rated against the Bloomberg U.S. High Yield 2% Issuer Capped Credit Index, the Bloomberg Pan-European High Yield 3% Issuer Capped Credit Index excluding Financials, the Bloomberg Pan-European High Yield Finance Index or the Bloomberg EM Asia USD High Yield Corporate Credit Index, the analyst expects the six-month total return of the sector to be less than the six-month total return of the relevant index.

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Market Weight (MW): The analyst expects the six-month excess return of the issuer's index-eligible corporate debt securities to be in line with the six-month expected excess return of the relevant sector.

Underweight (UW): The analyst expects the six-month excess return of the issuer's index-eligible corporate debt securities to be less than the six-month expected excess return of the relevant sector.

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Market Weight (MW):
The analyst expects the six-month excess return of the country's index eligible bonds to be in line with the six-month excess return of the Bloomberg EM USD Sovereign Index.

Underweight (UW):
The analyst expects the six-month excess return of the country's index eligible bonds to be less than the six-month excess return of the Bloomberg EM USD Sovereign Index.

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BRCF2242

March 16, 2022 | 09:16 ET~

NiSource

NI-NYSE	Rating	Price: Mar-15	Target ↑	Total Rtn
	Outperform	$29.85	$33.00	14%

Further Strengthening The Board & Strategic Review Process

Bottom Line:

After market close, NiSource announced the appointment of Bill Johnson to its Board of Directors. The addition of Mr. Johnson represents another positive step in the company's continuing management/Board refresh efforts which began in January with the appointment of Lloyd Yates as President and CEO as well as the appointment of two new independent directors Sondra Barbour and Cassandra Lee. **Our Outperform rating is unchanged and we are raising our target price to $33 to reflect the mark-to-market of our peer multiples. Our 2022-2024 estimates remain $1.46, $1.54 and $1.72.**

Key Points

Mr. Johnson is a well-known executive known for his no-nonsense management style. He brings a long history in utility management expertise having held several executive rolls at Progress Energy including President & CEO from 2007 until 2012 when the company merged with Duke Energy (DUK, Outperform, $107). He also spent six years as President & CEO of TVA (2013-2019) and recently was President and Chief Executive Officer of the PG&E Corp (PCG, Not Covered). Finally, Mr. Johnson is currently a member of TC Energy's (TRP, Outperform, $54) board where he has been a director since June 2021.

Our take: We welcome Mr. Johnson's addition to the company's Board as NiSource continues to execute on and extend its above-average utility growth strategy. Bill brings significant utility management experience including strengths in regulation, cost control, utility finance and M&A. From the language in the company's 8-K we believe his appointment is likely independent of recent activist communications with the company. Specifically, the company disclosed "There is no arrangement or understanding between Mr. Johnson and any other person, pursuant to which he was selected as a director of the Company. Mr. Johnson does not have any direct or indirect material interest in any transaction or proposed transaction involving the Company required to be reported under Item 404(a) of Regulation S-K." While we believe this language might dampen some more aggressive points of view for a potential sale of the company, we believe management has been clear that its pending strategic view will cast a wide net in its evaluation of the company's business mix, geographic footprint, financing needs and strategy optimization. On whole, we believe the addition of Mr. Johnson to the Board likely strengthens the company's commitment to evaluating all strategic options with hopefully an update at its Spring Analyst Day.

Key Changes	
Target	
$33.00↑	
$30.00	

For disclosure statements, including the Analyst Certification, please refer to page(s) 5 to 8.

IN Fact

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Company Data			in $
Dividend	$0.94	Shares O/S (mm)	405.4
Yield	3.1%	Market Cap (mm)	$12,101
P/BV	1.7x	Net Debt (mm)	$8,942

BMO Estimates				in $
(FY-Dec.)	2020A	2021A	2022E	2023E
EPS	$1.32	$1.37	$1.46	$1.54
DPS	$0.84	$0.88	$0.93	$0.99
EBIT	$1,064	$1,178	$1,324	$1,482
EBITDA	$1,789	$1,964	$2,143	$2,345

Consensus Estimates				
	2020A	2021A	2022E	2023E
EPS			$1.45	$1.55

Valuation				
	2020A	2021A	2022E	2023E
P/E	22.6x	21.9x	20.5x	19.4x
Div. Yield (%)	2.8%	2.9%	3.1%	3.3%

QTR. EPS	Q1	Q2	Q3	Q4
2020A	$0.76	$0.13	$0.09	$0.34
2021A	$0.73	$0.13	$0.11	$0.39
2022E	$0.89	$0.07	$0.06	$0.45
2023E	$0.94	$0.07	$0.06	$0.47

Our Thesis

We like several aspects of NI following the sale of Columbia Gas of Massachusetts and removal of the previously guided $500-700mm equity issuance overhang, which we believe meaningfully de-risked the story.

BMO Capital Markets

NiSource - Block Summary Model

Income Statement	2020A	2021A	2022E	2023E
Electric Operations	362	430	510	625
Gas Distribution	668	704	757	831
Parent & Other	2	2	2	2
Consolidated EBIT	1,064	1,178	1,324	1,482
Depreciation & Amortization	726	786	819	862
EBITDA	1,789	1,964	2,143	2,345
Interest Expense	371	366	406	483
Income Tax	127	144	169	196
Income from continuing operations	508	572	653	708
Weighted Average Shares Outstanding	384	419	449	459
Diluted Operating EPS	$1.32	$1.37	$1.46	$1.54
Dividends per Share	$0.84	$0.88	$0.93	$0.99
Cash Flow Statement	**2020A**	**2021A**	**2022E**	**2023E**
Operating Cash Flow	1,681	1,426	1,546	1,623
Investing Cash Flow	(879)	(2,050)	(2,500)	(3,350)
Financing Cash Flow	(100)	587	906	1,709
Net Change in Cash Flow	701	(37)	(48)	(18)
EOP Cash on Balance Sheet	804	767	719	701
Common stock (net)	360	1,211	348	198
Net debt issued/(repaid)	82	(200)	1,032	2,020
Dividends paid	(323)	(369)	(419)	(454)
Balance Sheet	**2020A**	**2021A**	**2022E**	**2023E**
Common Equity	5,735	7,189	7,812	8,304
Preferred Equity	880	880	880	880
Total Debt	9,746	9,546	10,578	12,598
Enterprise Value	$20,351	$21,666	$23,171	$25,451
Common equity %	35.1%	40.8%	40.5%	38.1%
Preferred equity %	5.4%	5.0%	4.6%	4.0%
Total Debt %	59.6%	54.2%	54.9%	57.8%
Book Value per Share	$17.21	$19.25	$19.37	$19.99

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

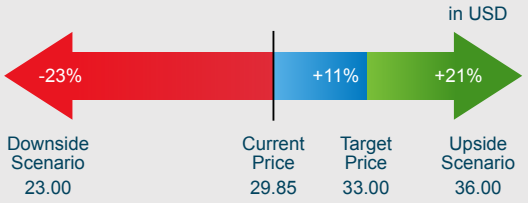
Our target price is the product of a P/E-based sum of the parts. We utilize a regulated-group average multiple using 2024E EPS as base valuation and then make specific adjustments to reflect our current view of the fundamental outlook.

Upside Scenario $36.00

Our upside scenario reflects continued multiple expansion associated with the company's premium and above-average earnings and dividend growth profile.

Downside Scenario $23.00

Our downside scenario reflects a tightening monetary policy and a deceleration of the company's rate base growth.



Key Catalysts

Use of proceeds from CMA sale. Potential for further asset rotation.

Company Description

NiSource, Inc. is a regulated utility holding company, serving approximately 3.5 million natural gas customers and 500,000 electric customers across seven states. Through its Columbia Gas and NIPSCO brands, it provides natural gas, electricity, and other products and services. The company was founded in 1987 and is headquartered in Merrillville, Indiana.

NI-NYSE Research
Glossary
Company Models

Exhibit 1: NiSource Inc. - Model Summary

NI Model Summary	2019	2020	2021	2022	2023	2024	5-Year
EPS By Segment							
Electric Operations	$0.76	$0.63	$0.72	$0.82	$1.01	$1.15	*13%*
Gas Distribution	$1.12	$1.17	$1.09	$1.14	$1.19	$1.24	*1%*
Corporate & Other	($0.56)	($0.48)	($0.44)	($0.50)	($0.66)	($0.67)	*7%*
Consolidated E.P.S.	**$1.32**	**$1.32**	**$1.37**	**$1.46**	**$1.54**	**$1.72**	**6%**
Dividend per share	**$0.80**	**$0.84**	**$0.88**	**$0.93**	**$0.99**	**$1.05**	*5%*
Payout Ratio total	60.8%	63.6%	64.4%	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	21.5x	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	$1,426	$1,546	$1,623	$1,824	*0.8%*
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%	9.5%	9.6%	9.2%	9.4%	
Columbia Gas of Maryland ROE	9.7%	9.3%	9.4%	9.5%	9.2%	9.3%	

Source: BMO Capital Markets, Company Filings

Exhibit 2: NiSource Inc. - Key Assumptions

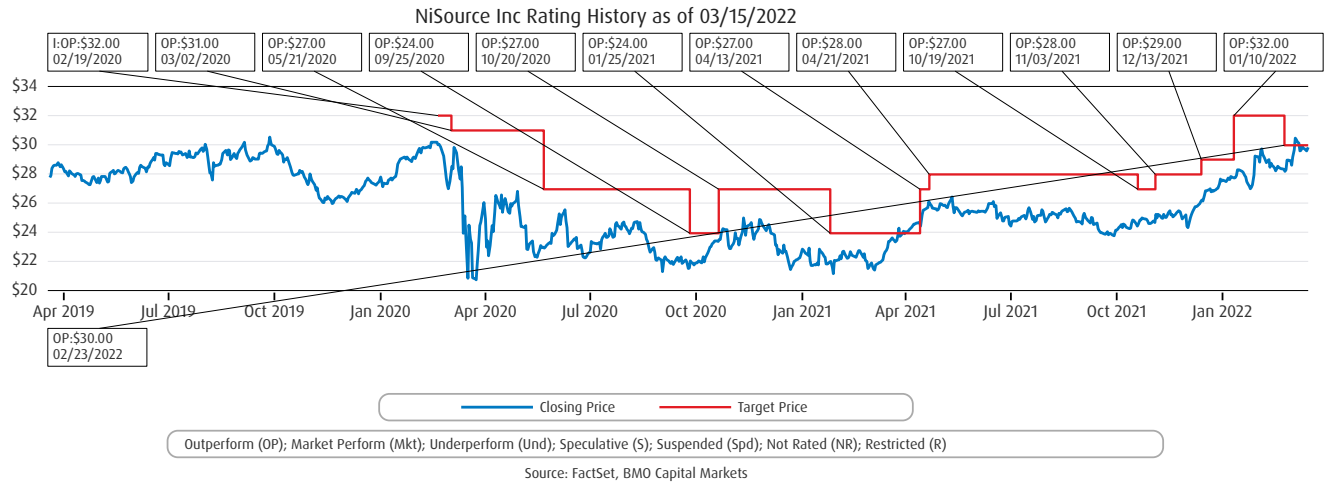
Key Model Assumptions	2019	2020	2021	2022	2023	2024	5-Year
Total Capital Expenditures by Segment							
Electric Operations	$469	$422	$650	$1,100	$1,650	$500	**$4,322**
Gas Distribution	$1,380	$1,267	$1,400	$1,400	$1,700	$1,500	**$7,267**
Consolidated Capital Expenditures	**$1,849**	**$1,689**	**$2,050**	**$2,500**	**$3,350**	**$2,000**	**$11,589**
YE Rate Base Estimates							
NIPSCO Electric	$4,866	$5,240	$5,747	$6,515	$7,814	$7,931	*10.3%*
Columbia Gas of Ohio	$3,106	$3,412	$3,803	$4,182	$4,674	$5,080	*10.3%*
Columbia Gas of Pennsylvania	$1,883	$2,069	$2,306	$2,536	$2,834	$3,081	*10.3%*
NIPSCO Gas	$1,660	$1,824	$2,033	$2,236	$2,499	$2,716	*10.3%*
Columbia Gas of Massachusetts	$1,098	$1,207	$0	$0	$0	$0	
Columbia Gas of Virginia	$789	$867	$966	$1,063	$1,188	$1,291	*10.3%*
Columbia Gas of Kentucky	$338	$371	$413	$454	$508	$552	*10.3%*
Columbia Gas of Maryland	$136	$150	$167	$184	$206	$224	*10.4%*
Total Rate Base	**$13,876**	**$15,138**	**$15,437**	**$17,171**	**$19,722**	**$20,874**	***8.5%***

Source: BMO Capital Markets, Company Filings

Exhibit 3: NiSource Inc. - SOTP Valuation

							BMO Low Case		BMO Base Case		BMO High Case	
Regulated, Corporate & Other	Valuation Metric	2024E 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	$1.15	Electric	17.9x	+7.5%	19.2x	15.4x	$18	19.2x	$22	21.2x	$24
Gas Distribution	EPS	$1.24	Natural Gas	17.2x	+10.0%	18.9x	14.7x	$18	18.9x	$23	20.9x	$26
Corporate & Other	EPS	($0.67)	Blend	19.1x	+0.0%	19.1x	19.1x	($13)	19.1x	($13)	21.1x	($14)
Utility & Parent Value		**$1.72**					13.5x	**$23**	19.1x	**$33**	21.1x	**$36**
Total NiSource Inc.								**$23**		**$33**		**$36**
Upside/(Downside)								(22%)		10%		22%
Current Yield								3%		3%		3%
Total Return								**(19%)**		**13%**		**25%**

Source: BMO Capital Markets, Company Filings



Source: FactSet, BMO Capital Markets

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Methodology and Risks to Target Price/Valuation for NiSource Inc (NI-NYSE)

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 2024E 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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Hold	Market Perform	44.1 %	20.4 %	38.7 %	42.0 %	36.9 %	37.5%
Sell	Underperform	1.5 %	50.0 %	3.2 %	1.3 %	1.8 %	4.8%

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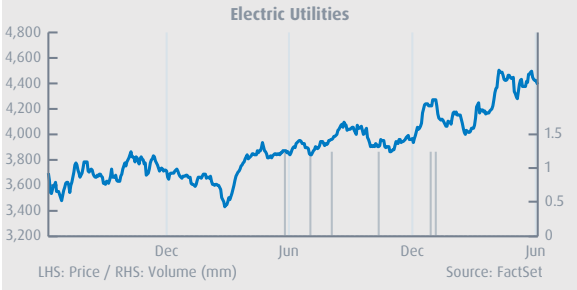
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White House Set to Announce Two-Year Delay on Solar Tariffs - Positive



Bottom Line:

***The Wall Street Journal* published an article late last night that it expects the White House to pause new solar tariffs for two Years.** We see the near-term added clarity on the timing of utility-scale additions as a positive for Outperform-rated NextEra (NEE), NiSource (NI), Duke Energy (DUK) as well as Xcel Energy (XEL) and Dominion Energy (D). For the same reasons it will also benefit Market Preform Alliant Energy (LNT).

Key Points

The delay aims to add some certainty to solar development and address the outpouring of concerns from solar developers and utilities alike regarding a material slowdown in utility-scale installations. It would also buy the U.S. some time to grow its domestic manufacturing capability as the country looks to fortify "energy security." As such, the announcement will also likely include a plan to increase domestic capacity three-fold by 2024 to 22.5GW. The Commerce Department investigation would continue as initiated with no change in the late August release of its initial findings.

We see the near-term added clarity on the timing of utility-scale additions in our coverage universe as a positive for Outperform-rated NextEra Energy (NEE), NiSource Inc (NI), Duke Energy (DUK) and to a lesser degree Xcel Energy (XEL) and Dominion Energy (D) given the varying degrees of overhang the investigation created for these specific names. For the same reasons it will also benefit Market Preform Alliant Energy (LNT). Although NextEra Energy, NiSource Inc., and Alliant Energy have all had significant bounces off their May lows, given this was one of the primary overhangs to all three names we believe this set them up well for the balance of the year. For NEE and NI specifically it should allow investors to focus on the other positive fundamental drivers of their business that we expect them to discuss at their upcoming analyst days on June 14 and in the fall, respectively.

https://www.wsj.com/articles/white-house-wont-put-new-tariffs-on-solar-imports-for-two-years-sources-say-11654482582?mod=hp_lead_pos2

BMO Top 15 List

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Dominion Energy (D) Income Stock

Industry Research

Glossary

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Hold	Market Perform	45.4 %	19.5 %	41.2 %	42.9 %	38.6 %	37.5%
Sell	Underperform	1.7 %	44.4 %	3.5 %	1.4 %	1.9 %	4.8%

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BMO Capital Markets

Utilities, Power & Renewables

1Q22 Preview: Macro Should Continue To Dictate Performance and Quarterly Calls

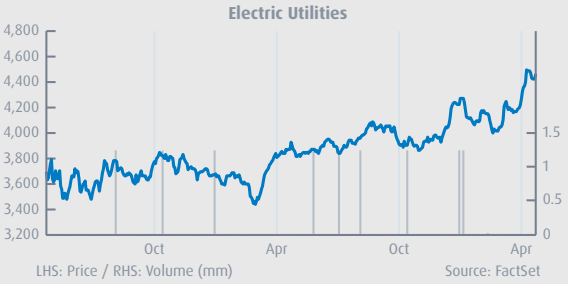
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Bottom Line:

1Q22 earnings kick off this week with bellwether NextEra Energy (NEE) starting things off on Thursday. **In general, investors do not place a significant emphasis on first quarter results and we expect this year's reporting season to be more in focus with investors looking for updates on macro-related issues including: 1) the potential for renewable project delays, cost trends and developer performance; 2) customer bill impacts due to the sharp rise in commodities and other inflationary pressures; and 3) regulatory updates/outlooks regarding pending rate cases and integrated resource plans.** At a high level we see nearly 70% of our regulated utility coverage at or above current consensus estimates, with Q-O-Q EPS up ~3% on average.

Key Points

While typically most managements do not adjust their earnings outlooks until later in the year, we see the near parabolic rise in natural gas prices as a significant tailwind for the merchant power sector and should lead to continued upward estimates revisions for both Constellation Energy (CEG, Outperform) and Vistra Corp (VST, Outperform) especially in the back half of our forecast where both companies are less hedged. **Marking our forecast to market and updating our assumptions for both companies' ratable hedging programs we are raising our EBITDA forecasts 6-10% on average and our price targets increase accordingly**. Importantly we would expect both CEG and VST management to update their ratable hedging levels on their upcoming 1Q calls with particular emphasis on both 2023 and 2024 additions.

In our 2022 year-ahead outlook we discussed our positive outlook for the sector as we expected investors' preference to pivot towards a more balanced investment portfolio and a redistribution of assets in anticipation of a pronounced macro normalization.

Despite what is now ~20% relative outperformance by the sector since the beginning of last November, we remain positive on the sector as it has only just begun to claw back the 50% underperformance relative to the S&P 500 since 2019. Although the sector no longer looks inexpensive to us relative to traditional historic yield spreads including BAA Corporate bonds or 10-Year Treasuries and is likely over bought in the near term (60% of the sector has a 14D RSI of 60+), we believe the derating in broader market valuations still has more room to the downside as the macro continues to normalize. Moreover, there remains a narrow set of alternatives available to investors for inflation-resistant income which should continue benefit the sector in what we expect to be a choppier equity environment and a continued tough set up for fixed income over the next 12 months.

Although we would expect any increased sponsorship in the sector to benefit the higher quality and more liquid names broadly, we would also still expect macro-related factors including style rotation and capitalization to impact relative performance. **For that reason as we take inventory in our coverage universe after a great start to the year we continue to favor our BMO Barbell framework. On the "Quality/ Compounder" side we recommend AEE, CMS, XEL and CNP. For the "Value/GARP" side we continue to favor ETR, EXC, CEG and VST.**

BMO Top 15 List

BMO Top 15 List Member

Dominion Energy (D-NYSE) - Income Stock
Entergy (ETR-NYSE) - Income Stock
NextEra Energy Partners LP (NEP-NYSE) - U.S. Small Cap Stock

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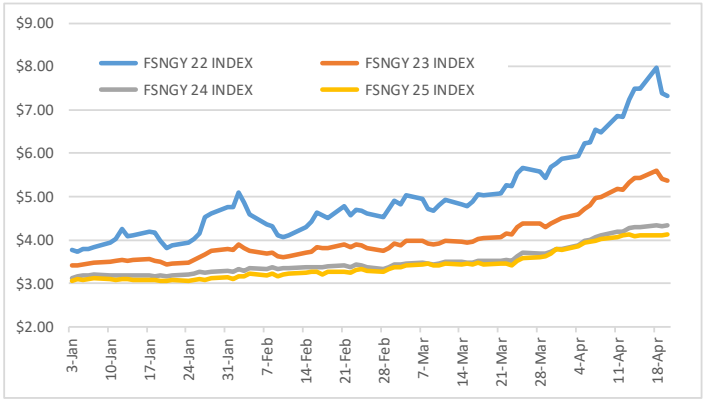
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1Q22 Sector Preview: Macro Should Continue To Dictate Performance and Quarterly Calls

First quarter earnings for the utility, power and renewable sectors kicks off this week with bellwether NextEra Energy (NEE) starting things off on Thursday. In general, investors do not place a significant emphasis on first quarter results as it represents ~20-25% of full year earnings and variability is generally more weather related, and we expect this year's reporting season to be more in focus with investors looking for updates on macro-related issues including: 1) the potential for renewable project delays, cost trends and developer performance; 2) customer bill impacts due to the sharp rise in commodities and other inflationary pressures; and 3) regulatory updates/outlooks regarding pending rate cases and integrated resource plans.

While typically most managements do not adjust their earnings outlooks until later in the year, we see the near parabolic rise in natural gas prices (Exhibit 1) as a significant tailwind for the merchant power sector and should lead to continued upward estimates revisions for both Constellation Energy (CEG, Outperform) and Vistra Corp (VST, Outperform) especially in the back half of our forecast where both companies are less hedged. Marking our forecast to market and updating our assumptions for both companies' ratable hedging programs we are raising our EBITDA forecasts 6-10% on average and our price targets increase accordingly (Exhibit 2). Importantly we would expect both CEG and VST management to update their ratable hedging levels on their upcoming 1Q calls with particular emphasis on both 2023 and 2024 additions.

Exhibit 1: Forward HH Natural Gas Prices



Source: BMO Capital Markets, Bloomberg

Exhibit 2: EBITDA & Price Target Revisions – CEG & VST

		2022	2023	2024	2025	Target Price
Constellation Energy	Previous	$2,759	$3,019	$3,276	$3,405	$65
	Revised	**$2,795**	**$3,321**	**$3,691**	**$3,889**	**$74**
	Change	1%	10%	13%	14%	14%
	Consensus	$2,596	$2,957	$3,336	$3,790	
Vistra Corp	Previous	$3,210	$3,177	$3,077		$29
	Revised	**$3,298**	**$3,379**	**$3,359**		**$31**
	Change	3%	6%	9%		7%
	Consensus	$3,150	$3,358	$3,316		

Source: BMO Capital Markets

Our quarter preview suggests an overall quiet set up for the group outside of macro-related topics and a handful of stock-specific strategic and growth updates. The combination of a steady recovery in C&I demand, persistent positive mix, cost mitigation programs, and mild weather has smoothed quarter-over-quarter comps for most of the companies in our universe with few material surprises. Due to an uneven and slower return-to-office trend, residential sales have remained above expectations and many managements have suggested large C&I volumes have continued to recover to pre-COVID or better levels. Although the country has seen continued bouts of COVID resurgences, mask and distancing mandates have been increasingly relaxed and our base case calls for continued sales normalization into 2022 with some positive mix and run-rate cost mitigation/lean programs that could add some modest cushion to 2022.

At a high level we see nearly 70% of our regulated utility coverage at or above current consensus estimates, with Q-O-Q EPS up ~3% on average. While it appears consensus estimates continue to be updated as we publish, our notable above-consensus estimates in order of magnitude are coming from DTE, ETR, EXC, NEE, CMS, and PEG (Exhibit 3). On the downside we see XEL, AEP, and NI as currently below the street's estimates.

In the next section below, we discuss in more detail the handful of quarters that we believe will be most impactful including AEE, AEP, NI, NEE, ES, SO, and XEL.

Turning to power and our independent power coverage, Q-O-Q comps are messy due to the impact of Winter Storm Uri in the first quarter of 2021. The reversal of all the moving parts associated with the impact of the February storm we believe likely has impacted the precision with which the street can establish a solid normalized EBITDA base necessary to walk to this year's expected outlook. Despite the stronger commodity backdrop in both gas and power, CEG, NRG and VST come into 2022 very well hedged which when combined with a normal demand backdrop suggests a fairly lackluster set up for the sector this quarter. Again, noting the lack of precision with our walks this quarter we see both VST and NRG's 1Q22 EBITDA roughly in line with the street's current consensus (-3% and +5%, respectively) while CEG's EBITDA is forecast to be ~10% above current estimates. For the calls we would look for managements to update their ratable hedging programs through 2023 and both VST and CEG could give at least direction color on where they are in 2024 given the strong commodity environment. We would also expect managements to discuss their collateral and liquidity positions given the sharp rise in commodity prices in 1Q22 similar to that seen in 3Q21. Given a significant amount hedging on the power side is done via retail channels or other bilateral contracts and any NYMEX, ICE or ISO arrangements are likely currently in the money we would expect the net cash position to be positive for our coverage universe. Moreover, for CEG its investment grade credit rating is a differentiator given it can post collateral via existing credit facilities. VST also has a $1bn commodity-linked revolver that it can draw upon. Finally, for CEG we expect, per normal, an update on their gross margin by category which looking to 2023 should support our higher revised EBITDA outlook which now includes some modest incremental hedging activities (5-7%).

Exhibit 3: BMO Capital Markets and Consensus 1Q22 Estimates and Earnings Calendar

Company	BMO 1Q22 EPS	Consensus 1Q22 Estimates	Consensus Change Last 4W	Q-O-Q EPS Change	Company 1Q22 Guidance Range		1Q22 Reporting Date	Call Time
AEE	$0.95	$0.97	+0%	+5%			5/6	10:00AM
AEP	$1.17	$1.21	(1%)	+1%			4/28	9:00AM
CNP	$0.48	$0.48	(1%)	+3%			5/3	8:00AM
CMS	$1.13	$1.10	(0%)	+4%			5/3	9:00AM
D	$1.18	$1.16	+1%	+8%	$1.10	$1.25	5/5	10:00AM
DTE	$2.15	$2.06	+2%	+8%			4/28	9:00AM
DUK	$1.32	$1.32	+0%	+5%			5/9	10:00AM
ES	$1.21	$1.20	(0%)	+12%			5/5	8:30AM
ETR	$1.40	$1.34	+0%	(5%)			4/27	11:00AM
EXC	$0.66	$0.63	(0%)	+27%			5/9	10:00AM
LNT	$0.72	$0.72	+0%	+6%			4/29	10:00AM
NEE	$0.74	$0.71	+0%	+10%			4/21	9:00AM
NI	$0.77	$0.79	+1%	(0%)			5/4	11:00AM
PEG	$1.15	$1.11	+2%	(11%)			5/3	11:00AM
SRE	$2.72	$2.75	(0%)	(8%)			5/5	12:00PM
SO	$0.90	$0.90	(3%)	(8%)			4/28	1:00PM
WEC	$1.71	$1.66	+2%	+6%	$1.68	$1.70	5/2	2:00PM
XEL	$0.66	$0.68	(1%)	(1%)			4/28	10:00AM
VST	$670	$740	(11%)	(155%)			5/6	8:00AM
NRG	$500	$548	+0%	(12%)			TBD	
CEG	$785	$667	+5%	(238%)			5/12	10:00AM
NEP	$404	$400	(6%)	+14%			4/21	9:00AM
AY	$177	$181	(2%)	+4%			TBD	

Source: BMO Capital Markets, Bloomberg, Company Filings

For our YieldCo coverage we expect a fairly quiet quarter outside of a significant focus on supply chain constraints, equipment cost inflation and of course solar circumvention impacts. We see both NEP and AY EBITDA roughly in line with the consensus outlooks and up 14% and 4% Q-O-Q, respectively. Given NEP's own limited development pipeline we would not expect any significant change in messaging

regarding its 2021 and 2022 run-rate EBITDA and CAFD guidance nor its 12-15% average annual distribution growth. Similarly, with AY's development and acquisition program focused on a diversified portfolio of assets and only 30MW of solar planned in Columbia and Uruguay we would expect there will be likely no change in their growth or strategic outlook on the upcoming 1Q22 call.

Normal Weather for the Quarter

Degree days for the first quarter showed an 2% increase year over year and were also 2% higher than normal with most regions of the country experiencing similar benefits. Weather could provide a modestly better than expected tailwind as the more impactful January month was ~6% colder than normal across the nation. However, we still do not expect weather to be a major driver for the majority of companies in our coverage.

Exhibit 4: 1Q22 Regional Degree Days

Region	1Q 2021 Actual	1Q 2022 Actual	1Q Normal	1Q YoY	1Q vs Normal
New England	2,962	3,093	3,096	4%	0%
Middle Atlantic	2,816	2,936	2,920	4%	1%
East North Central	3,061	3,219	3,161	5%	2%
West North Central	3,208	3,463	3,288	8%	5%
South Atlantic	1,346	1,339	1,400	-1%	-4%
East South Central	1,764	1,827	1,794	4%	2%
West South Central	1,287	1,325	1,168	3%	13%
Mountain	2,385	2,395	2,225	0%	8%
Pacific	1,529	1,349	1,398	-12%	-4%
National	**2,118**	**2,161**	**2,128**	**2%**	**2%**

Source: BMO Capital Markets, S&P Global Market Intelligence

Marking To Market Our Coverage Target Prices

As per usual, with our quarterly preview we have updated our target prices for our coverage universe to reflect the change in sector and subsector P/E multiples which reflects the sector's strong relative performance since the end of February. In Exhibit 5 below we outline our revised target prices which reflect a 19.6x electric group multiple, 18.5x gas distribution group multiple and a base power EV/EBITDA multiple of 5.0x which we have lowered to reflect the strong commodity pricing environment.

Exhibit 5: Mark-to-Market Target Price for BMO Utilities, Power & Renewables Universe

			2024 P/E Price Target		
Company (Regulated)	Ticker	Rating	New	Old	Chg.
Ameren Energy	AEE	OP	$108	$91	19%
American Electric Power	AEP	OP	$112	$94	19%
Exelon Corp.	EXC	OP	$53	$47	13%
CMS Energy	CMS	OP	$80	$75	7%
Centerpoint Energy	CNP	OP	$35	$30	17%
DTE Energy	DTE	Mkt	$145	$128	13%
Eversource Energy	ES	Mkt	$104	$91	14%
Entergy Corp.	ETR	OP	$137	$116	18%
Alliant Energy	LNT	Mkt	$68	$58	17%
NiSource, Inc.	NI	OP	$36	$33	9%
Public Service Ent. Grp	PEG	Mkt	$80	$68	18%
Wisconsin Energy	WEC	Mkt	$111	$98	13%
Xcel Energy	XEL	OP	$83	$76	9%
			Price Target		
Diversified	Ticker	Rating	New	Old	Chg.
Dominion Energy	D	OP	$97	$89	9%
Duke Energy Corp	DUK	OP	$128	$114	12%
NextEra Energy	NEE	OP	$105	$101	4%
Sempra Energy	SRE	Mkt	$176	$157	12%
Southern Company	SO	Mkt	$81	$68	19%
			Price Target		
Power	Ticker	Rating	New	Old	Chg.
Constellation Energy	CEG	OP	$74	$65	14%
NRG Energy	NRG	Mkt	$42	$42	
Vistra Energy	VST	OP	$31	$29	7%
			Price Target		
YieldCo	Ticker	Rating	New	Old	Chg.
Atlantica Sustainable Infrastructure	AY	Mkt	$37	$37	
NextEra Energy Partners	NEP	OP	$87	$87	

Source: BMO Capital Markets, Bloomberg, Company Filings

Significant Industry-specific Topics & Company Updates

1) **Solar Project Costs & Potential Delays** – We expect the U.S. Department of Commerce's decision to open an investigation into anti-circumvention into the importation of solar panels from certain Asian countries and its potential impact on the solar capital expenditures to be a key topic of interest for investors on the calls. We believe that the focus will remain on 2022 and 2023 projects that could be delayed. At this point with many of the panels already procured for 2022 projects, we see the greater impact potentially on projects slotted for commercial operation in 2023. Within our coverage universe we see AEP, NEE, NEP, NI, D, WEC, CMS, XEL, and LNT as the primary names with potential capital expenditure exposure. Within that group, we note that WEC, D, CMS, and XEL have exposure that is either predominantly in the out years of the plan or represents a smaller percentage of the overall capital budget. In terms of what we know already, in late March NEE expressed their disappointment in the announcement of the investigation and acknowledged that the investigation could adversely impact some of their solar and storage projects. However, the company reaffirmed all guidance ranges for 2022-2025. For LNT, which has a sizeable solar buildout in its plan, we believe the company is

well-positioned on its 2022 projects with most panels physically procured, but could face headwinds on 2023. However, given the expected in-service dates of the projects and the lower impact of weighted-average 13-month rate base estimates from potential slippage from late 2023.

2) **Ameren** – While AEE provided investors with a comprehensive update on the 4Q call, we believe the company could have several small updates on the margin for investors. First, the company continues to await a decision from the District Court on their proposal to shut down Rush Island Energy Center instead of installing pollution control equipment. On the previous call the company indicated that the Attachment Y was filed in late February and a response was expected from MISO in mid-May. We believe that after a response is received from MISO on the impact of the plant's retirement, the District Court could look to make a ruling, though they are under no statutory deadline to do so. To the extent that a response is received from MISO by the timing of the call, the company could provide an update on the process. We also continue to believe that AEE still targets filing a revised MO IRP in the first half of the year. On the call we also expect the company to provide an update on the proposed legislation in MO that would extend the PISA legislation while modifying the all-in rate cap from a 2.85% CAGR to a 2.5% average annual cap, but also limits the investments subject to the cap. Both the senate (SB 756) and house (HB 1734) versions of the bill, which feature similar language, have crossed over to the opposite houses. Lastly, although the first phase of the MISO LRTP is still expected to conclude in the July timeframe, we note that that workshops remain ongoing and have begun to potential projects. However, we do not expect on meaningful update on the Phase 1 capital opportunity from the company until the projects are actually awarded and the allocation/bidding process is determined.

3) **American Electric Power** – Despite a slightly below consensus outlook for 1Q22 we expect the upcoming call to focus on four primary issues. The first is the progress and outlook on completing the sale of Kentucky Power to Liberty utilities in the June timeframe. With a "no-harm" state standard governing the transaction, we believe the keys to closing the deal will be the combination of Liberty's commitment to investment in the utility as well as structuring shared bill credit mechanism to the benefit of customers ($40mm proposed) that strikes a balance for all stakeholders. With a KY approval in hand, AEP can refile at the FERC which should be a 30-45 day process at most. The second is an update on its $8bn regulated renewable capex program. Although the company expects to have more clarity in the 2Q22-2Q23 timeframe, we will be listening for any potential delays or pushbacks on its initial RFP proposals (I&M and APCo) given supply chain impacts and or cost escalations although we would note that for both SWEPCO and PSO the plan is more skewed to wind additions than solar currently. The third is progress, timing and initial feedback on it announced monetization of all or part of its contracted renewables operations to recycle capital into its regulated operations and aid in its effort to continue to improve its credit metrics. Although we do not expect a significant update, more clarity on the cadence of the sale process would be helpful as the company looks to dovetail the proceeds with equity needs through 2026 while also avoiding and solar ITC recapture. Finally, with the close of the Kentucky power sale in the spring we look for more color on the timing what the company will address at its analyst day later this year. We would hope for more clarity around the ultimate scale of its regulated renewable program, incremental thoughts on its contracted renewable monetization, an update on transmission capital opportunities and finally outlook on balance sheet enhancement activities through the forecast

4) **Eversource** – After the record-setting prices at the NY Bight auction, we expect investors to be keenly focused on the company's thoughts around offshore wind. While we are not calling for or expecting there to be any upfront announcements on the call, we note that the company's

board will have had two recent, albeit regularly scheduled, meetings by the time of the call. As such, should the topic come up on the call, management could have an updated viewpoint on the strategic future of their offshore wind investments. We believe that such strategic actions under evaluation could include a potential monetization of the company's share of undeveloped lease areas, which is predominantly composed of the original Baystate Wind site, as well as their entire stake in the consolidated JV. However, we also believe that both actions could be complicated by the relationship/partnership with JV partner Orsted to the extent that it limits ES's potential buyers or their ability to run a robust process.

5) **NextEra Energy** – After three years of massive outperformance relative to both the utility sector as well as the broader market, NEE shares have struggled YTD underperforming by almost 19% due to a trifecta of macro-related issues (style/factor rotation and clean energy weakness), political noise and now cost and panel availability uncertainty surround the AD/CVD DOC case. Although we see a strong 1Q22 print, we expect the discussion to focus on any updates to the company's development backlog including origination but more importantly any additional slippage in project timing due to supply chain constraints, cost escalation, pauses in BOT or PPA projects especially given the potential punitive retroactive duties on solar module supply. Although NEE has publicly stated they are well hedged in 2022 and were working on 2023 supply chains including alternative suppliers (including those outside of four countries in question), the potential for up to a year of tariff ambiguity and the potentially retroactive nature of duties creates an uncertainty that will be a significant topic on the call. While there is the potential for importers to pre-qualify panel supply, the timing is uncertain. However, given the scale of NEE's development business and other commercial activities as well as the potential to step into any projects where a developer has declared a force majeure we believe management will reiterate their growth outlook through 2025 at or near the top end of the 6-8% growth objective. We would also expect focus to pivot to the company's upcoming June analyst day where we expect management to further articulate its strategy of expanding its distribution channels for its renewable development and decarbonization solutions in the C&I space. Rising gas and power prices should provide a comparative advantage for renewable development especially as NEE is able to bundle its products and services together to create a more economic package for the end use customer. While the macro could continue to weigh on NEE shares in the intermediate term, we reiterate our Outperform rating on NEE shares given its unique and scaled business model that is one of the leaders decarbonizing innovation.

6) **NiSource** – Investors will likely focus on any incremental color regarding the company's ongoing strategic review, especially given the SJI (not covered) acquisition announced after the company's 4Q21 call, and the continued elevated private market values that have been realized in recent transactions. However, given that it is still very early in the process we would be surprised to see any significant incremental disclosures or new commentary until the company's strategic review is completed. We also expect investors to focus on the cost and timing of NI's regulated solar projects given the recent initiation of the AD/CVD DOC inquiry and overall supply chain constraints and cost escalations. We note that the company's approved projects are being built by more prominent developers (NEE, EDPR, Invenergy) that may face fewer headwinds compared to smaller developers. However, we do expect the company's spring analyst day to be pushed to the fall timeframe as they await further details on the scope of the anticircumvention investigation as well as the company's strategic review. On the regulatory front, we look for additional updates on the OH rate case.

7) **Southern Company**- We expect the company to provide an update on Vogtle and the milestones remaining to completion. With GA Power's updated VCM 26 testimony filed last week, we do not expect to see many material changes from the filing. As the filing did not

modify the schedule or company's share of the total cost from what was reported in the original VCM 26 report, we do not expect a significant deviation on the call. However, the company has been making progress on their ITAAC submissions and as such we would expect them to reforecast the timing/shape of future submissions. On the IRP, we do not expect the company to have any significant updates as we have not yet received staff testimony and it is likely too early to discuss the rate case as well, which is still expected to be filed this summer.

8) **Xcel Energy –** On the call we expect investors to focus on the company's regulatory calendar. As we previously wrote, the COPUC questioned whether the agreed upon retirement date for Comanche Unit 3 should be pulled forward. The commissioners requested additional analysis on the potential acceleration of the retirement date from the settled 2034 timeline. We continue to expect an order later in the 2Q22 timeframe. Also related to Comanche, investors are likely to focus on the operational status of Comanche given its extended outage. The company's 10-K highlighted that at the company's repairs would be covered by insurance, but they would not seek recovery for the replacement power costs. At the time, they expected that it could be in the ~$10mn range, though there could be modest upward pressure to that number as the outage extends. We do not expect material updates on the MN proceedings in the general rate case and the Uri cost recovery. On transmission, we expect that if asked, the company could highlight some of the proposed transmission lines in the MISO LRTP workshops, but with much time remaining until the initial awards and the allocation/bidding process is determined in July, we are not expecting anything definitive.

BMO Barbell Portfolio Construction & Updated Pecking Order

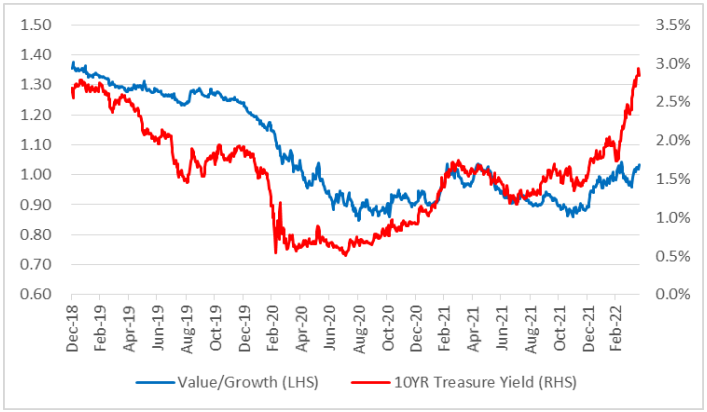
In our 2022 year-ahead outlook we discussed our positive outlook for the sector as we expected investors' preference to pivot towards a more balanced investment portfolio and a redistribution of assets in anticipation of a pronounced macro normalization. Year-to-date the sector has outperformed the broader market by ~13% as fears of a more pronounced hawkish pivot by the Federal Reserve and slowing growth deepen. Outside of the inflation and war-related rally in commodities which has driven the energy complex's massive outperformance, sector performance has been decidedly defensive within equities with utilities leading the way followed by gold, staples and healthcare. REITS have also performed well despite recession fears as investors look for income equities to protect against inflation.

Exhibit 6: YTD 2022 Top & Bottom Sector Performance

Sector	YTD % Chg.	Sector	YTD % Chg.
Nat Gas	84.4%	S&P 500	(6.2%)
Energy	45.6%	HY Bonds	(7.8%)
WTI - Crude	38.4%	US 10-YR	(7.8%)
Utilities	7.2%	US 30-YR	(11.8%)
Gold	6.8%	Large Growth	(13.1%)
Staples	4.6%	IG Bonds	(13.4%)
Large Value	0.5%	Small Growth	(15.1%)
REITs	(1.1%)	Technology	(16.2%)

Source: BMO Capital Markets, FactSet, Bloomberg

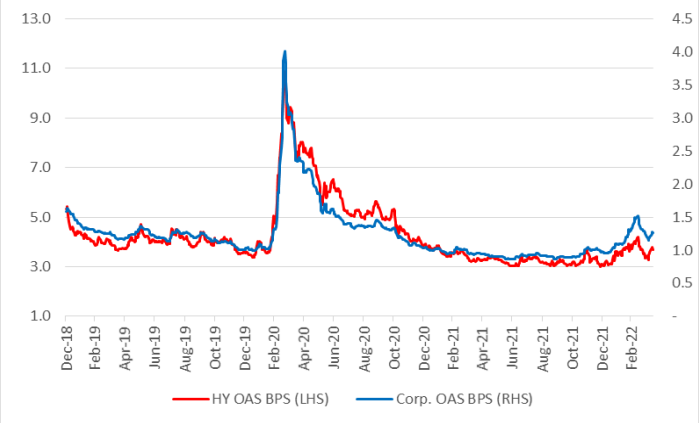
Exhibit 7: Value/Growth & 10YR Yields



Source: BMO Capital Markets, Bloomberg

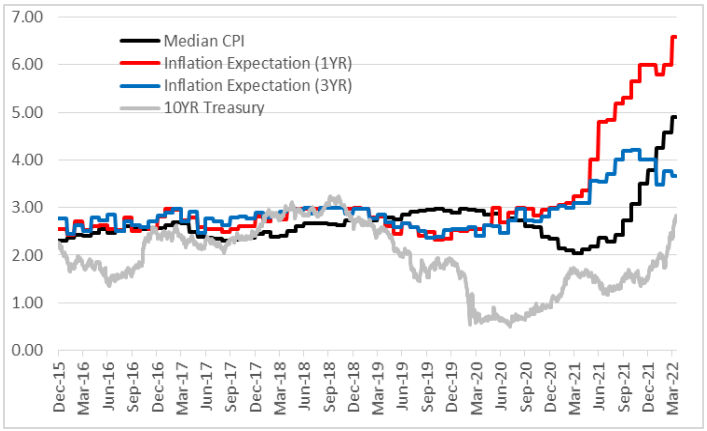
Not only are we seeing a flight to safety, but we believe we are witnessing a redistribution within investor's asset allocations across the market as evidenced by the underperformance of well-owned technology complex (-10%) as well as fixed income with both high yield and investment grade bonds down 2% and 7% relative, respectfully (Exhibit 6). Looking at style, both large and small cap growth has massively underperformed (6% and 9% respectively) as the multi-year reversal in growth over value trade finally reversed as the macro normalizes (Exhibit 7).

Exhibit 8: ICE/BAML OAS Investment Grade & High Yield Spreads



Source: BMO Capital Markets, Bloomberg

Exhibit 9: Federal Reserve Inflation Outlook & Median CPI

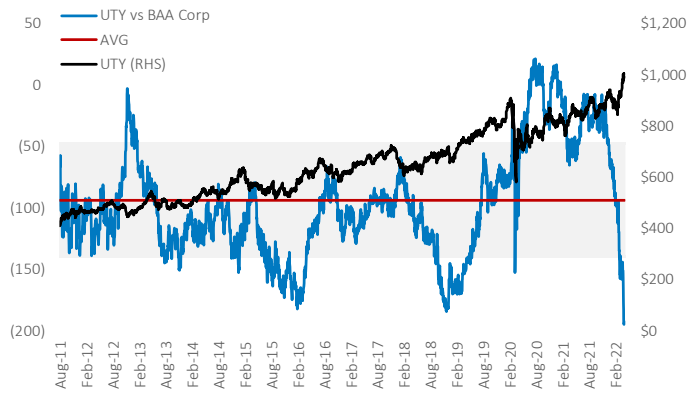


Source: BMO Capital Markets, Federal Reserve Bank of St, Louis

Despite what is now ~20% relative outperformance by the sector since the beginning of last November, we remain positive on the sector as it has only just begun to claw back the 50% underperformance relative to the S&P 500 since 2019. One of the most prevalent questions we have gotten over the last several months is why the sector continues to outperform despite rising Treasury yields. While it is counter intuitive relative to the historic negative correlation between yields and sector performance, we believe it is as simple as investors do not have a plethora of alternatives or more simply put the "TINA" (there is no alternative) phenomenon. As we discussed in January, with credit spreads at multi-decade tights (Exhibit 8) and the Fed winding down its balance sheet and raising rates to combat accelerating inflation (Exhibit 9) investors wore more principal risk in fixed income including Treasuries than they did in utilities. At that time our generic DDM model suggested that the sector was already discounting 10-year Treasury yields in excess of 2.25-2.30%. Therefore, not only did we believe the group was going to be less sensitive to rising rates, but the Fed's more hawkish policy stance was likely going to be significantly more negative for fixed income. Moreover, with the S&P 500 forward P/E beginning the

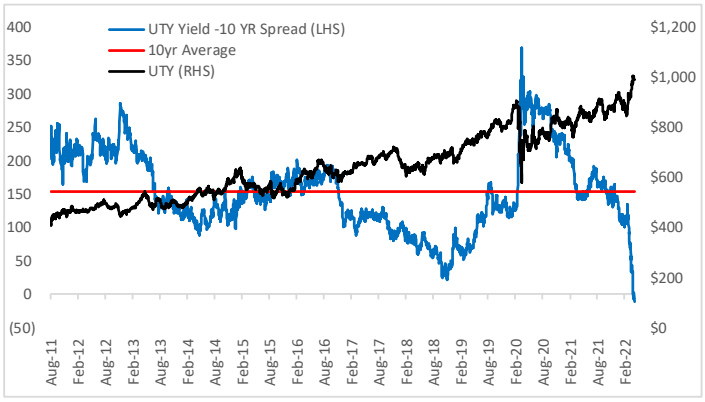
year at 21x, rising rates could actually be more negative to broader market valuations than the utility sector.

Exhibit 10: Utility Yields vs Moody's BAA Bond Yields



Source: BMO Capital Markets, FactSet

Exhibit 11: Utility Yields vs 10-Year Treasuries

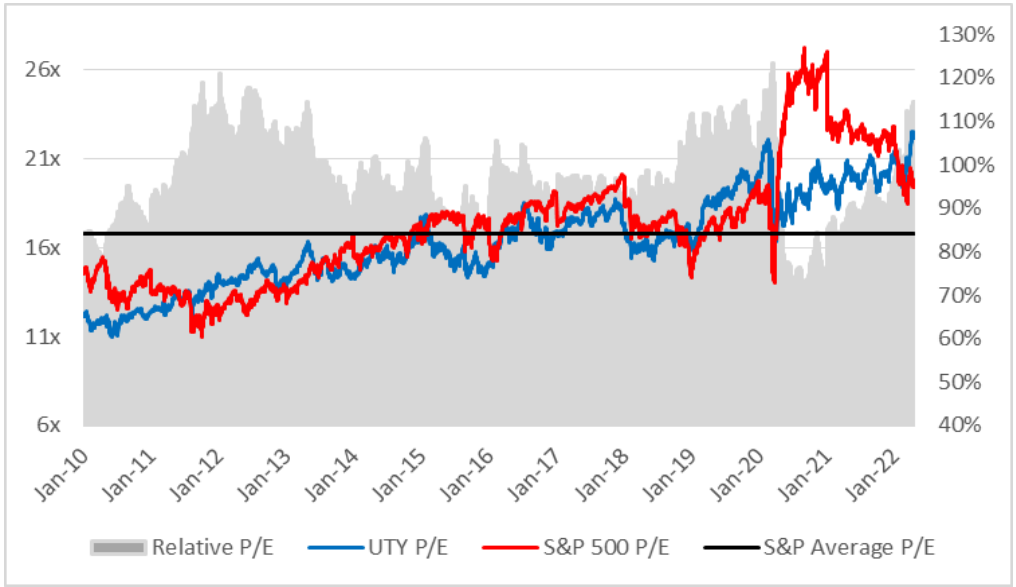


Source: BMO Capital Markets, FactSet

Continue to Remain Positive on Utilities – Draw Up your Buy List and Add to Pullbacks

Although the sector no longer looks inexpensive to us relative to traditional historic yield spreads including BAA Corporate bonds (Exhibit 10) or 10-Year Treasuries (Exhibit 11) and is likely over bought in the near term (60% of the sector has a 14D RSI of 60+), we believe the derating in broader market valuations still has more room to the downside (Exhibit 12) as the macro continues to normalize. Moreover, there remains a narrow set of alternatives available to investors for inflation-resistant income which should continue benefit the sector in what we expect to be a choppier equity environment and a continued tough set up for fixed income over the next 12 months.

Exhibit 12: Relative Forward P/E – UTY vs S&P 500



Source: BMO Capital Markets, Bloomberg

Turning back to the set up within the sector itself, we expect the already pronounced pivot back to traditional relative value to continue given an more normalized (tighter) valuation distribution within

the sector as well as a larger inventory of investable stories due to the handful of simplification strategies announced/completed over the past 12-18 months. The combination of a more normalized macro environment and less bifurcated utility valuation universe should allow investors to return to a more traditional relative value stock selection framework where stock-specific fundamentals and/or thematic drivers are the primary differentiators of relative performance. However, we don't want to proverbially put all our chickens in one basket as we largely try to view our investment recommendations as a portfolio construction exercise and a framework that offers investors the best risk-adjusted exposures within the sector.

Although we would expect any increased sponsorship in the sector to benefit the higher quality and more liquid names broadly, we would also still expect macro-related factors including style rotation and capitalization to impact relative performance. For that reason as we take inventory in our coverage universe after a great start to the year we continue to favor our BMO Barbell framework, which is constructed to gain exposure to both the thematic and directional aspects of the group through both a Quality/Thematic end as well as more pure Relative Value/GARP but with catalysts to drive relative performance. After additional compression in relative sector multiples our revised pecking order on each side of the barbell is as follows:

- **On the "Quality/Compounder" side we recommend AEE, CMS, XEL and CNP.**
- **On the "Value/GARP" side we continue to favor ETR, EXC, CEG and VST.**

Individual Company Quarterly Outlooks

Alliant Energy

Exhibit 13: BMO 1Q22 Earnings Bridge

1Q21 Operating Earnings	**$0.68**
Normal Weather 1Q21	($0.01)
Weather 1Q22	$0.02
Growth Due to Increasing Rate Base	$0.02
AFUDC	$0.01
Sales	$0.01
IPL Preferred Dividend Redeemed	$0.01
Interest Expense	($0.01)
1Q22E Operating Earnings	**$0.72**

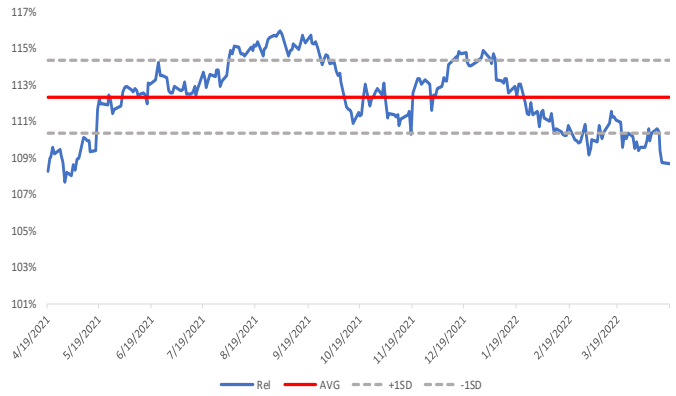
Source: BMO Capital Markets, Company Filings

Exhibit 14: BMO Earnings Preview Dashboard

	LNT	XLU
YTD Performance	3.9%	6.4%
1 Month Performance	5.9%	7.6%
1 Week Performance	(1.2%)	(0.0%)
P/E - 2024 BMO Estimates	21.2x	19.6x
Passive Ownership 3/31/2021	28.3%	
Passive Ownership 3/31/2022	31.7%	
4 Week Short Interest Change	(6 bp)	
Days to Cover	2.8	
Consensus 1Q22 Estimate	$0.72	
4 Week Estimate Change	9%	

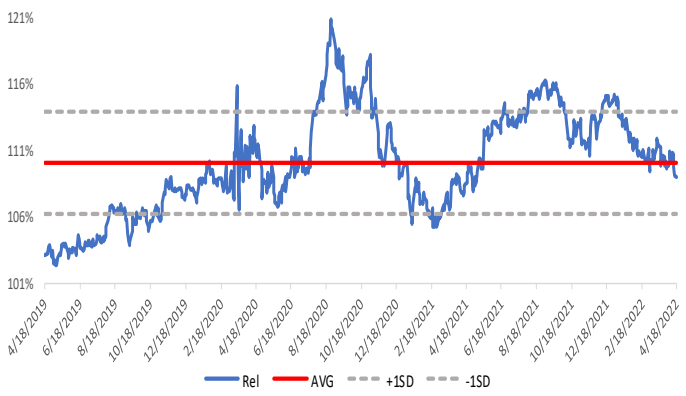
Source: BMO Capital Markets, FactSet

Exhibit 15: Relative Valuation FY-2 PE vs. Reg-All 1-YR



Source: BMO Capital Markets, FactSet

Exhibit 16: Relative Valuation FY-2 PE vs. Reg-All 3-YR



Source: BMO Capital Markets, FactSet

Ameren Energy

Exhibit 17: BMO 1Q22 Earnings Bridge

1Q21 Operating Earnings	$0.91
Weather - 1Q21 vs Norm	($0.01)
Weather - 1Q22	$0.01
MO Rates	$0.03
AEE IL Nat Gas Higher Delivery service rates and rate design	$0.04
AEE IL Higher ROE and Infrastructure Investments	$0.03
Transmissiion Rate Base Growth	$0.03
Higher Corporate Interest	($0.02)
FERC Order Addressing Historical Recovery 1Q21	$0.03
COLI	($0.03)
O&M	($0.03)
Parent Tax Timing	($0.01)
MO Tax Timing	($0.01)
Share dilution	($0.01)
1Q22E Operating Earnings	**$0.95**

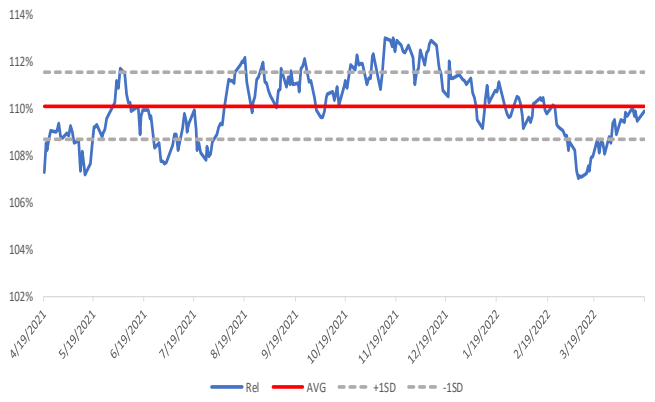
Source: BMO Capital Markets, Company Filings

Exhibit 18: BMO Earnings Preview Dashboard

	AEE	XLU
YTD Performance	8.5%	6.4%
1 Month Performance	10.0%	7.6%
1 Week Performance	(0.1%)	(0.0%)
P/E - 2024 BMO Estimates	21.4x	19.6x
Passive Ownership 3/31/2021	25.3%	
Passive Ownership 3/31/2022	26.6%	
4 Week Short Interest Change	(2 bp)	
Days to Cover	1.3	
Consensus 1Q22 Estimate	$0.97	
4 Week Estimate Change	3%	

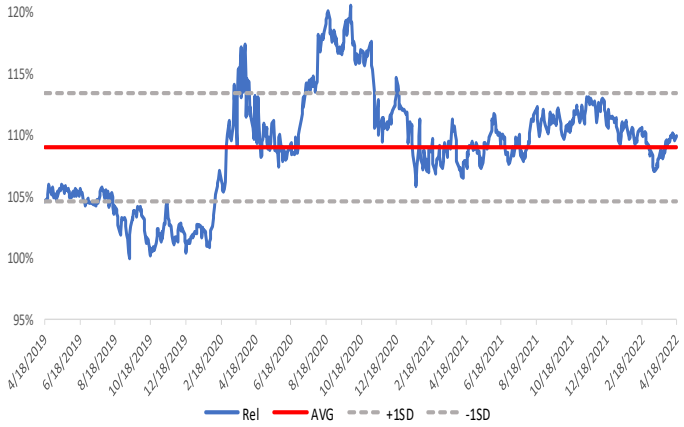
Source: BMO Capital Markets, FactSet

Exhibit 19: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 20: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

American Electric Power

Exhibit 21: BMO 1Q22 Earnings Bridge

1Q21 Operating Earnings	$1.15
Normal Weather	($0.13)
1Q22 Weather - QOQ	$0.04
Sales Growth & Some Favorable Mix	$0.02
VIU-related Rate Relief (APCo, PSO, NSW, SWEPCO)	$0.09
T&D-related Rate Relief (AEP OH, AEP TX)	$0.04
T&D Transmission HoldCo	$0.03
O&M and Cost Control	$0.03
Higher Depreciation, Property Taxes	($0.04)
Transmission Investment Growth	$0.01
Uri-related OSS benefit (VIU Texas)	($0.03)
ChargePoint - Absense of Gain 1Q21/MTM	($0.03)
Generation & Marketing - Retail	$0.02
Interest	($0.03)
1Q22E Operating Earnings	**$1.17**

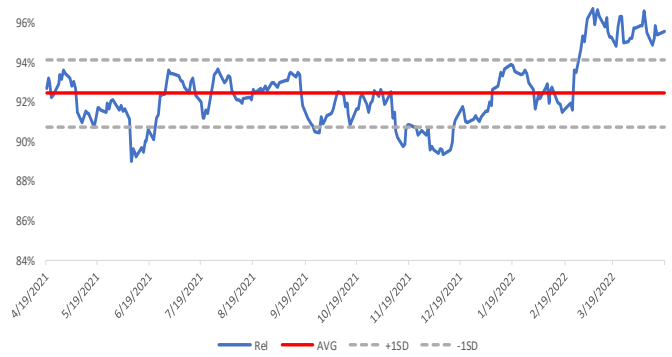
Source: BMO Capital Markets, Company Filings

Exhibit 22: BMO Earnings Preview Dashboard

	AEP	XLU
YTD Performance	15.1%	6.4%
1 Month Performance	8.9%	7.6%
1 Week Performance	0.1%	(0.0%)
P/E - 2024 BMO Estimates	18.4x	19.6x
Passive Ownership 3/31/2021	23.2%	
Passive Ownership 3/31/2022	24.4%	
4 Week Short Interest Change	(42 bp)	
Days to Cover	2.2	
Consensus 1Q22 Estimate	$1.21	
4 Week Estimate Change	(2%)	

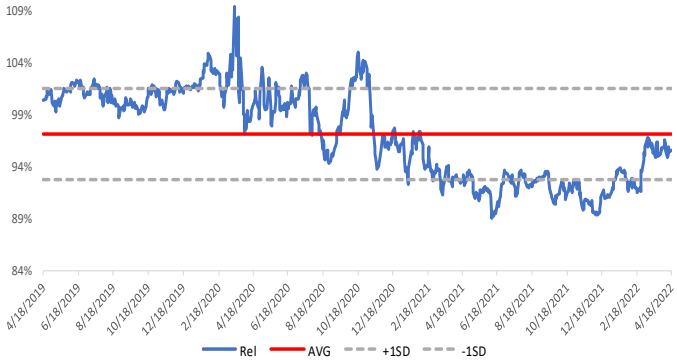
Source: BMO Capital Markets, FactSet

Exhibit 23: 1-YR Relative P/E vs Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 24: 3-YR Relative P/E vs Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Atlantica Sustainable Infrastructure

Exhibit 25: BMO 1Q22 Earnings Bridge

1Q21 Adjusted EBITDA	$170
Vento II Portfolio	$8
Coso Geothermal Plant	$8
Smaller Acquisitions	$1
FX Drag	($7)
Lower Solar Resource	($5)
Organic Growth	$1
1Q22E Adjusted EBITDA	**$177**

Source: BMO Capital Markets, Company Filings

Exhibit 26: BMO Earnings Preview Dashboard

	AY	XLU
YTD Performance	(8.0%)	6.4%
1 Month Performance	(5.3%)	7.6%
1 Week Performance	(2.6%)	(0.0%)
Passive Ownership 3/31/2021	8.3%	
Passive Ownership 3/31/2022	3.0%	
4 Week Short Interest Change	7 bp	
Days to Cover	6.0	
Consensus 1Q22 Estimate	$180	
4 Week Estimate Change	(4%)	

Source: BMO Capital Markets, FactSet

CenterPoint Energy

Exhibit 27: BMO 1Q22 Earnings Bridge

1Q21 Operating Earnings - UP&O	$0.47
Normalized Weather - Electric	$0.00
4Q21 Weather - Electric	$0.00
Absense of AK and OK Gas LDC Contribution	($0.01)
Minnesota Interim Rates	$0.02
Indiana South Rate Increase	$0.01
CEHE Investment Growth & Rate Relief	$0.01
Indiana Electric Growth & Rate Relief	$0.01
Natural Gas Investment Growth/riders	$0.01
Total Corporate O&M	($0.01)
OPEX: D&A and Interest Expense	($0.02)
Parent - Income Taxes & Net Interest	($0.01)
1Q22E Operating Earnings - UP&O	**$0.48**

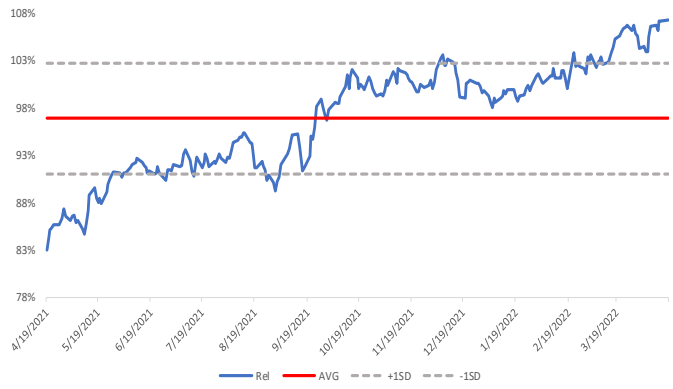
Source: BMO Capital Markets, Company Filings

Exhibit 28: BMO Earnings Preview Dashboard

	CNP	XLU
YTD Performance	15.3%	6.4%
1 Month Performance	10.7%	7.6%
1 Week Performance	(0.2%)	(0.0%)
P/E - 2024 BMO Estimates	20.6x	19.6x
Passive Ownership 3/31/2021	27.3%	
Passive Ownership 3/31/2022	27.0%	
4 Week Short Interest Change	1 bp	
Days to Cover	2.6	
Consensus 1Q22 Estimate	$0.48	
4 Week Estimate Change	(2%)	

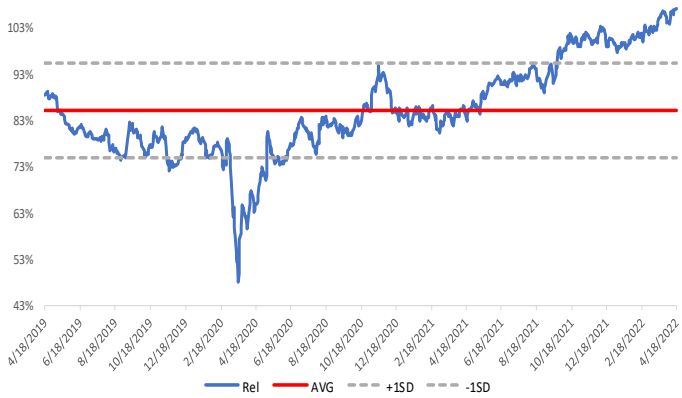
Source: BMO Capital Markets, FactSet

Exhibit 29: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 30: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

CMS Energy

Exhibit 31: BMO 1Q22 Earnings Bridge

1Q21 Operating Earnings	**$1.21**
Absense of EnerBank Contribution	($0.11)
Adjusted 1Q21 Operating Earnings	**$1.09**
Normal Weather - Electric	$0.02
Normal Weather - Gas	$0.08
Weather vs Normal - Higher HDDs	$0.02
Electric Residential & C&I Sales - Positive Mix	$0.00
Electric Rate Relief - December Order	$0.02
Gas Regulatory Impacts - Tax Flow Through	$0.03
Higher D&A, Property Taxes	($0.07)
O&M Spending	($0.02)
Enterprises	($0.02)
Share dilution /Interest	($0.01)
1Q22E Operating Earnings	**$1.13**

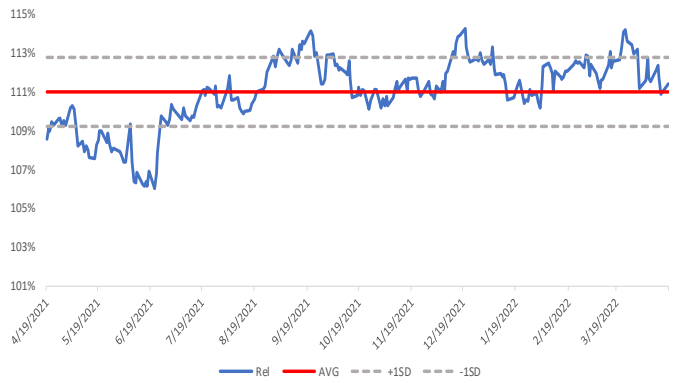
Source: BMO Capital Markets, Company Filings

Exhibit 32: BMO Earnings Preview Dashboard

	CMS	XLU
YTD Performance	11.2%	6.4%
1 Month Performance	9.2%	7.6%
1 Week Performance	(0.7%)	(0.0%)
P/E - 2024 BMO Estimates	20.9x	19.6x
Passive Ownership 3/31/2021	28.8%	
Passive Ownership 3/31/2022	29.5%	
4 Week Short Interest Change	7 bp	
Days to Cover	1.9	
Consensus 1Q22 Estimate	$1.10	
4 Week Estimate Change	(1%)	

Source: BMO Capital Markets, FactSet

Exhibit 33: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 34: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Constellation Energy

Exhibit 35: BMO 1Q22 Earnings Bridge

1Q21 Operating Net Income	($570)
Add: Non-Controlling Interest	$42
Add: Market & Portfolio Conditions - Primarily Winter Storm Uri	$830
Add: Timing-related Uri-Related Tax Impact	$68
Add: Credit Loss Expense	$20
Operating Net Income - 1Q21	**$390**
Add: Depreciation & Amortization	$298
Add: Interest Expense	$75
Add: Normalized Income Tax	$98
Less: Other Income	($249)
Add: CENG Acquisition & Increased ZEC Revenues	$103
Add: Other	$0
1Q22E Operating EBITDA	**$715**

Source: BMO Capital Markets, Company Filings

Exhibit 36: BMO Earnings Preview Dashboard

	CEG	XLU
YTD Performance		6.4%
1 Month Performance	36.1%	7.6%
1 Week Performance	7.8%	(0.0%)
Passive Ownership 3/31/2021		
Passive Ownership 3/31/2022	12.1%	
4 Week Short Interest Change		
Days to Cover	1.4	
Consensus 1Q22 Estimate	$667	
4 Week Estimate Change		

Source: BMO Capital Markets, FactSet

Dominion Energy

Exhibit 37: BMO 1Q22 Earnings Bridge

1Q21 Operating Earnings		$1.09
Weather Norm 1Q21		$0.01
Weather 1Q22		$0.00
Sales		$0.10
Regulated Growth		$0.02
O&M		($0.02)
Int Savings		$0.02
Dilution		($0.01)
Taxes		($0.03)
1Q22E Operating Earnings		**$1.18**
Company 4Q21 Guidance	*1.10-1.25*	*$1.17*

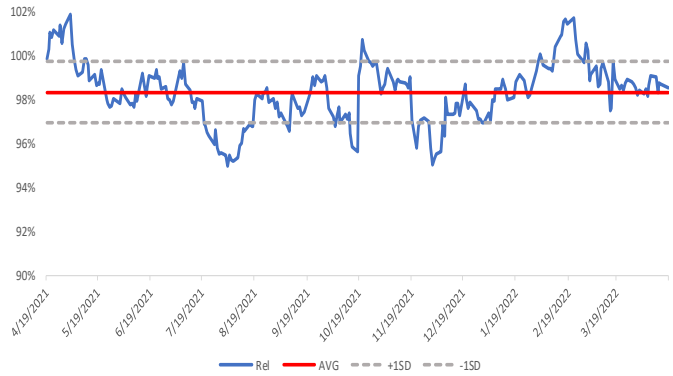
Source: BMO Capital Markets, Company Filings

Exhibit 38: BMO Earnings Preview Dashboard

	D	XLU
YTD Performance	10.7%	6.4%
1 Month Performance	7.0%	7.6%
1 Week Performance	(0.5%)	(0.0%)
P/E - 2024 BMO Estimates	18.5x	19.6x
Passive Ownership 3/31/2021	21.5%	
Passive Ownership 3/31/2022	23.3%	
4 Week Short Interest Change	(2 bp)	
Days to Cover	2.5	
Consensus 1Q22 Estimate	$1.16	
4 Week Estimate Change	0%	

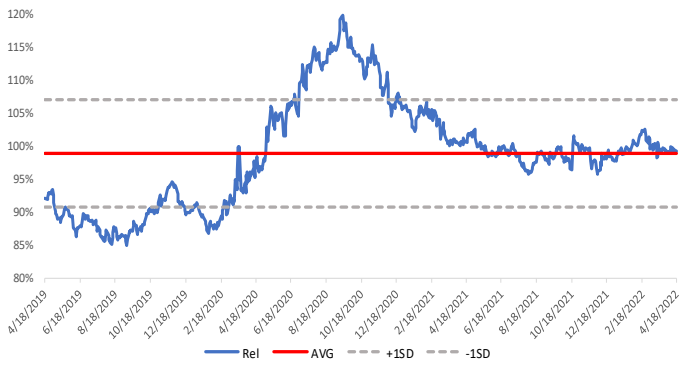
Source: BMO Capital Markets, FactSet

Exhibit 39: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 40: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

DTE Energy

Exhibit 41: BMO 1Q22 Earnings Bridge

1Q21 Operating Earnings	**$1.99**
Return to Normal Weather Electric	$0.04
Return to Normal Weather Gas	$0.06
1Q22 Electric Weather	$0.03
1Q22 Gas Weather	$0.06
Electric COVID Refund Reversal	$0.03
Electric TCJA-related deferred income taxes	$0.16
Electric O&M	($0.04)
Electric OPEX	($0.10)
DTE Gas Rate Relief - December 2021 Order	$0.07
Gas O&M	($0.02)
Gas OPEX	($0.03)
Corporate & Other	($0.04)
Trading	($0.05)
Vantage	($0.02)
1Q22E Operating Earnings	**$2.15**

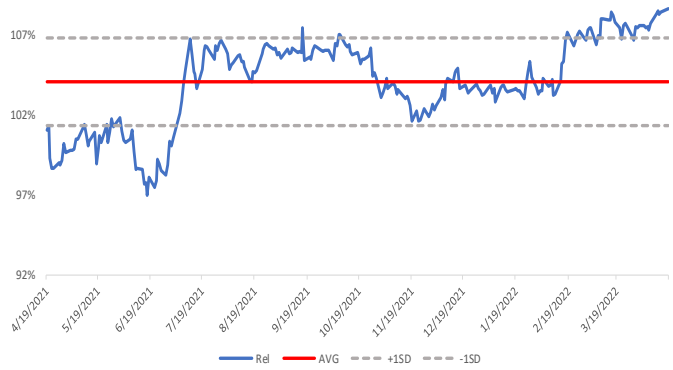
Source: BMO Capital Markets, Company Filings

Exhibit 42: BMO Earnings Preview Dashboard

	DTE	XLU
YTD Performance	15.3%	6.4%
1 Month Performance	9.3%	7.6%
1 Week Performance	(0.1%)	(0.0%)
P/E - 2024 BMO Estimates	20.9x	19.6x
Passive Ownership 3/31/2021	26.1%	
Passive Ownership 3/31/2022	26.5%	
4 Week Short Interest Change	6 bp	
Days to Cover	2.4	
Consensus 1Q22 Estimate	$2.06	
4 Week Estimate Change	6%	

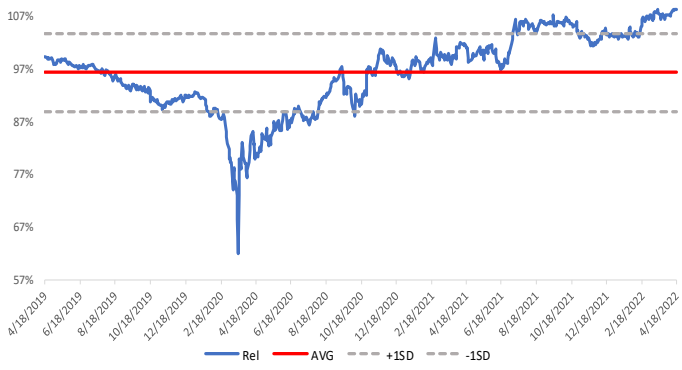
Source: BMO Capital Markets, FactSet

Exhibit 43: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 44: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Duke Energy

Exhibit 45: BMO 1Q22 Earnings Bridge

1Q21 Operating Earnings	**$1.26**
Phase 1 Sale of Duke Energy Indiana	($0.02)
Weather Normalized	$0.02
Weather and volumes 1Q21 vs 1Q22	($0.01)
Load Growth	$0.04
Total O&M - Flat assumption outside of storms	$0.00
FL MYRP & SOBRA Projects	$0.03
Rider Investments (IN/OH)	$0.03
Piedmont Rate Relief	$0.02
Piedmont Utility Riders/Customer Growth	$0.02
Piedmont Rate Lag	($0.02)
Commercial Renewables - Absense of Uri Impact	$0.04
Commercial Renewables - Less Projects In Service	($0.02)
Regulatory Lag, D&A, Interest, Property Taxes	($0.05)
Nuclear D&A	$0.04
Carolina January Storms	($0.03)
Parent & Other	($0.04)
1Q22E Operating Earnings	**$1.32**

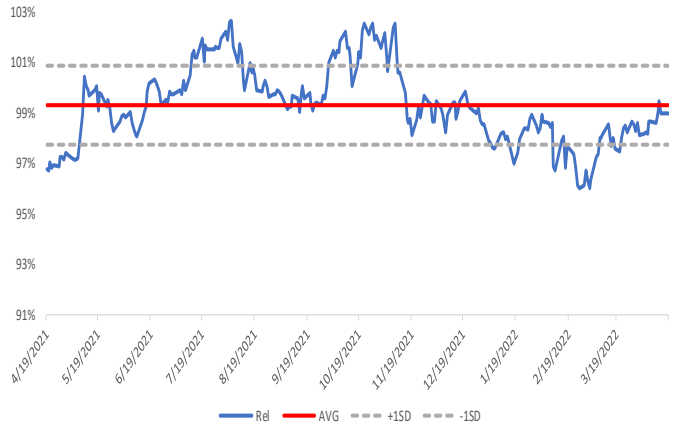
Source: BMO Capital Markets, Company Filings

Exhibit 46: BMO Earnings Preview Dashboard

	DUK	XLU
YTD Performance	9.1%	6.4%
1 Month Performance	9.0%	7.6%
1 Week Performance	(0.8%)	(0.0%)
P/E - 2024 BMO Estimates	18.8x	19.6x
Passive Ownership 3/31/2021	22.8%	
Passive Ownership 3/31/2022	23.8%	
4 Week Short Interest Change	(15 bp)	
Days to Cover	2.4	
Consensus 1Q22 Estimate	$1.32	
4 Week Estimate Change	0%	

Source: BMO Capital Markets, FactSet

Exhibit 47: 1-YR Relative P/E Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 48: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Entergy Corp

Exhibit 49: BMO 1Q22 Earnings Bridge

1Q21 Operating Earnings	$1.47
Normalized Weather	($0.11)
1Q22 Weather	
Volumes	$0.02
Turn-Around for E-AR 2019	($0.16)
Utility Other O&M	($0.06)
D&A	($0.09)
Interest	($0.04)
Utility Taxes - Other Than Income (Ad Valorem)	($0.04)
Rate Relief - FRPs, Riders & Other	$0.42
Dilution	($0.02)
1Q22E Operating Earnings	**$1.40**

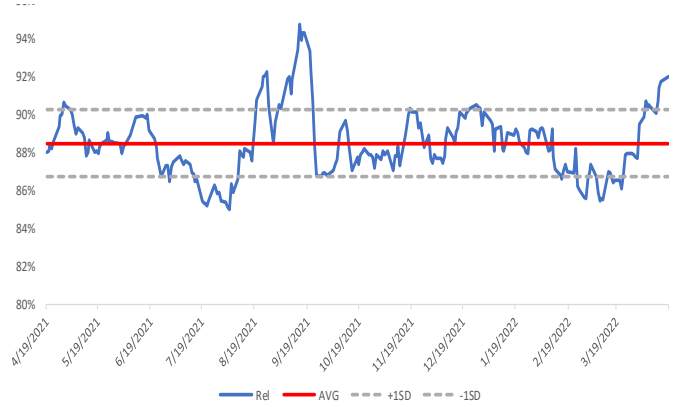
Source: BMO Capital Markets, Company Filings

Exhibit 50: BMO Earnings Preview Dashboard

	ETR	XLU
YTD Performance	10.6%	6.4%
1 Month Performance	13.8%	7.6%
1 Week Performance	1.0%	(0.0%)
P/E - 2024 BMO Estimates	17.9x	19.6x
Passive Ownership 3/31/2021	27.3%	
Passive Ownership 3/31/2022	27.8%	
4 Week Short Interest Change	(12 bp)	
Days to Cover	3.3	
Consensus 1Q22 Estimate	$1.34	
4 Week Estimate Change	(2%)	

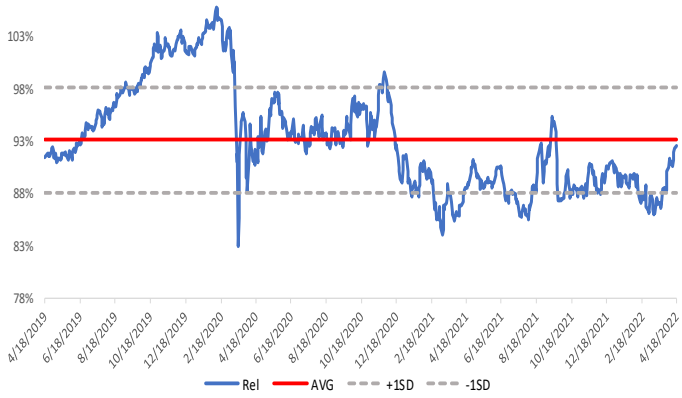
Source: BMO Capital Markets, FactSet

Exhibit 51: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 52: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Eversource Energy

Exhibit 53: BMO 1Q22 Earnings Bridge

1Q21 Operating Earnings	**$1.08**
Isaias Charge Reversal	$0.07
Gas incl. ES Gas of MA	$0.02
Electric Disbtribution	$0.02
Water	$0.00
Transmission	$0.03
Operating Costs costs	($0.03)
2021 Storms Net of 2022	$0.02
2Q22E Operating Earnings	**$1.21**

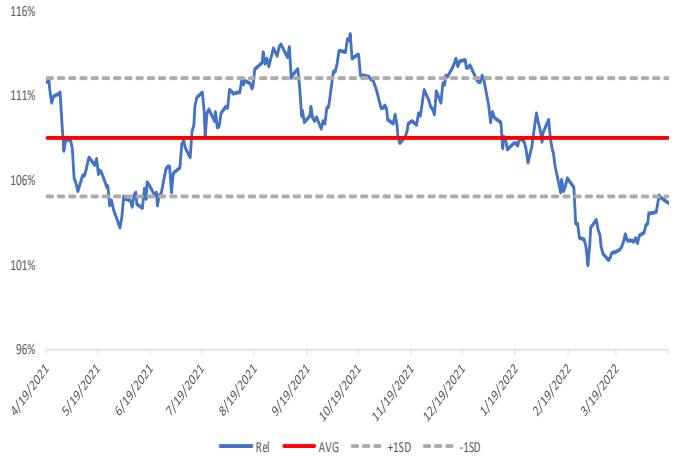
Source: BMO Capital Markets, Company Filings

Exhibit 54: BMO Earnings Preview Dashboard

	ES	XLU
YTD Performance	1.7%	6.4%
1 Month Performance	10.9%	7.6%
1 Week Performance	(0.4%)	(0.0%)
P/E - 2024 BMO Estimates	20.1x	19.6x
Passive Ownership 3/31/2021	29.6%	
Passive Ownership 3/31/2022	32.8%	
4 Week Short Interest Change	(8 bp)	
Days to Cover	1.7	
Consensus 1Q22 Estimate	$1.20	
4 Week Estimate Change	(1%)	

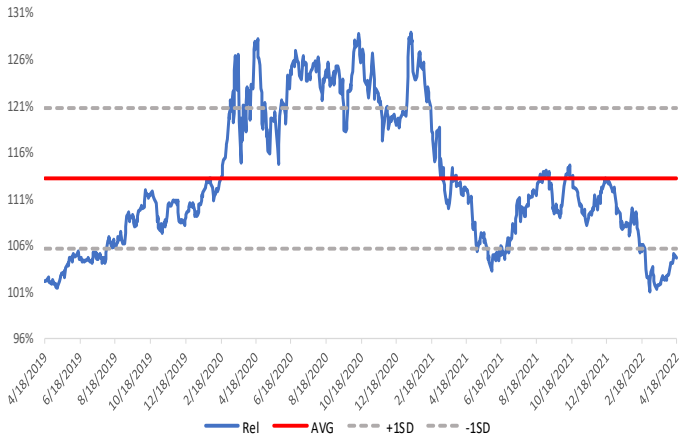
Source: BMO Capital Markets, FactSet

Exhibit 55: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 56: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exelon Corp

Exhibit 57: BMO 1Q22 Earnings Bridge

1Q21 Operating Earnings	$0.52
Normalized Weather (PECO & PHI)	$0.00
4Q21 Load & Weather	($0.01)
Utility Rates (PHI - MD & DC)	$0.03
Utility Rates (PECO - Electric)	$0.03
Utility Rates (PECO - Gas)	$0.01
Utility Rates (ComEd)	$0.01
ComEd ROE +7 b/p	$0.00
O&M Expense - $150mm for full year	($0.01)
OPEX - D&A, Interest & Taxes	($0.03)
Parent Taxes - Reversal from 1Q21	$0.12
Parent Interest - $2bn issued 3/22	$0.00
Constellation Non-Discontinued Ops O&M	(0.02)
UP&O 4Q21E	**$0.66**

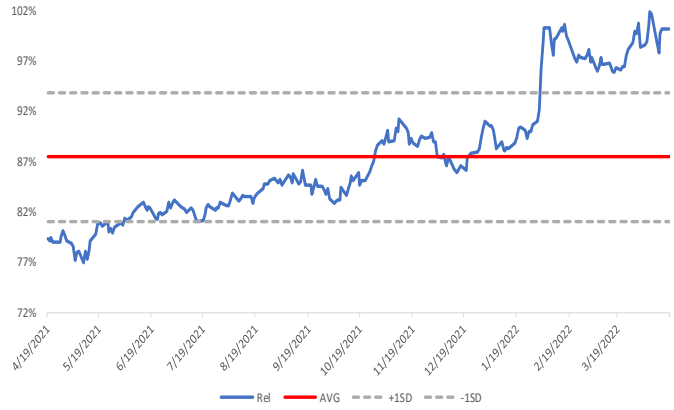
Source: BMO Capital Markets, Company Filings

Exhibit 58: BMO Earnings Preview Dashboard

	EXC	XLU
YTD Performance	20.2%	6.4%
1 Month Performance	14.5%	7.6%
1 Week Performance	3.0%	(0.0%)
P/E - 2024 BMO Estimates	19.3x	19.6x
Passive Ownership 3/31/2021	25.0%	
Passive Ownership 3/31/2022	24.9%	
4 Week Short Interest Change	(12 bp)	
Days to Cover	1.6	
Consensus 1Q22 Estimate	$0.63	
4 Week Estimate Change	2%	

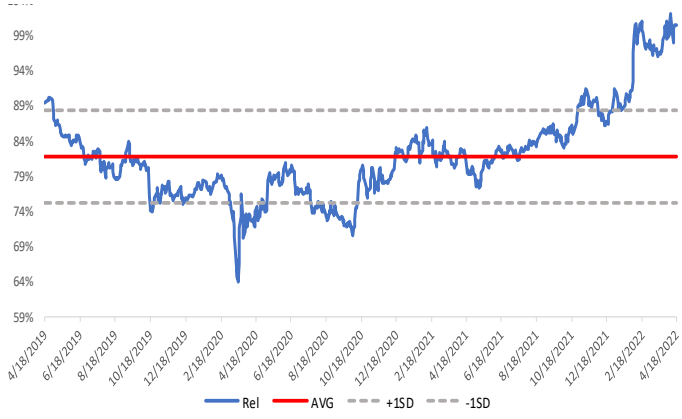
Source: BMO Capital Markets, FactSet

Exhibit 59: 1-YR Relative P/E Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 60: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

NextEra Energy

Exhibit 61: BMO 1Q22 Earnings Bridge

1Q21 Operating Earnings	**$0.67**
Merged Utilities	**$0.40**
New Investment/Growth Capital Employed	$0.03
Other, including share dilution	$0.00
Total Utilities	**$0.43**
NextEra Energy Resources	**$0.30**
NEER Wind Resource	$0.01
NEER New Investments, net of monetizations	$0.01
Existing Generation & Storage Assets	$0.04
Customer Supply & Trading	$0.02
Gas Infrastructure	($0.02)
Other	($0.03)
Total NEER	**$0.34**
Corporate & Other	**($0.03)**
Share Dilution/Refinancing Activities, Net	$0.01
Other. Net	($0.01)
Total Corporate & Other	**($0.03)**
1Q22E Operating Earnings	**$0.74**

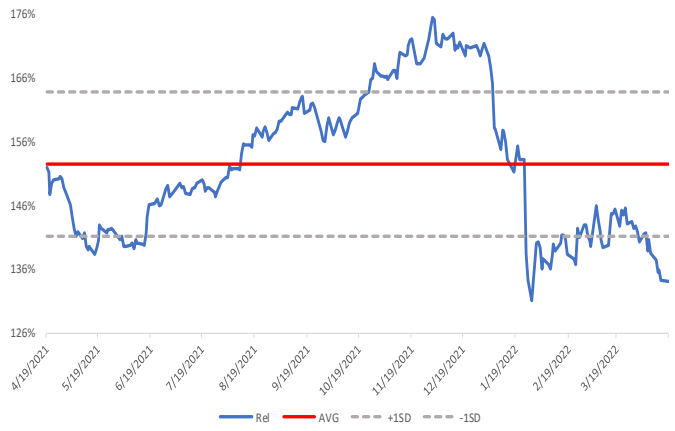
Source: BMO Capital Markets, Company Filings

Exhibit 62: BMO Earnings Preview Dashboard

	NEE	XLU
YTD Performance	(12.4%)	6.4%
1 Month Performance	(0.7%)	7.6%
1 Week Performance	(2.5%)	(0.0%)
P/E - 2024 BMO Estimates	26.1x	19.6x
Passive Ownership 3/31/2021	23.6%	
Passive Ownership 3/31/2022	24.1%	
4 Week Short Interest Change	(14 bp)	
Days to Cover	2.1	
Consensus 1Q22 Estimate	$0.71	
4 Week Estimate Change	6%	

Source: BMO Capital Markets, FactSet

Exhibit 63: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 64: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

NextEra Energy Partners

Exhibit 65: BMO 1Q22 Earnings Bridge

1Q21 Operating EBITDA & CAFD	Adjusted EBITDA $354	CAFD $184
New Projects ~2400MW acquired in 2021	$94	$49
Wind Resource - 98% in 1Q21	$3	$3
Absense of Winter Storm Uri Benefit - Gas Pipelines	($39)	($23)
Higher Outstanding Debt, Debt Amortization, CEPF Conversion		($10)
Incremental IDR Fees Paid to GP	($8)	($8)
1Q22E	**$404**	**$195**

Source: BMO Capital Markets, Company Filings

Exhibit 66: BMO Earnings Preview Dashboard

	NEP	XLU
YTD Performance	(11.8%)	6.4%
1 Month Performance	(8.2%)	7.6%
1 Week Performance	(5.2%)	(0.0%)
Passive Ownership 3/31/2021	1.8%	
Passive Ownership 3/31/2022	1.9%	
4 Week Short Interest Change	(28 bp)	
Days to Cover	8.1	
Consensus 1Q22 Estimate	$401	
4 Week Estimate Change	(2%)	

Source: BMO Capital Markets, FactSet

NiSource, Inc.

Exhibit 67: BMO 1Q22 Earnings Bridge

1Q21 Operating Earnings	$0.77
Beginning Net Income	$305
Rate Relief/Riders (PA, KY, MD, OH, IN)	$40
Higher O&M	($6)
Higher D&A	($5)
Non-Controling Interest	($0)
Other	$4
1Q22 Operating Net Income	**$338**
1Q22 Diluted Shares	441
1Q22E Operating Earnings	**$0.77**

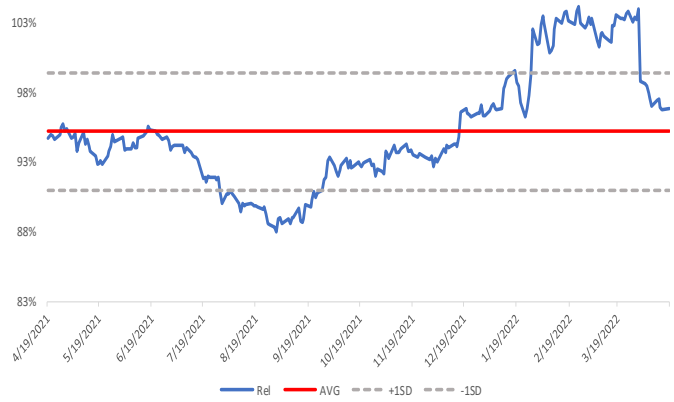
Source: BMO Capital Markets, Company Filings

Exhibit 68: BMO Earnings Preview Dashboard

	NI	XLU
YTD Performance	15.1%	6.4%
1 Month Performance	5.6%	7.6%
1 Week Performance	(1.1%)	(0.0%)
P/E - 2024 BMO Estimates	18.6x	19.6x
Passive Ownership 3/31/2021	27.7%	
Passive Ownership 3/31/2022	29.9%	
4 Week Short Interest Change	(4 bp)	
Days to Cover	3.5	
Consensus 1Q22 Estimate	$0.79	
4 Week Estimate Change	(1%)	

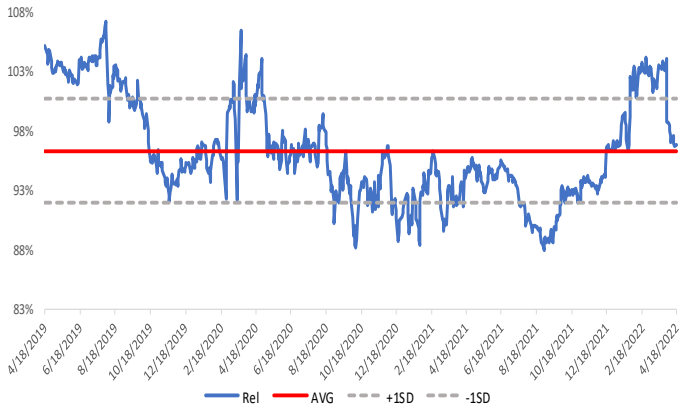
Source: BMO Capital Markets, FactSet

Exhibit 69: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 70: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

NRG Energy

Exhibit 71: BMO 1Q22 Earnings Bridge

1Q21 Consolidated EBITDA	**$567**
Texas Sub-Region	**$254**
Coal Supply	($15)
Limestone Outage	($42)
Agua Caliente Sale (35%)	($5)
Retail Margin	$10
Subtotal	**$202**
East, West & Other Sub-Region	**$313**
Asset sales - 4.9GW on 12/6/21	($48)
Capacity Revenues	$15
Coal Supply	($10)
Subtotal	**$270**
Direct Energy Acquisition Seasonal EBITDA	**$0**
Assumed Transaction Synergies	$18
Retail Growth	$10
Subtotal	**$28**
1Q22E Reported EBITDA	**$500**

Source: BMO Capital Markets, Company Filings

Exhibit 72: BMO Earnings Preview Dashboard

	NRG	XLU
YTD Performance	(7.8%)	6.4%
1 Month Performance	4.7%	7.6%
1 Week Performance	2.2%	(0.0%)
P/E - 2024 BMO Estimates	08.2x	19.6x
Passive Ownership 3/31/2021	29.1%	
Passive Ownership 3/31/2022	30.2%	
4 Week Short Interest Change	21 bp	
Days to Cover	3.6	
Consensus 1Q22 Estimate	$548	
4 Week Estimate Change	(5%)	

Source: BMO Capital Markets, FactSet

Public Service Enterprise Group

Exhibit 73: BMO 1Q22 Earnings Bridge

1Q21 Operating Earnings	**$1.28**
PSE&G - Utility	**$0.94**
Normalized Weather	$0.00
Transmission	$0.01
GSMP II and Gas Margin	$0.03
O&M	$0.00
D&A	($0.01)
Interest	($0.01)
Taxes and Other 4Q21	($0.01)
Pension & Opeb	$0.01
PSE&G - Utility	**$0.96**
Carbon Free Infra and Other	**$0.32**
Lost Revenue Fossil	($0.23)
O&M	$0.02
D&A & Interest Savings	$0.09
Solar Source Sale	($0.01)
ZECs	$0.01
Tax Benefit	($0.03)
Carbon Free Infra and Other	**$0.17**
Buyback	$0.02
1Q22E Operating Earnings	**$1.15**

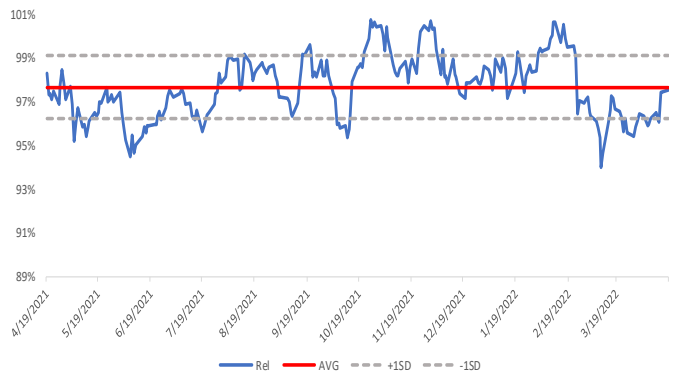
Source: BMO Capital Markets, Company Filings

Exhibit 74: BMO Earnings Preview Dashboard

	PEG	XLU
YTD Performance	9.5%	6.4%
1 Month Performance	9.4%	7.6%
1 Week Performance	1.6%	(0.0%)
P/E - 2024 BMO Estimates	19.4x	19.6x
Passive Ownership 3/31/2021	24.5%	
Passive Ownership 3/31/2022	25.9%	
4 Week Short Interest Change	35 bp	
Days to Cover	2.0	
Consensus 1Q22 Estimate	$1.11	
4 Week Estimate Change	3%	

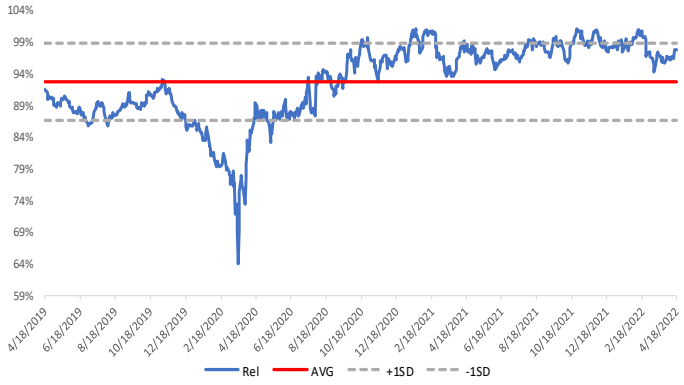
Source: BMO Capital Markets, FactSet

Exhibit 75: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 76: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Sempra Energy

Exhibit 77: BMO 4Q21 Earnings Bridge

1Q21 Operating Earnings	**$2.95**
SDG&E	**$212**
Margins	$5
FERC Formulaic Rates	$4
Regulatory Tax True Up	$0
Subtotal	**$221**
SoCalGas	**$407**
Margins	$0
Regulatory Tax True Up	$0
Subtotal	**$407**
Sempra Texas	**$135**
Customer Growth & DCRF/ICOS	$3
Weather	$5
Energy Effiency	$0
Subtotal	**$143**
Infrastructure	**$166**
Other	$1
LNG Marketing Earnings	$0
Renewable Additions	$2
Interest Expense	($3)
Subtotal	**$166**
Parent & Other	**($76)**
Total Net Income	**$861**
Dividends for Series B Preferred Stock	$0
Adjusted Net Income	**$861**
Diluted Shares	**317**
1Q22E Operating Earnings	**$2.72**

Source: BMO Capital Markets, Company Filings

Exhibit 78: BMO Earnings Preview Dashboard

	SRE	XLU
YTD Performance	28.7%	6.4%
1 Month Performance	8.9%	7.6%
1 Week Performance	0.4%	(0.0%)
P/E - 2024 BMO Estimates	18.2x	19.6x
Passive Ownership 3/31/2021	23.2%	
Passive Ownership 3/31/2022	24.8%	
4 Week Short Interest Change	9 bp	
Days to Cover	2.0	
Consensus 1Q22 Estimate	$2.75	
4 Week Estimate Change	(1%)	

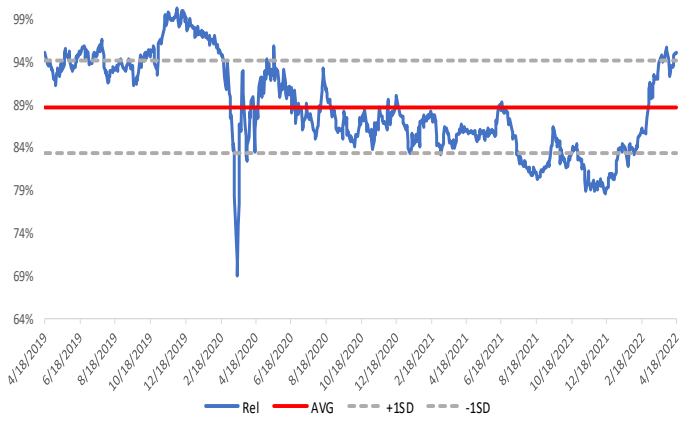
Source: BMO Capital Markets, FactSet

Exhibit 79: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 80: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Southern Company

Exhibit 81: BMO 1Q22 Earnings Bridge

1Q21 Operating Earnings	$0.98
Normalized Weather 1Q21	$0.03
1Q22 Weather	$0.00
O&M Expense	($0.08)
OPEX - D&A, Interest & Taxes	($0.04)
Gas Operations	$0.02
Souther Power	($0.03)
Sales Uplift	$0.03
Rate Increases	$0.02
Vogtle ROE Penalty	($0.01)
Parent & Other	($0.01)
Divested Assets	($0.01)
1Q22E Operating Earnings	**$0.90**
Company Guidance	*$0.90*

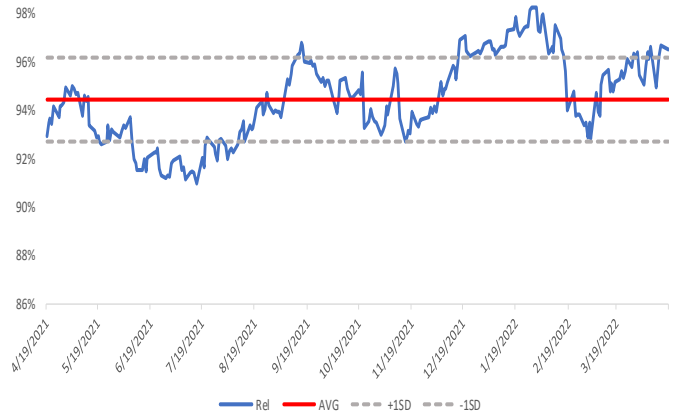
Source: BMO Capital Markets, Company Filings

Exhibit 82: BMO Earnings Preview Dashboard

	SO	XLU
YTD Performance	11.2%	6.4%
1 Month Performance	12.1%	7.6%
1 Week Performance	1.0%	(0.0%)
P/E - 2024 BMO Estimates	18.5x	19.6x
Passive Ownership 3/31/2021	22.6%	
Passive Ownership 3/31/2022	23.2%	
4 Week Short Interest Change	(20 bp)	
Days to Cover	3.0	
Consensus 1Q22 Estimate	$0.90	
4 Week Estimate Change	(4%)	

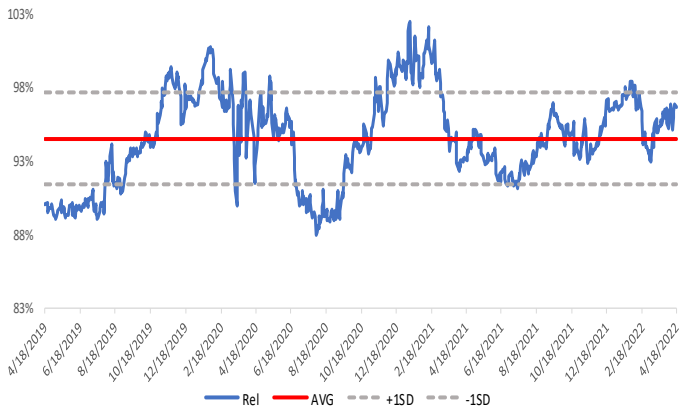
Source: BMO Capital Markets, FactSet

Exhibit 83: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 84: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Vistra Corp

Exhibit 85: BMO 1Q22 Earnings Bridge

VST Operating EBITDA by Segment	
Generation & Other Net Income - 1Q21	**($2,491)**
Add: Uri-related Revenues net of Fuel	$1,460
Add: Ancillary Services Costs	$1,630
Add: Income Taxes	($485)
Add: Interest Expenses	$27
Add: Other Income	($3)
Add: D&A	$390
Add: Wholesale Margin	$10
Total Generation	**$538**
Retail Net Income - 1Q21	**$88**
Add: Income Taxes	$29
Add: Interest Expenses	$2
Add: Other Income	$0
Add: D&A	$54
Add: Retail Margin	($41)
Retail EBITDA	**$132**
1Q22E Operating EBITDA	**$670**

Source: BMO Capital Markets, Company Filings

Exhibit 86: BMO Earnings Preview Dashboard

	VST	XLU
YTD Performance	9.0%	6.4%
1 Month Performance	10.8%	7.6%
1 Week Performance	3.2%	(0.0%)
P/E - 2024 BMO Estimates	07.8x	19.6x
Passive Ownership 3/31/2021	19.1%	
Passive Ownership 3/31/2022	20.4%	
4 Week Short Interest Change	(79 bp)	
Days to Cover	3.3	
Consensus 1Q22 Estimate	$740	
4 Week Estimate Change	2%	

Source: BMO Capital Markets, FactSet

WEC Energy Group

Exhibit 87: BMO 1Q22 Earnings Bridge

1Q21 Operating Earnings	$1.61
Normal Weather	$0.03
Weather YoY	$0.01
Rates	$0.10
Infra	$0.02
D&A	($0.05)
Interest	$0.01
O&M	$0.01
Tax Items	($0.04)
Econ Relief	$0.02
ATC	$0.01
Fuel Band	($0.02)
1Q22E Operating Earnings	**$1.71**

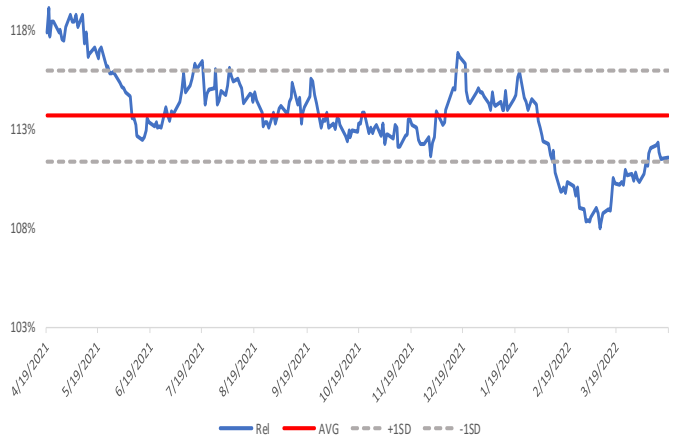
Source: BMO Capital Markets, Company Filings

Exhibit 88: BMO Earnings Preview Dashboard

	WEC	XLU
YTD Performance	7.7%	6.4%
1 Month Performance	10.4%	7.6%
1 Week Performance	0.1%	(0.0%)
P/E - 2024 BMO Estimates	21.6x	19.6x
Passive Ownership 3/31/2021	29.1%	
Passive Ownership 3/31/2022	32.1%	
4 Week Short Interest Change	(7 bp)	
Days to Cover	1.4	
Consensus 1Q22 Estimate	$1.66	
4 Week Estimate Change	4%	

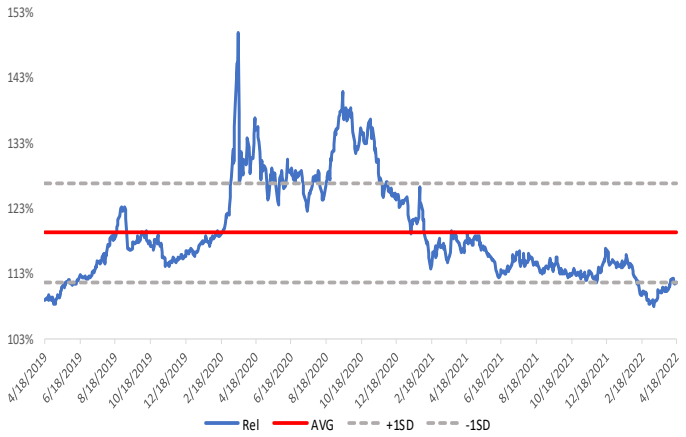
Source: BMO Capital Markets, FactSet

Exhibit 89: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 90: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Xcel Energy

Exhibit 91: BMO 1Q22 Earnings Bridge

1Q21 Operating Earnings	$0.67
Weather Norm 1Q21	($0.01)
Weather 1Q22	$0.02
AFUDC	$0.00
Prop Taxes	($0.01)
D&A	($0.09)
Riders	$0.02
O&M	($0.01)
Rate Relief	$0.11
Increased Sales	$0.03
Interest	($0.01)
Share Dilution	($0.01)
Trading Gains 1Q2021	($0.04)
Comanche Replacement Power	($0.01)
1Q22E Operating Earnings	**$0.66**

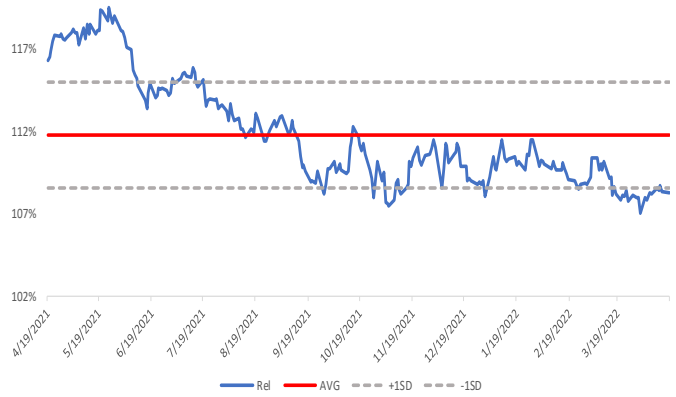
Source: BMO Capital Markets, Company Filings

Exhibit 92: BMO Earnings Preview Dashboard

	XEL	XLU
YTD Performance	10.5%	6.4%
1 Month Performance	8.8%	7.6%
1 Week Performance	0.1%	(0.0%)
P/E - 2024 BMO Estimates	20.6x	19.6x
Passive Ownership 3/31/2021	25.3%	
Passive Ownership 3/31/2022	27.3%	
4 Week Short Interest Change	(4 bp)	
Days to Cover	1.7	
Consensus 1Q22 Estimate	$0.68	
4 Week Estimate Change	(3%)	

Source: BMO Capital Markets, FactSet

Exhibit 93: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 94: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 95: AEE Model Summary

Ameren Coporation (AEE)	2020A	2021E	2022E	2023E	2024E	2025E
EPS By Segment						
Ameren Illinois	$1.52	$1.60	$1.84	$2.06	$2.27	$2.47
Union Electric	$1.75	$2.02	$2.03	$2.11	$2.14	$2.28
Ameren Transmission Company of Illinois	$0.34	$0.33	$0.33	$0.32	$0.32	$0.31
Parent & Other	($0.11)	($0.11)	($0.12)	($0.12)	($0.14)	($0.14)
Consolidated E.P.S.	**$3.50**	**$3.84**	**$4.07**	**$4.37**	**$4.59**	**$4.93**
Dividend per share	**$2.00**	**$2.10**	**$2.25**	**$2.43**	**$2.62**	**$2.83**
Payout Ratio total	57.1%	54.6%	55.3%	55.6%	57.2%	57.5%
Dividend Yield	2.0%	2.1%	2.3%	2.5%	2.7%	2.9%
Valuation Metrics						
Price to Earnings	28.1x	25.6x	24.2x	22.5x	21.4x	19.9x
Price to Book Value	2.2x	2.0x	1.9x	1.8x	1.7x	1.6x
Funding Sources						
Cash Flow from Operations	$1,727	$2,215	$2,398	$2,545	$2,709	$2,875
Total Debt Financings, Net	$1,791	$1,410	$948	$990	$1,201	$860
Total Equity Financings, Net	$476	$810	$400	$400	$400	$400
Credit Metrics						
Total Debt/Capitlization	56%	56%	55%	55%	55%	55%
FFO/Total Debt	17%	16%	16%	16%	16%	16%
Forecast ROE's - Consolidated						
Ameren Illinois Electric	8.3%	7.7%	8.2%	8.9%	9.6%	10.1%
Ameren Illinois Gas	7.9%	8.5%	8.6%	9.1%	9.5%	9.9%
Ameren Illinois Transmission	13.8%	13.6%	15.3%	15.8%	16.3%	16.7%
Union Electric	9.3%	9.7%	9.0%	8.9%	8.7%	9.0%
Ameren Transmission Company of Illinois	10.0%	9.9%	9.8%	9.8%	10.0%	10.1%

Source: BMO Capital Markets, Company Reports

Exhibit 96: AEP Model Summary

AEP Model Summary	2020	2021	2022	2023	2024	2025
EPS By Segment						
Vertical Integrated Utilities	$2.21	$2.24	$2.33	$2.45	$2.56	$2.73
Transmission & Distribution Utilities	$1.02	$1.14	$1.17	$1.22	$1.31	$1.41
Transmission Co	$1.03	$1.23	$1.31	$1.41	$1.54	$1.70
AEP Energy Supply	$0.36	$0.37	$0.39	$0.44	$0.49	$0.53
Coporate & Other	($0.18)	($0.24)	($0.21)	($0.23)	($0.32)	($0.43)
Consolidated E.P.S.	**$4.44**	**$4.74**	**$4.99**	**$5.29**	**$5.58**	**$5.94**
Dividend per share	**$2.84**	**$3.00**	**$3.15**	**$3.30**	**$3.47**	**$3.64**
Payout Ratio total	64.0%	63.2%	63.1%	62.5%	62.2%	61.3%
Dividend Yield		2.9%	3.1%	3.2%	3.4%	3.5%
Valuation Metrics						
Price to Earnings	23.5x	22.0x	20.9x	19.7x	18.7x	17.5x
Price to Book Value	2.5x	2.3x	2.2x	2.0x	2.0x	1.9x
Funding Sources						
Cash Flow from Operations	$3,833	$5,090	$5,510	$5,907	$6,240	$6,621
Total Debt Financings	$3,927	$5,107	$5,010	$4,435	$3,140	$4,925
Total Equity Financings	$155	$595	$2,198	$952	$102	$100
Credit Metrics						
Total Debt/Capitlization	62%	62%	60%	60%	60%	61%
FFO/Total Debt	13%	14%	14%	15%	14%	14%
Regulated Operations Performance - Realized ROE						
Appalachian Power Company	8.3%	8.1%	8.0%	7.7%	7.8%	7.8%
Indiana Michigan Power Company	11.5%	11.9%	11.8%	11.8%	11.4%	11.7%
Public Service Company of Oklahoma	8.4%	8.2%	8.3%	8.3%	8.5%	8.8%
Southwestern Electric Power Company	7.2%	7.5%	7.9%	8.4%	8.8%	9.1%
Kentucky Power Company	5.4%	5.7%	5.7%	6.0%	5.9%	5.9%
Wheeling Power Company	10.2%	10.3%	9.8%	8.7%	7.4%	7.8%
Kingsport Power Company	6.2%	6.0%	6.1%	5.9%	6.1%	6.3%
AEP Generating Company	5.6%	12.9%	25.2%	27.6%	30.4%	38.4%
AEP Texas Company	6.1%	6.5%	6.3%	6.2%	6.1%	6.1%
AEP Ohio	8.6%	8.4%	8.4%	8.4%	8.5%	8.5%
AEP Transmission Holdco	9.1%	9.9%	10.1%	10.3%	10.4%	10.6%

Source: BMO Capital Markets, Company Reports

Exhibit 97: AY Model Summary

AY Model Summary	2019	2020	2021	2022	2023	2024	2025
Segment Adjusted EBITDA							
Renewables	$604	$576	$603	$641	$663	$698	$735
Efficient Natural Gas & Heat	$109	$101	$100	$83	$103	$106	$108
Transmission Lines	$86	$87	$84	$88	$90	$92	$94
Water	$23	$32	$38	$39	$40	$41	$42
Adjusted EBITDA	$822	$796	$824	$852	$896	$936	$979
Cash Available for Distribution	$190	$201	$226	$239	$260	$281	$305
CAFD per Share	$1.88	$1.97	$2.03	$2.12	$2.27	$2.43	$2.62
DPS	$1.57	$1.66	$1.72	$1.78	$1.82	$1.94	$2.10
Dividend Yield	3.0%	4.9%	5.1%	5.3%	5.4%	5.8%	6.2%
Payout Ratio	83.4%	84.3%	84.4%	83.8%	80.1%	79.8%	80.2%
Enterprise Value	$7,887	$9,780	$9,664	$9,431	$9,394	$9,331	$9,243
EV/EBITDA				11.1x	10.5x	10.0x	9.4x
Funding Sources							
Cash Flow from Operations	$364	$438	$506	$515	$560	$603	$652
Total Debt Financings - Net	($244)	$159	($351)	($100)	($85)	($73)	($88)
Total Equity Financings	$30	$162	$189	$50	$50	$50	$0
Credit Metrics							
Corp Net Debt/CAFD pre Corp Debt Service		2.7x	3.5x	3.8x	3.8x	3.7x	3.8x

Source: BMO Capital Markets, Company Reports

Exhibit 98: CEG Model Summary

CEG Model Summary	2022	2023	2024	2025
Gross Margin				
Midwest	$4,241	$2,202	$1,595	$1,420
Mid-Atlantic	$4,091	$3,789	$2,786	$2,822
ERCOT	$557	$479	$362	$328
New York	$1,581	$1,319	$1,024	$991
New England	$64	$68	$29	$41
Other	$228	$214	$203	$207
Other Revenues	($175)	($175)	($175)	($175)
Direct Cost of Sales	($300)	($300)	($300)	($300)
Total Open Gross Margin	**$10,287**	**$7,596**	**$5,523**	**$5,334**
Contracted Revenues	$2,596	$3,151	$3,204	$3,204
Mark-to-Market of Hedges	($6,084)	($3,378)	($964)	($564)
Power New Business / To Go	$450	$500	$500	$500
Non-Power Margins Executed	$150	$100	$100	$100
Non-Power New Business / To Go	$250	$350	$350	$350
Total Gross Margin	**$7,649**	**$8,318**	**$8,713**	**$8,924**
Operating Expenses	$4,855	$4,997	$5,022	$5,035
EBITDA	**$2,794**	**$3,321**	**$3,691**	**$3,889**
Dividend per share	**$0.44**	**$0.73**	**$0.96**	**$1.32**
Dividend Growth		66%	31%	37%
Dividend Yield	0.8%	1.4%	1.8%	2.5%
FCF Per Share	**$3.75**	**$6.56**	**$10.16**	**$15.04**
Implied FCF/share growth		74.9%	55.0%	48.0%
Valuation Metrics				
EV/EBITDA	7.3x	5.6x	4.5x	3.6x
FCF Yield	7.1%	12.4%	19.2%	28.4%
Capital Return Assumed				
Total Shareholder Dividends	($135)	($198)	($218)	($240)
Share Buybacks	($1,000)	($1,800)	($2,200)	($2,200)
Debt Repayment - Net	($1,023)	$0	($15)	$0
Weighted Average Shares Outstanding	306	270	226	182
Credit Metrics				
Total Debt/Capitlization	25%	26%	27%	25%
FFO/Total Debt	77%	82%	86%	89%
EBITDA/Interest Expense	9.8x	11.7x	13.0x	13.7x
Net Debt/EBITDA	1.5x	1.3x	1.2x	1.2x

Source: BMO Capital Markets, Company Reports

Exhibit 99: CMS Model Summary

CMS Model Summary	2020	2021	2022	2023	2024	2025
EPS By Segment						
Consumers Energy	$2.84	$3.05	$3.26	$3.61	$3.97	$4.30
Enterprises, EnerBank, & Parent	($0.17)	($0.39)	($0.40)	($0.42)	($0.47)	($0.50)
Consolidated E.P.S.	**$2.67**	**$2.65**	**$2.87**	**$3.20**	**$3.50**	**$3.80**
Dividend per share	**$1.63**	**$1.74**	**$1.79**	**$1.94**	**$2.09**	**$2.26**
Payout Ratio total	61.1%	65.5%	62.5%	60.6%	59.7%	59.3%
Dividend Yield	3.3%	2.8%	2.9%	3.2%	3.4%	3.7%
Valuation Metrics						
Price to Earnings	22.9x	23.0x	21.3x	19.1x	17.4x	16.0x
Price to Book Value	2.9x	2.7x	2.6x	2.5x	2.4x	2.2x
Funding Sources						
Cash Flow from Operations	$1,276	$1,977	$2,082	$2,230	$2,382	$2,524
Total Debt Financings	$1,495	$750	$1,000	$850	$1,048	$840
Total Equity Financings	$253	$100	$0	$0	$0	$250
Credit Metrics						
Total Debt/Capitalization	71%	71%	71%	71%	71%	70%
FFO/Total Debt	18%	17%	17%	17%	17%	17%
Regulated Operations Performance - Realized ROE						
Consumers Energy Electric	11.0%	11.2%	11.1%	11.3%	11.6%	11.9%
Consumers Energy Gas	9.6%	9.1%	8.5%	8.6%	8.7%	8.9%

Source: BMO Capital Markets, Company Reports

Exhibit 100: CNP Model Summary

CNP Model Summary	2020	2021	2022	2023	2024
EPS By Segment					
Electric Utility	$0.80	$0.84	$0.85	$0.96	$1.00
Gas Utility	$0.54	$0.62	$0.65	$0.64	$0.68
Parent/Other	$0.16	($0.19)	($0.12)	($0.13)	($0.09)
Consolidated E.P.S.	**$1.49**	**$1.27**	**$1.37**	**$1.47**	**$1.59**
Dividend per share	**$0.60**	**$0.65**	**$0.69**	**$0.75**	**$0.81**
Payout Ratio total	40.2%	51.2%	50.4%	51.0%	50.9%
Payout Ratio % of Regulated earnings	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend Yield	2.6%	2.8%	3.0%	3.2%	3.5%
Valuation Metrics UP&O					
Price to Earnings	15.6x	18.3x	16.9x	15.8x	14.6x
Price to Book Value	1.5x	1.6x	1.6x	1.5x	1.4x
Funding Sources					
Cash Flow from Operations	$1,995	$1,070	$2,188	$3,323	$2,474
Total Debt Financings	($1,686)	$1,920	$823	$192	$1,467
Total Equity Financings	$672	$0	$25	$75	$75
Credit Metrics					
Total Debt/Capitlization	62%	64%	64%	63%	63%
FFO/Total Debt	14%	14%	14%	14%	14%
EBITDA/Interest Expense	3.8x	2.1x	4.1x	6.8x	5.0x
Regulated Operations Performance - Realized ROE					
CEHE	10.2%	11.0%	10.5%	10.8%	10.4%
Indiana Integrated Electric	10.7%	10.5%	10.6%	10.2%	9.5%
Gas Distribution (Combined)	8.3%	9.9%	10.6%	9.9%	9.4%

Source: BMO Capital Markets, Company Reports

Exhibit 101: D Model Summary

D Model Summary	2020	2021	2022	2023	2024	2025
EPS By Segment						
Virginia Electric & Power Co.	$2.28	$2.37	$2.64	$2.82	$3.04	$3.27
Dominion Southeast Energy Group	$0.51	$0.54	$0.64	$0.66	$0.71	$0.74
Gas Distribution	$0.67	$0.74	$0.83	$0.86	$0.94	$1.03
Contracted Assets	$0.48	$0.53	$0.49	$0.54	$0.55	$0.56
Parent & Other	($0.40)	($0.33)	($0.47)	($0.49)	($0.56)	($0.62)
Consolidated E.P.S.	**$3.54**	**$3.86**	**$4.12**	**$4.38**	**$4.69**	**$4.98**
Dividend per share	**$3.45**	**$2.52**	**$2.67**	**$2.83**	**$3.00**	**$3.18**
Payout Ratio total	97%	65%	65%	65%	64%	64%
Dividend Yield	4.0%	2.9%	3.1%	3.3%	3.4%	3.7%
Valuation Metrics						
Price to Earnings	24.6x	22.5x	21.1x	19.9x	18.6x	17.5x
Price to Book Value	2.7x	2.4x	2.2x	2.2x	2.0x	1.9x
Funding Sources						
Cash Flow from Operations	$5,227	$4,037	$6,838	$7,405	$8,007	$8,621
Total Debt Financings	$6,577	$6,400	$4,000	$6,700	$5,650	$6,000
Total Equity Financings	($2,921)	$192	$400	$800	$800	$800
Credit Metrics						
Total Debt/Capitlization	58%	58%	57%	58%	59%	59%
FFO/Total Debt	6%	15%	15%	15%	14%	14%
EBITDA/Interest Expense	3.6x	3.8x	3.6x	3.5x	3.4x	3.3x
Regulated Operations Performance - Realized ROE						
Virginia Electric & Power Co.	14%	13%	14%	13%	12%	12%
Dominion South Carolina	10%	11%	11%	12%	12%	12%
Dominion East Ohio	10%	10%	11%	12%	13%	15%
Hope Gas	16%	17%	20%			
Questar Gas	8%	8%	9%	9%	10%	11%
Public Service of North Carolina	11%	10%	11%	12%	14%	16%

Source: BMO Capital Markets, Company Reports

Exhibit 102: DTE Model Summary

DTE Electric (DTE)	2020A	2021E	2022E	2023E	2024E	2025E
EPS By Segment						
DTE Electric	$4.21	$4.54	$4.66	$4.70	$5.07	$5.47
DTE Gas	$1.01	$1.09	$1.19	$1.27	$1.39	$1.51
Power & Industrial Projects	$0.78	$0.86	$0.45	$0.47	$0.51	$0.56
Energy Trading	$0.20	$0.23	$0.11	$0.10	$0.10	$0.10
Parent & Other	($0.62)	($0.73)	($0.52)	($0.32)	($0.43)	($0.53)
Consolidated E.P.S.	**$5.58**	**$5.99**	**$5.88**	**$6.21**	**$6.65**	**$7.12**
Utility	93.6%	94.1%	99.4%	96.0%	97.2%	98.1%
Non-Utility	6.4%	5.9%	0.6%	4.0%	2.8%	1.9%
Dividend per share	**$4.05**	**$3.82**	**$3.53**	**$3.78**	**$4.04**	**$4.33**
Payout Ratio total	73%	64%	60%	61%	61%	61%
Dividend Yield	2.9%	2.7%	2.5%	2.7%	2.9%	3.1%
Forecast ROE's - Consolidated						
DTE Electric	9.3%	9.3%	8.8%	8.6%	8.7%	8.9%
DTE Gas	7.9%	7.8%	8.0%	8.3%	8.6%	8.9%

Source: BMO Capital Markets, Company Reports

Exhibit 103: DUK Model Summary

Duke Energy (DUK)	2021A	2022E	2023E	2024E	2025E
EPS By Segment					
Duke Energy Carolinas	$1.87	$1.97	$2.08	$2.19	$2.31
Duke Energy Progress	$1.08	$1.19	$1.32	$1.44	$1.56
Duke Energy Florida	$1.12	$1.19	$1.25	$1.31	$1.39
Duke Energy Indiana	$0.62	$0.52	$0.55	$0.59	$0.63
Duke Energy Ohio Electric	$0.20	$0.21	$0.24	$0.26	$0.28
Electric Utilities & Infrastructure Eliminations/Adjustment	$0.14	$0.14	$0.14	$0.14	$0.14
Duke Energy Ohio Gas	$0.17	$0.17	$0.18	$0.18	$0.19
Piedmont Natural Gas	$0.40	$0.47	$0.55	$0.60	$0.66
Midstream/Eliminations/Adjustments	$0.01	$0.01	$0.01	$0.01	$0.01
Commercial Renewables	$0.34	$0.35	$0.34	$0.34	$0.33
Parent & Other	($0.71)	($0.79)	($0.88)	($0.90)	($0.95)
Consolidated E.P.S.	**$5.24**	**$5.44**	**$5.77**	**$6.15**	**$6.55**
Growth	*2.3%*	*3.9%*	*6.0%*	*6.7%*	*6.5%*
EPS by Segment Group					
Electric Utilities & Infrastructure	$5.03	$5.23	$5.58	$5.93	$6.32
Gas Utilities & Infrastructure	$0.58	$0.65	$0.73	$0.79	$0.85
Commercial Renewables	$0.34	$0.35	$0.34	$0.34	$0.33
Parent & Other	($0.71)	($0.79)	($0.88)	($0.90)	($0.95)
Consolidated E.P.S.	**$5.24**	**$5.44**	**$5.77**	**$6.15**	**$6.55**
Payout Metrics					
Dividend per share	**$3.91**	**$4.01**	**$4.11**	**$4.21**	**$4.31**
Payout Ratio total	75%	74%	71%	68%	66%
Dividend Yield	3.8%	3.9%	4.0%	4.1%	4.1%

Source: BMO Capital Markets, Company Reports

Exhibit 104: ES Model Summary

Eversource Energy (ES)	2020A	2021E	2022E	2023E	2024E	2025E
EPS By Segment						
Connecticut Light & Power	$1.34	$1.40	$1.50	$1.57	$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)	$0.09	$0.28
Consolidated E.P.S.	**$3.56**	**$3.86**	**$4.10**	**$4.35**	**$4.64**	**$5.04**
Dividend per share	**$2.27**	**$2.41**	**$2.55**	**$2.70**	**$2.85**	**$3.00**
Payout Ratio total	63.7%	62.4%	62.2%	62.1%	61.5%	59.5%
Dividend Yield	2.4%	2.6%	2.7%	2.9%	3.1%	3.2%
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 Reports

Exhibit 105: ETR Model Summary

ETR Model Summary	2020	2021	2022	2023	2024
EPS By Segment					
Arkansas	$1.19	$1.55	$1.52	$1.57	$1.63
Louisiana	$3.48	$3.41	$3.59	$3.79	$3.85
Mississippi	$0.68	$0.71	$0.76	$0.79	$0.87
New Orleans	$0.25	$0.27	$0.26	$0.30	$0.30
Texas	$1.05	$1.12	$1.22	$1.26	$1.36
System Resources	$0.49	$0.44	$0.43	$0.44	$0.44
Entergy Wholesale Commodities	($0.32)	($0.85)	$0.65	$0.00	$0.00
Parent and Other	($1.42)	($1.49)	($1.43)	($1.45)	($1.43)
Consolidated E.P.S.	**$5.34**	**$5.17**	**$7.01**	**$6.69**	**$7.01**
Segment EPS (actual/as reported) + BMO Forecast					
Utility	$7.08	$7.51	$7.79	$8.14	$8.44
Parent and Other	($1.42)	($1.49)	($1.43)	($1.45)	($1.43)
Utilty and Parent Non-Recurring adjustments	($1.57)	$0.00	$0.00	$0.00	$0.00
Ongoing E.P.S (Excludes EWC)	**$5.66**	**$6.02**	**$6.36**	**$6.69**	**$7.01**
Payout Metrics					
Dividends	**$3.74**	**$3.86**	**$4.09**	**$4.33**	**$4.59**
Payout Ratio total	70.1%	74.6%	58.3%	64.8%	65.5%
Payout Ratio % of Regulated earnings	66.1%	64.1%	64.3%	64.8%	65.5%
Dividend Yield	3.1%	3.2%	3.4%	3.6%	3.8%

Source: BMO Capital Markets, Company Reports

Exhibit 106: EXC Model Summary

EXC Model Summary	2020A	2021E	2022E	2023E	2024E	2025E
EPS By Segment						
EXC Gen	$1.44					
Com Ed	$0.66	$0.79	$0.85	$0.93	$0.98	$1.04
PECO	$0.47	$0.56	$0.59	$0.63	$0.68	$0.72
BGE	$0.37	$0.42	$0.44	$0.48	$0.52	$0.55
PHI	$0.52	$0.58	$0.65	$0.69	$0.78	$0.85
Parent & Other	($0.24)	($0.26)	($0.27)	($0.31)	($0.35)	($0.38)
Consolidated E.P.S.	**$3.22**	**$2.10**	**$2.25**	**$2.41**	**$2.60**	**$2.78**
Growth				7.5%	7.8%	6.8%
Dividend per share	**$1.53**	**$1.53**	**$1.35**	**$1.44**	**$1.53**	**$1.63**
Growth				6.5%	6.5%	6.5%
Implied Payout Ratio	47.6%	73.0%	60.1%	59.5%	58.8%	58.7%
Dividend Yield	3.0%	3.0%	2.7%	2.9%	3.0%	3.2%
Valuation Metrics						
Price to Earnings	12.9x	19.8x	18.5x	17.2x	15.9x	14.9x
Price to Book Value	1.2x	1.8x	1.7x	1.6x	1.6x	1.5x
Funding Sources						
Cash Flow from Operations	$4,235	$7,906	$5,416	$5,763	$6,142	$6,469
Total Debt Financings	$8,168	$3,075	$4,300	$3,275	$3,350	$3,110
Total Equity Financings	$45	$0	$0	$250	$250	$250
Credit Metrics						
Total Debt/Capitlization	55%	60%	60%	61%	61%	60%
FFO/Total Debt	21%	24%	15%	15%	15%	16%
EBITDA/Interest Expense	7.0x	6.3x	5.0x	5.0x	5.1x	5.1x
Exelon Target Metrics ('22-24 Average)			13-14%	13-14%	13-14%	13-14%
S&P/Moody's Downgrade Thresholds			12.0%	12.0%	12.0%	12.0%
Regulated Operations Performance - Realized ROE (1)						
ComEd	8.7%	9.6%	9.5%	9.8%	9.8%	10.0%
PECO	11.0%	11.8%	11.2%	10.9%	10.8%	10.6%
BGE	9.7%	10.2%	9.8%	9.9%	10.0%	9.9%
PHI	9.1%	9.4%	9.7%	9.6%	10.1%	10.2%

Source: BMO Capital Markets, Company Reports

Exhibit 107: LNT Model Summary

Alliant Energy (LNT)	2020A	2021E	2022E	2023E	2024E	2025E
EPS By Segment						
Interstate Power & Light	$1.30	$1.42	$1.47	$1.57	$1.67	$1.84
Wisconsin Power & Light	$1.00	$1.09	$1.16	$1.25	$1.31	$1.40
ATC	$0.14	$0.14	$0.14	$0.14	$0.13	$0.13
Parent & Other	($0.01)	($0.02)	($0.04)	($0.04)	($0.04)	($0.05)
Consolidated E.P.S.	**$2.43**	**$2.63**	**$2.73**	**$2.92**	**$3.07**	**$3.33**
	5.1%	8.2%	3.6%	7.1%	5.2%	8.3%
Dividend per share	**$1.52**	**$1.61**	**$1.71**	**$1.81**	**$1.92**	**$2.03**
Payout Ratio total	62%	61%	63%	62%	62%	61%
Dividend Yield	2.3%	2.5%	2.6%	2.8%	3.0%	3.1%
Valuation Metrics						
Price to Earnings	26.7	24.6	23.8	22.2	21.1	19.5
Price to Book Value	2.2	2.1	2.0	1.9	1.8	1.7
Funding Sources						
Cash Flow from Operations	$501	$1,280	$1,302	$1,365	$1,495	$1,567
Total Debt Financings, Net	$645	$445	$515	$189	$285	$578
Total Equity Financings, Net	$247	$25	$25	$25	$25	$25
Credit Metrics						
Total Debt/Capitlization	55%	55%	56%	55%	55%	55%
FFO/Total Debt		17%	16%	16%	17%	17%
Forecast ROE's - Consolidated						
Interstate Power & Light	10%	10%	10%	10%	10%	9%
Wisconsin Power & Light	12%	12%	12%	12%	12%	12%

Source: BMO Capital Markets, Company Reports

Exhibit 108: NEE Model Summary

NEE Model Summary	2020	2021	2022	2023	2024	2025
EPS By Segment						
Florida Power & Light	$1.34	$1.46	$1.52	$1.70	$1.91	$2.01
Gulf Power	$0.12	$0.14	$0.15	$0.17	$0.17	$0.19
NextEra Energy Resources	$0.99	$1.07	$1.24	$1.29	$1.31	$1.41
NEET	$0.03	$0.03	$0.06	$0.06	$0.06	$0.06
Corporate & Other	($0.18)	($0.16)	($0.16)	($0.16)	($0.17)	($0.17)
Consolidated E.P.S.	**$2.31**	**$2.55**	**$2.82**	**$3.05**	**$3.28**	**$3.50**
Dividend per share	**$1.40**	**$1.54**	**$1.69**	**$1.83**	**$1.98**	**$2.13**
Payout Ratio total	60.7%	60.4%	60.1%	59.9%	60.3%	61.0%
Dividend Yield	2.1%	2.3%	2.5%	2.7%	2.9%	3.2%
Valuation Metrics						
Price to Earnings	29.0x	26.3x	23.8x	22.0x	20.4x	19.2x
Price to Book Value	2.7x	2.6x	2.6x	2.5x	2.4x	2.3x
Funding Sources						
Cash Flow from Operations	$7,883	$8,396	$9,624	$10,270	$10,538	$11,108
Total Debt Financings	$11,497	$10,510	$3,915	$2,790	$2,550	$3,255
Total Equity Financings	($92)	$100	$100	$100	$100	$100
Credit Metrics						
Total Debt/Capitlization	50%	52%	53%	52%	52%	51%
FFO/Total Debt	18%	17%	19%	19%	19%	19%
Regulated Operations Performance - Realized ROE						
Florida Power & Light	11%	11%	11%	11%	12%	12%
Gulf Power	11%	11%	11%	12%	11%	12%
NextEra Energy Resources Performance						
Adj. EBITDA	$5,728	$6,611	$7,128	$7,344	$7,437	$7,741

Source: BMO Capital Markets, Company Reports

Exhibit 109: NEP Model Summary

NEP Model Summary	2019	2020	2021	2022	2023	2024	2025
Adjusted EBITDA	$1,104	$1,263	$1,360	$1,715	$1,876	$1,998	$2,148
Cash Available for Distribution	$366	$570	$584	$650	$720	$758	$808
Distribution to Unit Holders	**$2.04**	**$2.34**	**$2.69**	**$3.10**	**$3.56**	**$3.99**	**$4.47**
Distribution Yield	4%	4%	4%	5%	5%	6%	7%
Funding Sources							
Cash Flow from Operations	$346	$665	$184	$242	$233	$192	$153
Total Debt Financings	$3,380	$705	$440	$680	$680	$1,630	$1,325
Total Equity Financings	$1,765	$705	($262)	($333)	$0	($280)	$0
Credit Metrics							
Debt/EBITDA	3.8x	2.7x	2.9x	2.7x	2.7x	3.0x	3.1x

Source: BMO Capital Markets, Company Reports

Exhibit 110: 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	$1.09	$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**	**$1.37**	**$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%	64.4%	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	21.5x	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	$1,426	$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%

Source: BMO Capital Markets, Company Reports

Exhibit 111: NRG Model Summary

NRG Model Summary	2020	2021	2022	2023	2024
EBITDA by Segment					
Wholesale	$1,013	$839	$628	$576	$557
Retail	$990	$1,075	$1,502	$1,775	$1,854
Consolidated	**$2,004**	**$1,914**	**$2,130**	**$2,351**	**$2,411**
Adj. FCF (NRG Basis)	$1,400	$1,472	$1,688	$1,913	$2,005
FCF Before Growth (NRG Basis)	$1,223	$1,137	$1,348	$1,598	$1,690
Dividend Per Share	**$1.20**	**$1.30**	**$1.40**	**$1.51**	**$1.63**
Implied Dividend Growth	900.0%	8.0%	8.0%	8.0%	8.0%
Dividend Yield	2.9%	3.2%	3.4%	3.7%	4.0%
FCF Per Share	**$4.97**	**$4.74**	**$5.94**	**$7.88**	**$9.50**
Implied FCF/share growth	11.3%	-4.5%	25.1%	32.7%	20.6%
FCF Yield	12.1%	11.6%	14.5%	19.2%	23.2%
Valuation Metrics					
EV/EBITDA	7.4x	9.0x	7.5x	6.2x	5.4x
FCF Yield	12.1%	11.6%	14.5%	19.2%	23.2%
Captital Return Assumed					
Total Shareholder Dividends	$295	$311	$318	$307	$290
Share Buybacks	$450	$60	$940	$1,000	$1,000
Debt Repayment	$0	$1,300	$0	$83	$600
Credit Metrics					
FFO/Total Debt	17.5%	26.4%	25.3%	27.4%	30.0%
EBITDA/Interest Expense	4.0x	5.6x	5.4x	5.7x	6.2x
Net Debt/EBITDA	2.5x	3.1x	3.1x	2.8x	2.6x
NRG Weighted Average Shares Outstanding	246	240	227	203	178

Source: BMO Capital Markets, Company Reports

Exhibit 112: PEG Model Summary

PEG Model Summary	2020	2021	2022	2023	2024	2025
EPS By Segment						
PSE&G	$2.62	$2.89	$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**	**$3.65**	**$3.43**	**$3.67**	**$3.86**	**$4.08**
UP&O	**$2.58**	**$2.86**	**$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%	55.9%	63.0%	62.4%	62.9%	63.0%
Payout Ratio % of Regulated earnings	74.9%	70.6%	71.2%	69.9%	69.3%	68.9%
Dividend Yield	3.3%	2.7%	2.9%	3.1%	3.2%	3.4%
Valuation Metrics						
Price to Earnings	17.3x	20.5x	21.8x	20.4x	19.4x	18.3x
Price to Book Value	1.9x	2.3x	2.2x	2.1x	2.0x	2.0x
Funding Sources						
Cash Flow from Operations	$3,102	$3,131	$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%	12.0%	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 Reports

Exhibit 113: SO Model Summary

SO Model Summary	2020	2021	2022	2023	2024
EPS By Segment					
Georgia Power	$1.71	$1.73	$1.78	$2.05	$2.15
Alabama Power	$1.08	$1.18	$1.19	$1.26	$1.30
Mississippi Power	$0.14	$0.18	$0.19	$0.20	$0.20
Southern Co. Gas	$0.53	$0.54	$0.57	$0.61	$0.65
Southern Power	$0.20	$0.26	$0.26	$0.29	$0.31
Parent & Other	($0.43)	($0.48)	($0.48)	($0.48)	($0.48)
Consolidated E.P.S.	**$3.23**	**$3.41**	**$3.52**	**$3.93**	**$4.14**
EPS By Segment Group					
Electric T&D	$2.93	$3.09	$3.16	$3.51	$3.65
Gas LDC	$0.37	$0.39	$0.42	$0.47	$0.50
Infrastructure and Marketing	$0.36	$0.41	$0.41	$0.43	$0.47
Parent & Other	($0.43)	($0.48)	($0.48)	($0.48)	($0.48)
Consolidated E.P.S.	**$3.23**	**$3.41**	**$3.52**	**$3.93**	**$4.14**
Payout Metrics					
Dividend per share	**$2.54**	**$2.62**	**$2.70**	**$2.78**	**$2.86**
Payout Ratio total	78.6%	76.9%	76.7%	70.7%	69.2%
Payout Ratio % of Regulated earnings	73.4%	72.2%	72.4%	67.5%	66.6%
Dividend Yield	4.1%	4.3%	4.4%	4.5%	4.7%

Source: BMO Capital Markets, Company Reports

Exhibit 114: SRE Model Summary

Sempra Energy (SRE) Model	2019A	2020A	2021E	2022E	2023E	2024E	2025E
EPS By Segment							
San Diego Gas & Electric	$2.72	$2.82	$2.62	$2.65	$2.80	$2.90	$3.01
Southern California Gas	$2.27	$2.52	$2.30	$2.32	$2.51	$2.75	$2.99
Texas Utilities	$1.87	$1.98	$1.97	$2.19	$2.36	$2.62	$2.85
South American Utilities	$0.00						
Sempra Mexico - IEnova	$0.90	$0.89	$0.96	$1.13	$1.14	$1.14	$1.13
Sempra LNG	($0.02)	$1.09	$1.60	$1.08	$1.13	$1.11	$1.10
Parent & Other	($1.86)	($1.58)	($1.02)	($0.82)	($0.89)	($0.96)	($0.98)
Discontinued Operations	$0.90	$0.32					
Consolidated E.P.S.	**$6.78**	**$8.03**	**$8.43**	**$8.55**	**$9.05**	**$9.55**	**$10.10**
Growth		*18.6%*	*4.9%*	*1.5%*	*5.8%*	*5.5%*	*5.8%*
Dividend per share	**$3.87**	**$4.18**	**$4.40**	**$4.58**	**$4.85**	**$5.15**	**$5.45**
Growth		*8.0%*	*5.3%*	*4.1%*	*6.0%*	*6.0%*	*6.0%*
Payout Ratio total	57.1%	52.0%	52.2%	53.5%	53.6%	53.9%	54.0%
Dividend Yield	2.2%	2.4%	2.5%	2.7%	2.8%	3.0%	3.2%
Funding Sources							
Cash Flow from Operations	$3,088	$2,591	$3,685	$3,733	$3,938	$4,105	$4,295
Total Debt Financings, Net	$1,285	($1,572)	$1,500	$2,387	$1,073	$1,460	$1,543
Total Equity Financings, Net	$1,804	($555)	$1,745	$100	$0	$0	$0
Credit Metrics							
Total Debt/Capitlization	54%	49%	51%	52%	51%	51%	50%
FFO/Total Debt	14%	14%	18%	17%	17%	17%	18%
EBITD/Interest Expense	3.0x	2.9x	3.2x	3.1x	3.1x	3.1x	3.1x
Forecast Consolidated ROE's							
San Diego Gas & Electric	15.1%	13.3%	12.3%	10.7%	10.5%	10.3%	10.3%
Southern California Gas	18.4%	17.3%	15.2%	13.3%	13.0%	13.1%	13.3%
Texas Utilities	10.9%	10.0%	9.8%	10.0%	9.7%	9.9%	10.1%

Source: BMO Capital Markets, Company Reports

Exhibit 115: VST Model Summary

VST Model Summary	2020	2021	2022	2023	2024
EBITDA					
Wholesale	$2,783	$1,159	$2,494	$2,520	$2,455
Retail	$983	$912	$889	$938	$990
Asset Closure	($81)	($130)	($85)	($80)	($85)
VSTAdj EBITDA (Excludes asset Closure)	**$3,766**	**$2,071**	**$3,383**	**$3,459**	**$3,444**
VST EBITDA (Includes asset Closure)	**$3,685**	**$1,941**	**$3,298**	**$3,379**	**$3,359**
Adj. FCF (VST Basis)	$3,510	$1,394	$2,734	$2,842	$2,850
FCF Before Growth (VST Basis)	$2,582	$766	$2,124	$2,232	$2,240
Dividend Per Share	**$0.54**	**$0.60**	**$0.68**	**$0.74**	**$0.81**
Implied Dividend Growth	8.0%	11.1%	13.3%	9.0%	9.0%
Dividend Yield	2.5%	2.7%	3.1%	3.4%	3.7%
FCF Per Share	**$4.50**	**$1.48**	**$5.69**	**$6.94**	**$7.80**
Implied FCF/share growth	7.6%	-67.1%	284.1%	22.0%	12.4%
FCF Yield	20.6%	6.8%	26.0%	31.7%	35.6%
Valuation Metrics					
EV/EBITDA	5.4x	10.1x	5.5x	4.8x	4.4x
FCF Yield	20.6%	6.8%	26.0%	31.7%	35.6%
Captital Return Assumed					
Total Shareholder Dividends	($266)	($283)	($287)	($268)	($261)
Share Buybacks	$0	($461)	($1,720)	($1,000)	($1,000)
Debt Repayment	($1,008)	$0	($10)	($68)	($1,545)
Credit Metrics					
Net Det/EBITDA	2.4x	4.6x	2.8x	2.6x	2.4x
FFO/Total Debt	29.5%	12.1%	29.0%	32.2%	33.6%
EBITDA/Interest Expense	5.7x	2.4x	5.2x	5.6x	5.8x
Net Debt/Interest Expense	2.5x	6.0x	2.9x	2.6x	2.4x
VST Weighted Average Shares Outstanding	491	472	422	362	322

Source: BMO Capital Markets, Company Reports

Exhibit 116: WEC Model Summary

WEC	2020A	2021E	2022E	2023E	2024E	2025E
EPS By Segment						
WE	$1.16	$1.23	$1.27	$1.35	$1.49	$1.64
WPS	$0.70	$0.74	$0.77	$0.81	$0.89	$0.97
WG	$0.26	$0.26	$0.27	$0.29	$0.31	$0.34
PGL	$0.59	$0.64	$0.69	$0.71	$0.73	$0.75
NSG	$0.05	$0.06	$0.07	$0.07	$0.07	$0.07
UMERC	$0.07	$0.07	$0.07	$0.07	$0.07	$0.07
MERC & MGU	$0.12	$0.14	$0.14	$0.14	$0.14	$0.14
Electric Transmission	$0.36	$0.30	$0.32	$0.34	$0.35	$0.35
Non-Utility Energy Infrastructure	$0.82	$0.95	$1.00	$1.12	$1.17	$1.22
Parent & Other	($0.34)	($0.27)	($0.30)	($0.30)	($0.32)	($0.34)
Consolidated E.P.S.	**$3.79**	**$4.11**	**$4.29**	**$4.58**	**$4.89**	**$5.21**
	5.9%	8.4%	4.4%	6.9%	6.7%	6.5%
Dividend per share	**$2.53**	**$2.71**	**$2.91**	**$3.10**	**$3.30**	**$3.52**
Payout Ratio total	67%	66%	68%	68%	67%	67%
Dividend Yield	2.4%	2.6%	2.8%	2.9%	3.1%	3.3%
Valuation Metrics						
Price to Earnings	27.8	25.7	24.6	23.0	21.6	20.2
Price to Book Value	2.6	2.5	2.4	2.3	2.2	2.1
Funding Sources						
Cash Flow from Operations	$2,196	$2,681	$2,818	$2,991	$3,156	$3,332
Total Debt Financings, Net	$1,553	$610	$1,835	$1,142	$1,145	$980
Total Equity Financings, Net	($55)	$0	$0	$0	$0	$0
Credit Metrics						
Total Debt/Capitlization	58%	59%	60%	60%	60%	62%
FFO/Total Debt	15%	15%	14%	14%	15%	14%
Forecast ROE's - Consolidated						
WE	11%	11%	10%	10%	10%	10%
WPS	11%	11%	11%	10%	11%	11%
WG	10%	9%	9%	8%	8%	8%
PGL	11%	11%	11%	10%	10%	9%
NSG	11%	12%	12%	11%	11%	11%
UMERC	10%	10%	11%	10%	11%	11%
MERC & MGU	12%	12%	11%	10%	9%	8%

Source: BMO Capital Markets, Company Reports

Exhibit 117: XEL Model Summary

XEL Model Summary	2021	2022	2023	2024	2025
EPS By Segment					
Northern States Power - MN	$1.17	$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.	**$2.96**	**$3.18**	**$3.42**	**$3.66**	**$3.87**
Dividend per share	**$1.83**	**$1.94**	**$2.06**	**$2.18**	**$2.31**
Payout Ratio total	61.8%	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	21.1x	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	$3,525	$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%

Source: BMO Capital Markets, Company Reports

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Buy	Outperform	53.9 %	25.4 %	57.9 %	56.1 %	60.8 %	57.7%
Hold	Market Perform	44.6 %	20.6 %	38.9 %	42.4 %	37.4 %	37.5%
Sell	Underperform	1.5 %	50.0 %	3.2 %	1.4 %	1.8 %	4.8%

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(S) = Speculative investment;
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(April 2013 - October 2016)
http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

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Reports indicating Biden admin set to grant 2-year relief

As part of ongoing Department of Commerce (DoC) investigation into Anti-Dumping/Countervailing Duties (AD/CVD) case on Chinese solar panels produced in Southeast Asia, the Biden the administration is slated to announce today (per Reuters) a 2-year waiver on implementation of tariffs. While the waiver does not appear to technically *stop* the AD/CVD process this should sizably grant adequate relief for the industry to find alternative pathways to producing panels in the interim. Look for utility-scale exposed companies to rally particularly meaningfully. While the sector has performed well of late – we don't perceive a meaningful expectation for such a tariff waiver to materialize after earlier cautioning from various experts that offered that an outright rejection of the case would result in appeal from complainants. Bottom line, look for solar-derivative companies to perform the best – continuing the short squeeze from of late led by solar tracker companies (FTCI).. We stress again, it does not appear the case is going away, but rather delays any implementation for two years as best we can tell – including the risk of any retroactive tariff application (which remains the principle reason why solar panels have been effectively halted today). Look for 2Q updates on solar timeline across a vast array of companies which had projects ongoing. Among utilities expect the biggest bounce in NI on alleviating nearer-term execution concerns. By contrast, we see less reason for shares of residential/distributed solar-exposed companies to benefit – see a modest benefit for the likes of RUN, NOVA, SPWR, SEDG & ENPH albeit not too material. Logistics related matters & sudden shock through the system to EPC companies in particular could still prove thorny in an effort to move back to full production amidst a substantial slowdown in panel imports & execution of very late.

Timing is great for NextEra's Analyst Day next Tuesday

We see this as particularly timely around NEE's Analyst Day where expectations have been sharply focused around expectations for how to both reassure financial outlook at/above top end of range despite the uncertainty of this risk. Expect both AES and NEE to react particularly positively to the latest developments, with NEE now poised to reaffirm adamantly its medium-term prospects. We still think there could very well be long-term updates on solar procurement for NEE (and any range of solar developers in the US) to ensure adequate panel supply into the future including partnering with a manufacturer on off-take from a US based facility. We note the articles in the media specifically cite potential use of the Defense Production Act, which could be leveraged to provide loan & grant incentives to expand US solar manufacturing capacity (MAXN?). Bottom line, between rapidly ramping global capacity with a clear-cut 'clean' supply chain including wafer, expanding US supply (likely announcements forthcoming) and confidence by Chinese vendors to sell product into the US market, we see this as providing a steady pathway for deployments even after the two-year waiver is over. We still look for datapoints around the scope of what the DoC intends to do as part of the AD/CVD investigation in August to drive some impact to shares – extending the scope to include wafer in supply chain (rather than just cell) (see report) remains the clear risk in the review.

06 June 2022

Equity
United States
Clean Tech

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FTCI: FTC Solar
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SPWR: SunPower Corp
RUN: SunRun
MAXN: Maxeon

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

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AES	AES US	AES Corp	US$ 22.27	B-1-7
ENPH	ENPH US	Enphase Energy	US$ 196.34	C-2-9
FTCI	FTCI US	FTC Solar	US$ 3.97	C-3-9
NEE	NEE US	NextEra Energy	US$ 78.69	B-1-7
NI	NI US	NiSource Inc	US$ 31.42	A-1-7
SEDG	SEDG US	SolarEdge	US$ 298.34	C-1-9
NOVA	NOVA US	Sunnova Energy	US$ 21.38	C-1-9
SPWR	SPWR US	SunPower Corp.	US$ 18.38	C-2-9
RUN	RUN US	SunRun	US$ 26.78	C-1-9

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Price objective basis & risk

AES (AES)

Our price objective is $26 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 +7x premium for US distributed generation for further growth expectations, valuing them at 15x 24E EV/EBITDA. Meanwhile, we value the DevCo using a 15% discount on 4.5GW+ 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 17.7x 24E. We also credit the company with Vietnam and its investment in Uplight.

Downside risks to our price objective and rating are negative regulatory outcomes in the US, international currencies devaluing against the US dollar, political/legislative/regulatory changes, MtM of Fluence (FLNC) subsidiary stock, and overall inability to execute on the renewables plan.

Enphase Energy (ENPH)

Our $197/sh PO is based on an 75/25 weighted avg of EV/EBITDA and discounted cash flow (DCF) methodology - DCF embedded at 25% to keep the valuation anchored to the intrinsic valuation and EV / EBITDA at 75% to reflect the investor sentiment on the Cleantech space and ENPH. Weighted EV/EBITDA/sh value is $207 and weighted DCF/sh is $166

EV/EBITDA approach:
- Comps based on solar Balance of System (BOS) universe given more tech differentiation and somewhat similar margin profiles (ENPH at a premium)
- Growth Adj. EV/EBITDA multiple using relative premium observed to the rest of the BOS comp universe
- Average value between '23 and '24 implied EV/EBITDA valuation of '23 at 30x and '24 at 26x respectively vs. our EBITDA est.

DCF approach:
- Derive FCFE by removing the contribution from stock-based compensation to FCF from 2021 through 2030
- FCFE discounted by 9.5% given decline in discount rates across the sector
- Given high growth and expanding opportunity set, we attribute a 20x terminal multiple

Downside risks: (1) execution risks around financial and growth targets, (2) product risks around performance, (3) competitive risk and ability to maintain share, (4) partner risk around reliance on contract manufacturers, (5) policy risk around shifts in subsidy and incentives for resi solar, (6) new opportunities do not meet expectations

FTC Solar (FTCI)
Our $2.50/sh PO is based on a 50/50 weighted Discount Cash Flow (DCF) and EV/EBITDA multiple methodology. Our DCF valuation is $2.50/sh and our EV/EBITDA valuation is $2/sh based on 7.2x 2023E. We use 2023 as the reference year given most of the rapid growth would be behind FTCI by then.

DCF approach:
- We derive FCFE by removing the contribution from stock-based compensation to FCF from 2021 through 2030
- FCFE discounted by 14% cost of capital given risk associated with the execution of the growth strategy alongside recent market volatility
- Terminal multiple of 7.0x (vs 10.0x for solar semiconductor stocks, given less technical differentiation in products)

NextEra Energy (NEE)
Our $87 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 18.6x for electric and 26.1x for water (grossed up by 5% to reflect capital appreciation) with disc/prem to reflect the growth/risk profile of the businesses. We apply a 4x prem. for FPL and Gulf. We provide value for possible regulated M&A as one strategy of capital redeployment, albeit weighted at 50% to reflect execution risk. For NEER, we apply a peer EV/EBITDA multiple of 11.2x, 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 8% 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.
Risks to achievement of PO and Rating are 1) regulatory outcomes, 2) weather & natural disasters, 3) commodity price changes, 4) fluctuations in stock prices for YieldCo NextEra Energy Partners, 5) renewable development margins.

NiSource Inc (NI)
Our $35 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 16.9x for gas and 17.6x for electric with a 2.0x premium for both the electric & gas utilities' strong growth rates and incremental renewable buildout, with capex potentially beginning in '24-'26, but acknowledge industrial gen load migration risk. While there are near-term headwinds for solar, we are confident in mgmt. ability to manage and mitigate the impacts.

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.

SolarEdge Technologies (SEDG)
Our $348/sh PO is based on an 75/25 weighted EV/EBITDA multiple/DCF methodology. We use a 75/25 weighting noting that the sector broadly trades on a multiple basis which is all the more appropriate in a high growth backdrop. Our EV/EBITDA multiple valuation is $370 and our DCF valuation is $285.

EV/EBITDA approach:
- Comps based on Balance of System (BOS) Solar Peers
- We apply a 15x premium vs BOS peers to '23 EBITDA and 10x v '24, which is in line with where the stock has traded historically on a 1yr / 2yr forward basis. This nets out to 26x 2023E and 20x 2024E EBITDA respectively.

DCF approach:
- We derive FCFE by removing the contribution from stock-based compensation to FCF from 2020 through 2030
- FCFE discounted by 10.7% cost of capital based on 3% risk free rate 4.75% risk premium and 3 Yr weekly beta
- Given high growth and expanding opportunity set, we attribute a 17.5x terminal multiple on free cash flow

Downside risks: (1) execution risks around financial and growth targets, (2) product risks around performance, (3) competitive risk to maintain share, (4) partner risk for contract manufacturers, (5) policy risk around shifts in subsidy and incentives for solar.

Upside risks: (1) execution above financial and growth targets, (2) policy implementation supporting acceleration in adoption of solar and storage, (3) new opportunities exceed expectations, (4) reduction in discount rates attributed by equity investors.

Sunnova Energy (NOVA)
We arrive at our $35/share price objective as follows. We value the PowerCo portion of the company by taking NPV equal to Net Customer Value (excl. Net Cash), equivalent to discounting cash flows from the existing asset by an unlevered 6% discount rate. We value expected future installed assets through 2028 on a DCF basis with cash flows discounted by 6% for leases with an additional 14% discount rate on the NPV given future execution risk, in-line with peers. We assume ITC phase down on current IRS ruling and include a 6x terminal value multiple on 2029E NPV. We net out the NPV of G&A expense, including non-cash SBC costs and future expected corp capital needs. We attribute credit for 30% of estimated renewal value.

Downside risks to PO being achieved: NOVA is particularly exposed to rate sensitivity, credit spreads, net metering policies, risk of broadly competitive environment for customer acquisition squeezing development margins, and if the ITC is not extended beyond the current schedule.

Upside risks to PO being achieved: Better than expected recovery in rates and capital market conditions, better than expected growth prospects, better NEM 3.0 outcome, and if the ITC is extended beyond the current schedule.

SunPower Corp. (SPWR)
Our $22.50/sh PO is based on a combination of existing contracted assets (PowerCo) and growth (DevCo). For Devco we use a DCF based on FCF to equity ests from '22 to '29. For this Devco we apply a 7x terminal value multiple. We apply a 12% discount rate, in-line with our approach for resi solar peers which reflects recent market volatility and higher execution risk on long term growth. We add back the net cash position, and MtM valuation of of 2.5mn ENPH shares. For the PowerCo, we include value for SPWR's stake in its Sunstrong JV, with 20% credit for renewal value stake, in-line with our approach for resi peers.

Upside risks 1) better than expected pricing env., 2) improving mgns/cost structure, 3) declining input costs., 4) better than downstream planned sys biz expansion, and 5) reduced customer acquisition costs.

Downside risks 1) worse/declining price env., 2) declining mgns or worse than expected cost structure, 3) worsening liquidity position4) worse Chinese/global demand environment, 5) worse execution on downstream systems biz, 6) tech fails to live up to expectations.

SunRun (RUN)
We arrive at our $45/share price objective in two pieces: PowerCo which is the DCF of existing home contracts sold & DevCo DCF of future years of subscribing new customers.

We discount the value creation of the future years of subscribing customers at a 12% discount rate and apply an 8x terminal value multiple on our 2029E NPV discounted back to 2022. We further include value from solar renewable energy credits for future DevCo assets on a DCF basis at a 12% discount rate and net out holding company recourse debt and cash.

Downside risks: are associated with the ability to meet cost reduction expectations, MW deployment guidance, Net Energy Metering (NEM), and access to debt capital markets given the highly leveraged strategy employed.

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.

Special Disclosures

BofA Securities is currently acting as a financial advisor to NextEra Energy Inc in connection with its proposed sale of a 50% non-controlling interest in an approximately 2,520 megawatt (MW) portfolio of long-term contracted renewables assets to the Ontario Teachers' Pension Plan Board, which was announced on November 30, 2021.

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
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE 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
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Dominion Energy	D	D US	Paul Zimbardo
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Ryan Greenwald
	Exelon	EXC	EXC US	Paul Zimbardo
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	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
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM 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	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA

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

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL 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	Ryan Greenwald
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC 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
	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
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
RSTR				
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Alternative Energy Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	6	37.50%	Buy	5	83.33%
Hold	5	31.25%	Hold	4	80.00%
Sell	5	31.25%	Sell	4	80.00%

Equity Investment Rating Distribution: Energy Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	70	54.69%	Buy	56	80.00%
Hold	36	28.13%	Hold	28	77.78%
Sell	22	17.19%	Sell	11	50.00%

Equity Investment Rating Distribution: Utilities Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	76	50.00%	Buy	55	72.37%
Hold	36	23.68%	Hold	30	83.33%
Sell	40	26.32%	Sell	23	57.50%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1916	57.18%	Buy	1207	63.00%
Hold	705	21.04%	Hold	452	64.11%
Sell	730	21.78%	Sell	362	49.59%

[R1] 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.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2]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.

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US Electric Utilities & IPPs

Future of MA Gas at risk? AG Healey takes aim at LDC growth ahead of midterms

Industry Overview | 14 June 2022 | Equity | United States | Electric Utilities

Key takeaways

- Latest report from MA gubernatorial frontrunner & AG Healey further scrutinizes plan for future of gas in the state
- Reflects further risk to MA LDC growth. Impacts ES mostly, but also AGR and AQN. Very few investors are talking about this
- More cautious political positioning amid ES' ongoing NSTAR electric ratecase after cautious rec: watch any settlement efforts

LDC: Local gas distribution company
GSEP: Gas System Enhancement Program
AG: Attorney General
DPU: Department of Public Utilities
GHG: Greenhouse Gas

RNG- Renewable Natural Gas

AG report further questions future of gas in Mass

As we rapidly approach the Massachusetts (MA) election, we are focusing on potential changes to the regulatory and overall utility investment landscape in the state. Attorney General Maura Healey has a wide lead in the primary polls to be the Democratic nominee for MA Governor. Healey has a long history in utility proceedings, frequently advocating for policies that reduce utility rates at the expense of shareholder returns. Healey supported opening a regulatory proceeding into the future of natural gas in MA given the states net-zero 2050 target and the AG office recently filed a report with proposed regulatory reforms. Specifically, Healey recommends the DPU change methods for assessing and incenting LDC investment in pipeline capacity given declining gas load and rising electric alternatives. If ultimately implemented, we see recommendations as potentially discouraging future LDC investment even within clean technologies. Those poses a risk to the growth of LDCs in the state. Largest gas MA footprints among utilities are Eversource Energy (ES) and National Grid. *We believe investors underappreciate the potential risk that a change in leadership poses for Eversource, particularly after years of constructive relationships with the existing Governor Baker.* ES' larger electric presence in the state could benefit from electrification tailwinds that could more than offset any lost gas contribution over the long-term; however, elevated uncertainty could dampen ES' valuation. We maintain Underperform on shares of ES' which trades at a premium despite historical below-average realized growth and increasing regulatory risk from its core jurisdictions due to affordability considerations. The risk in Massachusetts is the most acute example.

No gasification without [GHG and LMI] representation

The DPU's current policies, including GSEP, incent LDCs to grow their customer base and invest in building out pipeline capacity. Instead, Healey's recommends that the DPU realign LDC regulatory policies to better consider MA's GHG reduction targets and low-and-moderate income (LMI) customers. Healey's suggestions include (1) Update gas forecasts to reflect MA climate change targets. *This likely reduces demand forecasts, thus lowering pipeline investment need and weighing on LDC rate base growth.* (2) Assess pipeline capacity investment proposals against non-pipeline alternatives. (3) Establish uniform model for determining cost/benefits of line extensions and require LDCs to prove pipelines are least cost alternative. (4) Require that investments in 'unproven' and 'uncertain' technology [i.e. hydrogen, RNG] are paid for entirely by shareholders. *This would disallow cost recovery for early clean energy investments, even though recovery is currently assumed in certain LDC plans.* (5) Switch from revenue per customer decoupling to revenue decoupling. *This would untether revenue growth from customer growth.* (6) Eliminate rate structures that promote gas system growth (i.e. gas special contracts, gas marketing recovery). *See further detail on suggestions on page 3.*

Filing underscores risks to future of LDCs

Utility investors are very familiar with Massachusetts' Attorney General from her long running involvement in key regulatory proceedings, most notably the ISO-New England (ISO-NE) federal transmission return on equity (ROE) complaints. The combination of her deep utility expertise and stated objective to keep utility bills low represents a risk to utility shareholders in our view. One of Healey's climate achievements was the MA Department of Public Utilities (DPU) opening a proceeding investigating the future of the natural gas utilities. The Attorney General's recommendations remain in-flux, but the AG's recent report underscores three main risks that persist for LDCs nationwide. (1) Electrification of homes and businesses decreases gas distribution load. Thus, fixed costs are spread over less customers. This would further inflate customer rates, especially if LDCs continue to invest in capex for 'greening' legacy gas assets. Rising rates may ultimately accelerate customer switching, leaving remaining customers with higher costs. Concerns of the "death spiral" are overstated in the industry but the narrative is not a favorable path to discuss. (2) Net-zero targets sour legislative and regulatory sentiment around natural gas, leading to less favorable LDC policies and a more challenging regulatory backdrop (as seen in MA). (3) Green fuels and technologies such as RNG, geothermal and hydrogen could become increasingly competitive industries, introducing competition to a legacy regulated business model. If utilities want to decarbonize, there are scenarios where shareholders have to absorb the costs - see AG's comments in the report for examples. LDCs operating in states with weaker or nonexistent climate targets will likely see these risks drawn out over a longer duration of time, LDCs in states with strong climate targets such as MA (MA targets net-zero by 2050, at least 50% reduction in GHG emission by 2030) likely face a more immediate threat to LDC expansion within the state. Healey's filing underscores this existential threat.

Of our coverage, Eversource (ES) is likely most exposed to any adverse regulatory outcome resulting from the 'Future of Gas' investigation. We estimate ES's MA LDCs, NSTAR Gas and Eversource Gas Company of Massachusetts, make up 14% of ES' total 2024 rate base. Investor inbounds on Eversource of late have focused almost entirely on offshore wind given the recent announcement that ES initiated a strategic review of their entire offshore wind portfolio. We believe investors may underappreciate that the 'Future of Gas' investigation in MA represents an acute risk to the growth and longevity of ES's MA LDC business. **Electrification tailwinds should benefit the company's larger electric footprint** but overall political positioning by what appears to be the soon-to-be governor is still cautious. For example Healey recently proposed removing utility compensation for procuring renewables, highlighting that she is very focused on reducing customer bills across not just natural gas. See details here: US Utilities: PowerPoints: MA Clean Energy Comp 10 June 2022 (https://rsch.baml.com/r?q=o9A1DCFqBrpsUshBTIxxig)

We reiterate Underperform on shares of Eversource given historically below-average growth, elevated execution risks, a more challenging regulatory backdrop, and a weaker balance sheet than historically. These factors lend less merit to Eversource as a premium utility. We see the recent report as further supporting ES's growth risks.

Watch broader cautious political shift in the state...

increasing scrutiny as quite notable amid her political ambitions. We critically watch how ES looks to navigate their ongoing NSTAR electric rate case given political dynamics of late and with a requirement to litigate once every ten years. Previous commentary from management suggested they may look to fully litigate this case to provide opportunity for a future settlement.

Avangrid (AGR) and Algonquin Power (AQN) both rated Underperform have MA gas subsidiaries (Fitchburg Gas and Electric, Berkshire Gas Company, and Liberty Utilities, respectively), and therefore all have exposure to material changes in MA LDC regulation. However, the aforementioned companies have a lower percentage of rate base tied to their MA gas utility subsidiaries, and therefore are less exposed to any changes. National Grid) operates Boston Gas Company - the largest LDC in MA by revenue and sales volumes per AGA data - as well as Colonial Gas Company.

Healey's filing responds to DPU's ongoing investigation into future of gas

In 2020, per request of Massachusetts AG Maura Healey, the MA DPU issued the 'Future of Gas' Order, opening an investigation into the future role of LDCs given MA's 'net-zero by 2050' target. The Order directed LDC's to prepare blueprints to facilitate their transition to net-zero. In response, **Eversource (ES), National Grid (NG)** and other MA LDCs submitted to the DPU plans for investment in renewable fuels and technologies such as renewable natural gas (RNG), geothermal, hydrogen and hybrid heat pumps. This way, LDCs could transition pipeline fleets to 'net-zero' while still investing and growing rate base.

In a subsequent filing on May 6, 2022, Healey filed a report with the DPU recommending an entirely different course of action in the 'Future of Gas' investigation - essentially asking to scrap the blueprint that started to emerge. The Docket is titled "Regulating Uncertainty" which previews a key takeaway from the Docket: uncertainty over the future of gas in Massachusetts complicates regulation of LDCs. The Docket cites (1) uncertainty of natural gas prices: rising gas prices partially attributable to increased US LNG exports are passed on to customers, (2) uncertainty of future technologies including uncertainty over costs, supply constraints, safety, reliability, and sustainability of clean solutions such as hydrogen and RNG, (3) uncertainty over customer adoption of electric alternatives. **The report emphasizes that these uncertainties necessitate DPU reassessment of current LDC policy in MA, which Healey labels as 'outdated' and misaligned with state climate targets**. We detail the most notable recommendations in the Docket and their potential impact on LDC growth below.

What's important? Detailing Healey's most impactful recs

Recommendations in the Docket are grouped into five subsections: (A) Plan for Zero Emissions Future. (B) Reform Capital Investment Planning and Policies (C) Align Utility Revenue with Decarbonization (D) Reform Outdated Rate Structures that Promote Gas System Growth (E) Broader Legislative and Regulatory Reforms. Below we list select recommendations across the five subsections and the potential LDC impact if the DPU were to implement these recommendations.

- A: "*The Department should reform the criteria to evaluate gas forecast and supply plan.*"
  - Adjust forecasting methodology for consideration of climate goals. Aims to bridge gas forecast with utility's Climate Compliance Plan (CCP). DPU would likely revise down future gas load forecasts, translates to less pipeline capacity needed. This implies DPU-approved future investments would decline, weighing on LDC capex / rate base growth.
- A: "*The Department should assess proposals for gas supply and pipeline capacity contracts against a broad range of potential non-pipeline alternatives.*"
  - Introduces non-pipeline alternatives into decision making process, suggesting greater pivot to non-pipeline alternatives. This may translates to less pipeline capacity need, and potentially less capex depending on which non-pipeline solutions are ultimately approved. This is similar to Consolidated Edison of New York (CECONY) ongoing solicitation for non-pipeline alternatives options. The solicitation was spurred by substantial growth in natural gas demand and a challenging backdrop for pipeline development in New York. **While non-pipeline alternatives may present an incremental opportunity for LDCs to invest and grow rate base outside of gas pipelines, we continue to monitor the regulatory treatment of such investments.** The NY Public Service Commission (PSC) comments on regulating recovery for such non-pipeline assets underscores the nuances around regulating new clean energy investments: "policies of decarb. and beneficial electrification may create a divergence in regulatory approach needed [for gas and electric utilities]." For example these non-pipes/wires alternatives could have much shorter depreciable lives, cash flow positive but earnings negative.
- B: *"Department should consider the Commonwealth's climate objectives as part of its GSEP project review and require LDCs to demonstrate that the proposed investment is the least-cost alternative to improve safety and reduce leaks... The Department should establish a uniform model for determining the costs/benefits of line extensions that incorporates State policies to reduce gas use."*
  - Docket states that GSEP expenses, i.e. annual expenses to repair or replace gas infrastructure for public safety, accounts for 40-60% of LDC capex. According to the Docket, GSEP is not effective at reducing leaks and does not consider GHG goals. **Therefore, Healey suggests the DPU should no longer operate under assumption that GSEP is "per se prudent".** Additionally, DPU should conduct a review to form a uniform model for analysis of line extensions (i.e. adding customers).
- B: *"The Department should ensure that investments in unproven of uncertain technologies are born entirely by utility shareholders."*
  - Healey cites two risks in seeking full recovery of clean technology investments such as RNG and hydrogen from ratepayers: the development of technologies will not come to fruition and the Commonwealth wastes time and ratepayer resources. Healey states these technologies are yet to be proven as reliable, safe and affordable, and are highly uncertain and speculative. She therefore proposes shareholders pay for investment in nascent clean technology solutions. This is at direct odds with LDC plans to seek cost recovery for RNG, hydrogen, geothermal, etc. build out and integration into existing pipeline networks (see below).
- B: *"The Department should create guidelines and principles for treatment of potential stranded investment."*
  - DPU should reassess treatment of future pipeline capacity. Current accelerated depreciation treatment and shortened depreciation approach drives up customer rates and shifts investment risk from utility to ratepayer, according to the filings. DPU should undertake review of stranded asset treatment and consider alternatives to current framework, such as asset securitization. Implementing a review could add additional risk of commissions determining utility investments not prudent.
- C: *"The Department should replace revenue per customer decoupling with revenue cap decoupling, removing the existing incentive to add gas heating customers."*
  - Gas utilities use revenue per customer decoupling, which is designed to encourage the expansion of utility customer base, i.e. LDC revenue expands upon adding another customer. Considering GHG targets and electrification goals, incentivizing utilities to add customers no longer makes sense. Healey calls on DPU to reassess revenue per customer decoupling. Implementing revenue decoupling similar to that allowed for electric utilities, instead of revenue per customer decoupling, would backstop LDC revenues despite falling load. **Therefore, this is a net positive recommendation for LDCs in our view, given industry forecasts suggest future customer decline.**
- C: *"The Department should revisit and revise its existing performance-based ratemaking framework to ensure that any Department approved performance-based ratemaking plan encourages LDC investment consistent with State climate laws."*
  - DPU should consider amending performance-based ratemaking (PBR) to account for climate goals. Current frameworks incentivize significant capital investments for safe and reliable operations, although significant investments likely does not align with GHG reduction targets.
- D: *"The Department should not permit the LDCs to recover costs for marketing related to promoting gas service...The Department should conclude its investigation in D.P.U. 18-152 and limit special contracts to only unique and novel public interest circumstances."*
  - The above addresses legacy policies that incentivized oil to gas switching. The first involves recovery of expenses to attract customers (i.e. marketing expenses), the second refers to favorable gas tariffs given to large C&I customers to encourage oil to gas switching. However, given the maturity of the natural gas industry, these provisions are no longer necessary, and contradict climate objectives that rely on reducing gas load, according to the Docket. In terms of impact to LDC, the first recommendation would be most punitive as it increases non-recoverable expenses.
- D: *"The Department should explore incentivizing the LDCs to use non-capital options to defer capital investment."*
  - Change DPU regulatory policy from one that promotes expansion of gas through capital investment, to one that promotes efficient use of capital, which would motivate LDCs to make choices that save ratepayers money. Remains unclear how the DPU would actualize this change, i.e. whether a departure from return on rate base would be necessary.

Aside from the aforementioned recommendations, Section E of the Docket recommends broader energy reforms. Healey tackles **geothermal** regulation in the filing, suggesting the DPU open an investigation into potential ownership frameworks for geothermal. The Docket questions whether LDCs should receive monopoly rights to provide renewable thermal services, whether new companies (non-LDCs) should be granted monopoly rights, or whether the geothermal industry should be competitive. This may alter LDC plans for investing in geothermal going forward, as a competitive market would suggest less profitability for legacy monopoly gas distribution businesses. We continue to monitor this discussion, noting LDCs such as Eversource already have plans underway to invest in networked geothermal.

Lastly, the Docket focuses on the evolving effects of higher gas prices on **Low to Moderate income (LMI) customers**. As customer gas to electric switching and increasing LDC investments on top of already high natural gas prices drive rate increases, LMI customers could bear a relatively greater burden than other constituents. LMI customers may lack savings or access to credit, leaving them without optionality to alter their homes' energy

current government programs (i.e. LIHEAP and ERAP) and utility programs may be insufficient in assisting LMI customers amid rising gas rates. Healey suggests the DPU consider establishing a program that "directly targets the energy burden of ratepayers by imposing an upper bound on the amount a household spends on energy bills across the gas and electricity sector." Implementation of any bill cap without any LDC recovery may further weigh on utility revenues and cash flows if not reallocated to other customers.

Eversource's net-zero transition plan is at stake

Eversource operates two gas subsidiaries in MA, NSTAR Gas and Eversource Gas Company of Massachusetts (EGMA) [previously Columbia Gas of MA).

In response to the MA DPU's original 'Future of Gas' investigation, ES formulated a six-initiative plan for kick-starting its gas network's transition to net-zero. The six initiatives involve piloting or assessing feasibility for hybrid heat pumps, networked geothermal, production certified gas (PCG), renewable natural gas (RNG), and hydrogen. ES also aims to reduce energy demand by maximizing energy efficiency investments. Importantly, ES aims to:

- Seek regulatory approval on pilots and **cost recovery mechanism** [for Hybrid Heat Pumps]
- Seek regulatory approval for procurement of PCG contracts
- Seek regulatory approval for cost recovery of RNG commodity and associated infrastructure investments

*Along with planning feasibility studies and pilot projects across nascent renewable energy solutions, ES highlighted specific plans to pursue cost recovery for renewable fuel and technology investments for **ratepayers**. This directly contrasts Healey's proposal that shareholders should bear responsibility for 'early-stage investments' in renewable fuels, etc. instead of ratepayers. In other words, Healey suggests the DPU should not permit cost recovery for LDC investments in technologies such as RNG and hydrogen: ES's plan to transition its fleet is already meeting resistance from stakeholders concerned about 'uncertain' investments in new technologies, especially amid rising natural gas prices and customer rates. Additionally, the filing specifically calls out MA GSEP rules and ES's plans to roughly double capital cost to $938Mn in 2026 versus $453Mn in 2019, with GSEP representing a material portion of capital cost. Healey questions whether such growth in capital spending is appropriate given climate targets and gas load decline.*

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

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
ES	ES US	Eversource Energy	US$ 83.9	A-3-7
AQN	AQN US	Algonquin Power	US$ 13.82	B-3-8
YAQN	AQN CN	Algonquin Power	C$ 17.85	A-3-8
AGR	AGR US	Avangrid	US$ 45.26	A-3-7

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Price Objective Basis & Risk

Algonquin Power & Utilities Corp (AQN / YAQN)

Our SOTP PO is $14.50 (C$18.71). We assign P/E multiples on 2024E (17.7x for electric, 17.1x for gas, and 24.6x for water, respectively) earnings of its regulated seg based on expected 2025 breakdown. 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 2x 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 converts in 2024.

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.

Avangrid (AGR)

Our $45 PO is based on an 2024E SOTP. The utilities are valued on by applying discounts to the base sector P/E of 18.4x/17.9x for electric/gas due to below average growth and regulatory jurisdictions. Both electric and gas peer P/Es are grossed up +5% to reflect capital appreciation across the sector. The renewables are valued at approximately 11x EV/EBITDA, consistent with peers while offshore wind is valued using discounted cash flows at a 12% discount rate. Future potential value creation from the renewable development 'DevCo' is provided as well. Lastly parent/HoldCo financing negatives are ascribed

Up/downside Risks to achievement of the PO and Rating are: 1) earned ROEs at the utilities, 2) utility capital expenditure forecasts, 3) regulatory/political/legislative outcomes, 4) equity needs, 5) offshore wind construction, 6) 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. 7) natural disasters, 8) commodity and interest rate fluctuations, and 9) management changes.

Eversource Energy (ES)

Our sum of the parts based price objective of $89 uses P/E multiples on 2024E earnings. For electric utilities, we attribute a 2x premium NSTAR, 2x premium to PSNH, and a 2x discount for CL&P to peer 17.7x multiple 2024E, 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 17.1x 2024E multiple, given capex upside particularly in MA and a 2x for Columbia Gas. We apply a 2x discount to Yankee Gas given the less favorable jurisdiction. Both electric and gas peer P/E multiples are grossed up by 5% to reflect 2024E capital appreciation across the sector. We value Aquarion at the 24.5x water multiple. We reflect ES's 50% ownership in Revolution and South Fork offshore wind sites on an NPV basis. We further credit the value of their unused offshore wind lease at 50% of the price seen in the New York Bight Auction. We take out 50% of parent debt, and 50% of interest to accurately reflect parent leverage.

Risks to our Price Objective: 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.

Coverage Cluster

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

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst

	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
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE 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
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Dominion Energy	D	D US	Paul Zimbardo
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Ryan Greenwald
	Exelon	EXC	EXC US	Paul Zimbardo
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	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
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM 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	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL 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	Ryan Greenwald
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	First Solar, Inc.	FSLR	FSLR 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
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
NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
RSTR			
South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith

Analyst Certification

We, Julien Dumoulin-Smith and Paul Zimbardo, 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

Global Fund Manager Survey (https://rsch.baml.com/r?q=ust4SJsc36ATI1z8yB99Pw&e=cturnure%40nisource.com&h=7O-N0Q)

Summer of Volcker

Michael Hartnett 2022-Jun-13

Report

US Watch (https://rsch.baml.com/r?q=9TMEX3M3Y5gTI1z8yB99Pw&e=cturnure%40nisource.com

May CPI inflation: nowhere to hide

Ethan S. Harris 2022-Jun-10

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US Utilities & IPPs

Touring the Mid-Atlantic; Stakeholder Conversations w/ NY, NJ, MD, KY, and WV

Industry Overview | 22 June 2022 | Equity | United States | Utilities

Key takeaways

- Recapping stakeholder conversations from MACRUC; affordability center, states w/ larger rate proceedings more acutely focused
- States in different stages of generation transition, policy the key driver; watch enviro regs + intra-state consolidation
- NJ ZECs: can legislation get done in 2022 or '23? We are increasingly cautious on prospects; watch KY/WV on Plant Mitchell

ZEC: Zero Emission Certificate
CECONY: Con Edison Company of New York
NYSEG: New York State Electric & Gas Company
RG&E: Rochester Gas & Electric
PSC: Public Service Commission

Mid-Atlantic regulatory tour; what are the priorities?

We hosted our latest set of stakeholder conversations at the Mid-Atlantic Conference of Regulatory Utilities Commissioners (MACRUC) conference focusing on the regulatory environment and latest topics for investors in states including New York, New Jersey, Maryland, Kentucky, and West Virginia. Key topics of interest for investors, regulators, and stakeholders included **1)** affordability in the current inflationary backdrop - those in rate cases have received more attention; **2)** generation transition and coal retirements; **3)** strategic reviews and asset sales as utilities have noted attractive private market valuations for assets and have seen simplification lead to multiple accretion in many cases; **4)** the evolving and increasingly important discussion around NJ ZECs - will legislation be passed in 2022? Our latest read is more cautious on action this year; plus more state specific debates *(see full report for detailed discussion of each state).*

Affordability top-of-mind; focus on those in rate cases

As expected, a key topic for every stakeholder we talked to was affordability in the current inflationary backdrop for power and gas. Broadly, states with larger ongoing rate cases are more acutely focused on bill implications particularly in NY where **ED's** CECONY and **AGR's** NYSEG and RG&E have double digit rate increase asks in front of the Commission - the rate asks are compounded with double digit fuel increases. We see the need for balancing the rate impact of the large investment requirement stemming from clean energy legislation and bill increases that customers are already facing. The MD PSC is currently evaluating a Columbia Gas (**NI**) and Delmarva Power & Light (**EXC**) rate case though both utilities are relatively small ($200M and $1B in rate base, respectively) and we perceived less concentration on the cases. Watch for PBR in the future in MD. On the other hand, PPL Corp (**PPL**) is currently in the middle of a rate case stay-out through 2025 where we see the likelihood of overearning in the latter half of the stay out. Our conversations lead us to believe that PPL would not be pulled in for a rate case to fix the overearning - a modest positive in our view.

Strategic reviews/asset sales; stakeholders broadly open

Strategic reviews and asset sales have continued to emerge as a topic of interest given NiSource's (NI) ongoing strategic review and the still pending sale of American Electric Power's (AEP) Kentucky Power to Algonquin Power (AQN). For NiSource, Maryland and Kentucky stakeholders would likely not be opposed to a transaction though would have to evaluate the merits of a proposed deal. Overall we don't see meaningful impediments to consolidation of smaller utilities intra-state- that appears to remain a focus.

NJ ZECs increasingly uncertain; '22 unlikely?

We spoke with a utility stakeholder on the backdrop for regulated utilities in New Jersey (NJ). The conversation focused primarily on the future of ZECs. The stakeholder was bullish on nuclear support and signaled strong preference for a ZEC extension. However, they opined that the NJ state legislators may not decide on any such extension until 2023, at the earliest, and may even delay the extension decision into 2024 or 2025. Given the unpredictability of New Jersey politics and the newer NJ legislature, the future of ZECs is seemingly growing more uncertain. *See pg. 2 for more.*

NJ Cont.: Future of ZEC grows more uncertain

Many of our conversations with other NJ stakeholders indicate a shifting consensus for further delays to the ZEC extension timeline. Critically, some other counterparties we spoke with at the MACRUC conference claimed that the NJ legislature would need to see a meaningful reversal of wholesale power and commodities prices before revisiting the NJ ZEC discussion. The NJ legislature is the key counterparty to watch as ZEC extension becomes more topical into 2023; the NJ Public Utilities Commission (PUC) has little to no authority over deciding whether to extend the ZEC program. *Although the second 3-year eligibility period for the NJ ZEC program does not officially end until June 2025, continued delays in ZEC program extension augments utility and investor uncertainty regarding the future of the program. This uncertainty would ultimately weigh on publically traded companies with exposure to NJ nuclear generation.*

Constellation Energy Group (CEG) and Public Services Enterprise Group (PEG) are most exposed to any negative outcome on ZEC extension given their respective nuclear operations in New Jersey State. We echo industry sentiment and view delays in the ZEC extension decision as increasingly likely in light of the significant rally in PSEG Zone A 2025 power prices which presents a more challenging backdrop for NJ ZEC extension. We therefore embed conservativism into our Constellation Energy Group (CEG) model and no longer assume ZEC extension. We remove ZEC contribution June 2025+, resulting in -$75Mn run-rate EBITDA in 2026 (see details here: Constellation Energy Corp: Stars shining bright every day: Embedding conservatism but still significant upside 15 June 2022 (https://rsch.baml.com/r?q=eiZWd1nfWwF!ZpMjbEDqbw)). Conversely, our PEG forecasts leaves in ZEC benefit past June 2025, contributing +$207Mn in annual run-rate EBITDA 2026+. We continue to monitor legislative positioning around nuclear support at the state and federal levels, and note that execution on new nuclear incentives at the federal level would likely replace ZECs 2025+. *Reit. BUY on shares of CEG given favorable exposure to open power Mark-to-market driving industry leading FCF yields. Reit. BUY on PEG as commodities MtM drives '24 and '25 upside.*

More takeaways: NJ BPU Turnover, FE Veg. Management, Solar Challenges

- Our conversation highlighted ambiguity around the future of the NJ Public Utilities Commission as two new Commissioners will replace Upendra Chivukula and Diane Solomon within the next year or so. Given the composition of the Commission is set to meaningfully change, the Future of

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not the NJ PUC.

- Additionally, our conversation called attention to potential concern on FirstEnergy's (FE) shortcomings in vegetation management. The utility already has poor storm response, and the insinuation that FE is lagging on vegetation management indicates elevated operational risk. *We reiterate Neutral on FE due to our growing concerns over FE earnings exposure to pension MtM.*
- The New Jersey stakeholder voiced concern over solar reliability in New Jersey amid increasing renewable penetration targets. Although community solar is a more attractive use-case for solar technology, utility-scale solar invites additional volatility to the grid given its intermittency. Instead, this stakeholder highlighted the reliability benefits of nuclear power, including small-scale / micro nuclear plants. Favorable legislation is key to incent nuclear expansion and keep large-scale nuclear plants online. Additionally, the stakeholder was optimistic on gas modernization efforts in New Jersey. This would positively benefit NJ gas utilities as gas modernization results in greater infrastructure investments, expanding rate base growth.
- Our conversation reiterated Ralph LaRossa's popularity in New Jersey. As the current COO and future CEO of PEG, Mr. LaRossa has developed strong relationships with NJ regulatory and industrial bodies. This will benefit PEG when LaRossa officially assumes the role of CEO in September.

NY: rate cases drive discussion, arrears in focus too

We discussed the regulatory and policy backdrop in New York State, including rate increases, customer arrears, and O&M treatment in previous recessionary cycles - key takeaways from our conversation are below.

Rate case requests are large, but state policy is a driver

Our conversation touched on the economic and policy backdrop surrounding large rate case requests currently pending before the New York Department of Public Service (DPS) from ED's Con Edison Company of New York (CECONY) and AGR's New York State Electric & Gas Company (NYSEG), Rochester Gas & Electric (RG&E), with all utilities requesting double-digit rate increases. We see the DPS as serving a critical function in balancing considerations of ratepayers, utilities, and state legislative priorities. In particular we continue to see rate case requests that are linked broadly to decarbonization and aligning with the Climate Leadership and Community Protection Act (CLCPA) as comparably more at risk (i.e. 40% of AGR's electric capital) rather than more traditional "nuts and bolts" capital proposed to maintain and harden both the electric grid and gas distribution infrastructure. New York Gov. Hochul came out with a strongly-worded statement criticizing AGR's rate increase as "outrageous and unacceptable" and we do not see the DPS as taking a meaningfully different stance. Rather the ongoing proceedings will be an opportunity to highlight the natural tension between the need to pay for decarbonization targets that are set out in the CLCPA and significant rate increases already being shouldered by ratepayers. *Based upon the increasingly political nature of the rate review process, we do not expect meaningful updates on these major proceedings before the Fall elections.*

Progress on arrears, but more to come as balances remain high

The DPS recently announced a resolution for utility customer arrears addressing low income customers which included a $250m allocation from the state budget, $36m from shareholders, and about $300m recovered through base rates (0.5% increase). We perceive that at the state level there is a reluctance to take actions that could be viewed as "pro-utility" financially, though the low income customer agreement can serve as an illustrative template for an agreement whereby the impact is shared across taxpayers, ratepayers, and shareholders. We note that a broader resolution on arrears (we see CECONY as most exposed at $1.3B) would likely place further upward pressure on customer bills, thus the real discussion appears to be how much of the burden will be shared by each of the three main stakeholder groups.

O&M 'austerity' - will DPS embed savings in new rate plans?

We stress that one area of concern remains to what degree (if any) rate case resolutions for both ED and AGR will force O&M savings similar to ED's 2019 case, pressuring utilities' ability to earn at their authorized ROE. ED mgmt. in particular has been adamant that the company strives to run lean in all aspects of its operation, and wringing out substantial O&M savings while moving forward with its ambitious capex plan would be difficult. Given the rate pressures outlined above, we see this as one potential lever although the degree to which (if at all) the DPS would choose to rely on it remains unclear.

KY: PPL outlook, KY Power sale, and Mitchell

Our discussion on Kentucky regulatory environment focused on PPL and the outlook for Louisville Gas & Electric and Kentucky Utilities, specifically the implications of the $1Bn coal rate base reduction driving the higher EPS CAGR vs rate base, the sale transfer of Kentucky Power and Mitchell operating agreement, and investment outlook in the state.

PPL: Finding the bourbon in Kentucky

We hosted discussions with KY stakeholders following PPL Corp's (PPL) recent Analyst Day in which the company laid out their pro forma strategy after the UK exit and RI entry. With a stay-out in KY until mid- 2025 and a modest 1.1% rate base CAGR from '22-26 from their state operations, management plans to rely heavily on cost cutting efforts to drive growth in the jurisdiction and across the broader portfolio - with our model contemplating a 5.8% EPS growth CAGR for the segment. A large part of the delta in rate base and EPS CAGRs relates to the ~$1Bn coal rate base reduction that stays in rates and is not trued-up until the subsequent rate case which is outside of the EPS forecast horizon due to the stay out. This $1Bn represents ~$50Mn earnings (~$0.07 EPS) and a critical question is how growth is sustained when this and the large magnitude of cost cutting efforts underway are ultimately reset. Discussions with stakeholders suggested the state would be unlikely to pull them in for a rate case post stay out and we see potential for management to try to stay out longer given what we perceive to be overearning implied by the trajectory in the outer parts of the plan. The company admittedly has one of the best cost control track records in the industry, albeit with PA success around such efforts achieved during a period of much lower inflationary pressures. With protracted generation opportunities in the latter part of the decade critical to the bull case in driving better rate base prospects amid the transition away from coal in the state, ability to navigate through the eventual rate case and capitalize on longer term rate base opportunities will be key. *We maintain our Neutral rating on shares, seeing a balanced risk/reward at the current valuation.*

Is fleet transition an opportunity in KY? More focus on IRPs to come we sense.. yes it's there in the out years + watch air reg evolution closely here too.

Our discussions with stakeholders on the opportunity for fleet transition in KY - our read from our conversations is that stakeholders and regulators would be open to new resources as long as they are well planned out and shown to be the lowest cost and sensible form of new generation. Kentucky has not traditionally filed consistent integrated resource plans (IRP), but will likely increase the frequency and depth of resource planning into the future as traditional thermal resources roll off and are required to be replaced. We see this as modestly positive for Algonquin Power (AQN) who has plans of fleet transition for Kentucky Power though we would likely need to see full IRP and certificate of public convenience and necessity processes play out before becoming comfortable with the plans. *At this stage, we remain somewhat cautious on AQN's plans in the state and assumed return on equity (ROE) improvement. Maintain Underperform.*

Kentucky Power sale

In early May, the KY Commission approved the sale transfer of Kentucky Power from AEP to AQN as well as the amended operating agreement for Plant Mitchell. As a reminder, last week the Commission denied the Kentucky Attorney General and Kentucky Industrial Utility Customers petition for rehearing on the Kentucky Power sale transfer case was denied and the window for rehearing has closed. At the core under KY law, a utility transaction must not harm a utility's rate payers, financially or in terms of service, and costs cannot exceed the benefits of the transaction (see PowerPoints: AEP (https://rsch.baml.com/r?q=F6!PbES5OE6j7qge1b2teQ&e=kody.clark%40bofa.com&h=oD6bTA) for more details on the sale transfer and PowerPoints: AEP KY (https://rsch.baml.com/r?q=xk96g0UZQRyk2LZK1XhPNg&e=kody.clark%40bofa.com&h=JgIoQQ) for more details on the Mitchell operating agreement). *We reiterate our Buy on AEP as we see upside to shares driven by incremental renewables spend as well as simplification through the closure of Kentucky Power and the sale of contracted renewables.*

West Virginia: Plant Mitchell, coal outlook, and gas

We caught up with West Virginia stakeholders and spent time discussing the state's view on coal, the pending amended operating agreement for Plant Mitchell, and gas utility investment opportunities given the level of bare steel and cast iron still in the system.

Mitchell path still undecided; state unsurprisingly supportive of coal...

While Kentucky has already issued an order outlining the path forward for Plant Mitchell, we await an order on the operating agreement from West Virginia. Our conversations with both WV and KY lead us to believe that the states might not fully be aligned on the issue. As a reminder, the plant will have to transfer to Wheeling Power Co. (an AEP subsidiary) prior to 2028 - WV will be looking to pay the fairest price for the asset while KY will look to receive a

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since the deal was struck when Kentucky Power and Wheeling were still affiliates, does that

FirstEnergy (FE) subsidiary, Monongahela Power Co., and American Electric Power (AEP) subsidiaries, Appalachian Power Co. and Wheeling Power Co. both continue to operate a number of coal plants in the state. The state seems set on operating the coal plants through 2040 in most cases given the coal mining and plant jobs that the plants support. We do not see the state shifting its stance on coal retirements in the near-term though new regulations could put pressure existing plants. So far, the Commission has approved investments in the plants to remain compliant with evolving regulations (most recently Coal Combustion Residual [CCR] and Effluent Limit Guidelines [ELG] investment).

...but coal supply has been challenged- improving trend of very late however

Procuring coal supply and inflated prices have been challenged for utilities driven by inability to substantively ramp production without access to capital. We have seen data points from AEP noting that their WV power plants ran out of coal in late-2021 causing them to idle the plants for longer periods than planned. Banks have been more hesitant to loan to the coal industry as investors become more critical on ESG metrics and lending practices. We look to see how the coal situation continues to evolve as higher prices continue to pressure customer bills.

Gas utilities investment opportunity remains healthy

We discussed the investment opportunity for gas utilities in the state driven by pipe replacement and modernization. Utilities enjoy forward test years and trackers for pipe replacement and we see the opportunity for pipe replacement and safety investment as a positive for UGI Corp (**UGI**) who purchased Mountaineer Gas last year. *Maintain Neutral on UGI as we continue to view risks to 2023 numbers as a number of levers are being pulled in 2022 to offset the drag caused by the gas marketing segment in Europe.*

MD: reg. environment has improved; PBR an opportunity?

Our discussion on Maryland regulatory environment focused on the progress for utilities and the relationship with regulators has improved over time. Implications for Exelon Corp (EXC), NiSource (NI), and the parent company for Washington Gas. Performance Based Ratemaking (PBR) was discussed as a potential opportunity and rate framework for the future.

Specifically, Hawaii was discussed as framework for potential PBR, but utilities could propose their own framework and negotiate performance incentive (and disincentive) mechanisms for safety, customer satisfaction, greenhouse gas emission reductions, etc. We would likely see the full performance incentive set at stretch goals for the utilities with disincentives applied for poor performance in any of the metrics. Look toward the North Carolina processes with Duke Energy (DUK) later this year and into 2023 for additional rulemaking and structure that could potentially be used to frame MD's PBR in the future.

We reiterate our Buy ratings on shares of EXC given low-risk, defensive nature at an attractive valuation and NI given discounted valuation relative to potential strategic outcome and upside to earnings.

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

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AQN	AQN US	Algonquin Power	US$ 13.18	B-3-8
YAQN	AQN CN	Algonquin Power	C$ 17.04	A-3-8
AGR	AGR US	Avangrid	US$ 44.17	A-3-7
ED	ED US	Consolidated Edison	US$ 88.21	A-3-7
CEG	CEG US	Constellation Energy	US$ 60.38	C-1-7
EXC	EXC US	Exelon Corp	US$ 41.6	B-1-7
FE	FE US	FirstEnergy	US$ 35.97	B-2-7
NI	NI US	NiSource Inc	US$ 26.98	A-1-7
PPL	PPL US	PPL Corp.	US$ 25.85	B-2-8
PEG	PEG US	Public Service	US$ 59.66	A-1-7

Source: BofA Global Research, Bloomberg

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Price Objective Basis & Risk

Algonquin Power & Utilities Corp (AQN / YAQN)
Our SOTP PO is $14.50 (C$18.71). We assign P/E multiples on 2024E (17.7x for electric, 17.1x for gas, and 24.6x for water, respectively) earnings of its regulated seg based on expected 2025 breakdown. 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 2x 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 converts in 2024.

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.

Avangrid (AGR)
Our $45 PO is based on an 2024E SOTP. The utilities are valued on by applying discounts to the base sector P/E of 18.4x/17.9x for electric/gas due to below average growth and regulatory jurisdictions. Both electric and gas peer P/Es are grossed up +5% to reflect capital appreciation across the sector. The renewables are valued at approximately 11x EV/EBITDA, consistent with peers while offshore wind is valued using discounted cash flows at a 12% discount rate. Future potential value creation from the renewable development 'DevCo' is provided as well. Lastly parent/HoldCo financing negatives are ascribed

Up/downside Risks to achievement of the PO and Rating are: 1) earned ROEs at the utilities, 2) utility capital expenditure forecasts, 3) regulatory/political/legislative outcomes, 4) equity needs, 5) offshore wind construction, 6) 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. 7) natural disasters, 8) commodity and interest rate fluctuations, and 9) management changes.

Consolidated Edison (ED)
Our $90 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group multiples 18.3x/17.9x for electric/gas respectively with a -2.0x 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 12.0x multiple for both the legacy portfolio and the renewables portfolio seeing it as having higher quality returns.

Upside/Downside risks to achievement of the Price Objective and Rating are: 1) earned regulatory returns, 2) capital expenditures, 3)

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Mountain Valley Pipeline, and 9) raw materials costs & supply chain delivery timelines.

Constellation Energy Corp (CEG)
Our $95 Price Objective is based on a 13.1% 2024E equity Free Cash Flow yield (FCF yield) on an unhedged/'open' basis. This aligns with approximately 9.5x EV/EBITDA legacy sum-of-the-parts approach, representing a favorable premium to fossil-heavy peers and supported by a detailed sum-of-the-parts companion analysis.

Risks to achievement of the Price Objective are: 1) changes in energy & capacity prices, 2) retail margins & market share, 3) operation and capital costs, 4) capital allocation decisions, 5) nuclear incidents or accidents, 6) legislative and regulatory changes, 7) nuclear fuel costs & availability, 8) change environmental standards for nuclear assets.

Exelon (EXC)
Our $54 PO is based on an sum of the parts valuation. Our base electric peer 2024 P/E multiple of 17.5x is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply a 2x premium across EXC utilities ComEd, PECO, BGE, PHI given increasing comfort around the consolidated profile, above-average growth prospects and below average risks.

Risks to achievement of the rating and price objective include: 1) Adverse regulatory, political, and legislative outcomes, 2) inability to deploy the guided capital expenditures, 3) equity needs that differ from guidance, 4) storms and other natural disasters, 5) inability to control operating costs, 6) changes in effective tax rates, and 7) changes in credit rating agency metric requirements.

FirstEnergy (FE)
Our PO of $44 is based on a sum-of-the-parts valuation. Our multiples are driven by relative P/E premiums/discounts to the 2024E regulated peer multiple (17.4x). 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 apply -1x discount to the distribution utilities to reflect rate review risk and the below-average balance sheet. 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 are: 1) Unexpected regulatory outcomes, 2) ability to earn the allowed ROEs and/or other changes in regulatory earnings, 3) pension liabilities, 4) investigation revelations, 5) equity needs versus forecasts, 6) capital expenditures, 7) pension plan returns.

NiSource Inc (NI)
Our $35 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 16.9x for gas and 17.6x for electric with a 2.0x premium for both the electric & gas utilities' strong growth rates and incremental renewable buildout, with capex potentially beginning in '24-'26, but acknowledge industrial gen load migration risk. While there are near-term headwinds for solar, we are confident in mgmt. ability to manage and mitigate the impacts.

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.

PPL Corporation (PPL)
Our $30 price objective is based on a sum of the parts methodology applying respective premium/discounts to the 2024E peer group multiple of 17.7x. Electric peer P/E multiple is grossed up by 5% to a target multiple of 18.6x to reflect capital appreciation across the sector. We apply -1x discounted valuations to the PA and KY segments for below average rate base growth profiles.

Risks to the achievement of our Rating and Price Objective include: 1) Integration of Rhode Island assets, 2) regulatory/political/legislative changes, 3) capital markets, 4) ability to earn at or above the regulatory allowed return on equity, 5) cost control, 6) capital expenditures forecasts, 7) natural disasters/weather, and 8) equity issuance/repurchase plans.

Public Service Enterprise Group (PEG)
Our $82 PO is derived from our SOTP valuation. For the regulated utilities we utilize the electric (17.6x) and gas (17.0x) 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 and Rating are: 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.

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
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE 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
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Dominion Energy	D	D US	Paul Zimbardo
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Ryan Greenwald
	Exelon	EXC	EXC US	Paul Zimbardo
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith

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	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	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
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM 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	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL 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	Ryan Greenwald
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC 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
	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
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
RSTR				
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith

Analyst Certification

We, Julien Dumoulin-Smith and Paul Zimbardo, hereby certify that the views each of us has expressed in this research report accurately reflect each of

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directly or indirectly, related to the specific recommendations or view expressed in this research report.

Disclosures

Trending

Report

High Yield Strategy (https://rsch.baml.com/r?q=GtCusrguyn8TI1z8yB99Pw&e=sanderson%40nisource.com&h=4zBYB99P)

Step Back In

Oleg Melentyev, CFA 2022-Jun-17

Report

Global Economic Weekly (https://rsch.baml.com/r?q=isourceLcom&h=4zBYB99P)

w&e=sanderson%40nisource.co

Mid-year report: the perfect storm

Ethan S. Harris 2022-Jun-17

Timestamp: 22 June 2022 04:05PM EDT

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CEG: Call Feedback and Explaining The Weakness

Constellation Energy (CEG) declined -7% following its first earnings call, lagging the broad S&P 500 (minimally changed) and comparable independent power producer (IPP) peer Vistra -4%. We provided our initial thoughts on the earnings release (see full report) and follow-up with investor feedback. In conversations with over ten investors, the majority viewed the earnings update as neutral or constructive with the minority viewing it more cautiously, largely around hedging increasing faster than expected. There was a sense of frustration that a capital allocation update and long-term view of profitability will not be provided until late 2022/early 2023, a contrast to Vistra who recently provided a multi-year view of adjusted EBITDA. We acknowledge the investor's view in contrasting the two large power companies, particularly with Constellation having a larger percentage of visible gross margin due to state level programs. However in contrast to Vistra, CEG's open adjusted EBITDA is more volatile due to the nature of the nuclear portfolio with a largely fixed fuel and operating cost base that leads to the higher operating leverage than Vistra's predominately natural gas fired portfolio. Another common area of feedback was that investors strongly prefer share repurchases over one-time special dividends. *Overall while the CEG was more mixed than we had hoped coming into the event, we attribute the relative weakness to broader market factors rather than a failure by management to execute.*

We attribute the continued weakness primarily in VST and secondarily in CEG related to positioning around earnings. Based on our conversations into earnings both Vistra and Constellation were consensus long positions whereas NRG Energy (NRG) was viewed less favorably by investors, seemingly a source of funds. Despite Vistra delivering a better than expected update with stronger prospective adjusted EBITDA guidance than we anticipated management disclosing, Vistra underperformed NRG. *Since the end of April Vistra has now underperformed NRG by approximately 20%, reversing nearly all of the relative strength in the 2022 trade.* ***See Chart on Page 2.*** *This is despite significant increases in Vistra's underlying commodity mark-to-market profitability while NRG has a more muted outlook and structural need to net buy market power and gas in the long-term.*

We maintain Buy on both CEG and VST which we think each offer attractive risk-adjusted free cash flow (FCF) yields with upside to Consensus adjusted EBITDA estimates. We maintain Neutral on NRG which does not have the same level of upside as the company has diversified into retail businesses and we view shares as trading approximately at fair value.

See full note for more on Power, EIX Fire, AQN earnings and dividend, PNW management changes, New York rates (ED), and PA updates (WTRG & NI).

13 May 2022

Equity
United States
Electric Utilities

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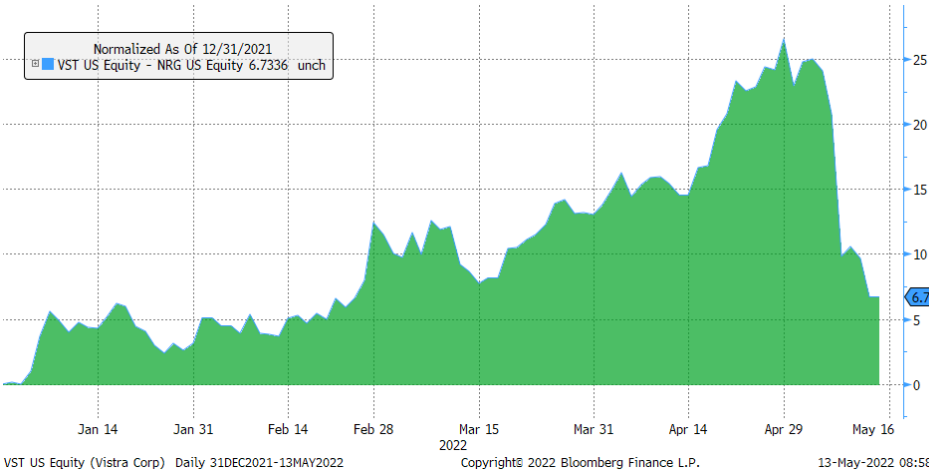
FCF: Free Cash Flow
SCE: Southern California Edison
APS: Arizona Public Service

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Power Outage: VST lags NRG around earnings

As depicted in Exhibit 1, Vistra has meaningfully underperformed NRG in May.

Exhibit 1: Vistra versus NRG Energy Relative Performance
Vistra is still outperforming NRG YTD but by a far lesser degree



Source: Bloomberg

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EIX: Filed Incident Report for Coastal Fire

On May 11th Southern California Edison (SCE - Edison International [EIX] principal subsidiary) filed an electric safety incident report regarding the Coastal Fire (Incident 220511-15162). SCE indicated that it is investing the brush fire with the statement "Our information reflects circuit activity occurring close in time to the reported time of the fire" Per SCE as of the evening on May 11th multiple residential structures were destroyed. SCE has not provided a subsequent update but as of the evening on May 12th the Coastal Fire was 200 acres and 15% contained per CalFire with local media reports indicated that at least 24 homes were destroyed as well as ~900 under evacuation orders.

EIX was the worst performing utility on May 12th -5% versus the broad utilities group -1% and while this is a small fire at this point in time, investor unease is growing as we approach the heart of California wildfire season. We maintain Neutral on shares of EIX which is trading approximately at fair value

AQN: Dividend Growth Cut to 6% from 10%

Algonquin Power & Utilities (AQN) reported adjusted 1Q EPS of 21c, in line with Consensus and 5% above our estimate of 20c. Prepared filings had no mention of affirmation around full year EPS guidance of 72c-77c, but noted that management remains committed to delivering on the company's $12.4Bn capital plan from 2022 through 2026 to drive earnings and cash flows which they expect to support "compelling returns for shareholders." The company raised their dividend to $0.1808/quarter from $0.1706/quarter previously - cutting the growth rate to 6% from 10% the last several years.

On the 4Q21 call management emphasized that it is focused on a sustainable dividend and that "our stance really hasn't changed what we communicated previously" regarding dividend growth. The company targets a long 80-90% payout ratio. This follows the signaling from the new CEO in December 2021 at the Investor Day that growth would moderate based upon the discussion of sustainability.

The latest adjusted quarterly results continue to include lower quality adjustments with disclosures noting a $1.2Mn gain relating to the contingent consideration for Columbian solar assets sold to Atlantica in 2021. We perceive the widely anticipated dividend growth cut to 6% (from 10% previously) was about in line with expectations, albeit with the implied payout ratio relative to guidance still suggesting ~95% vs. a target of 80-90% longer term as discussed above. While the company has navigated regulatory items without particular contention of late, we remain more skeptical around core execution given track record. We reiterate our Underperform rating, with concerns around earnings quality and history of long term earnings expectation resets.

PNW: Mgmt. shuffle, CFO moves to APS president

Pinnacle West Capital (PNW) announced that current CFO Ted Geisler has been promoted to the position of President of its main utility subsidiary, Arizona Public Service (APS). Current PNW CEO Jeff Guldner will remain in the roles of chairman and CEO of APS. Replacing Geisler as CFO of PNW will be Andrew Cooper, who has served as treasurer since 2020, having previously held finance roles at Con Ed (ED) and working in the investment banking division at Barclays. We expect the separation of president and CEO roles at APS will be viewed relatively constructively from a governance standpoint while preserving continuity with the promotion of an APS/PNW veteran in Geisler.

On balance we view the move as an incremental positive for the company ahead of what is expected to be another challenging rate case process. Despite the small positive, this does not change our view of the fundamentals and we maintain Underperform on shares of PNW with a risk/reward skewed to the downside at current levels.

NY Utilities: Commission warns of "higher than normal" prices

The New York Public Service Commission (PSC) issued a statement warning ratepayers that the average Summer residential full service commodity rate is forecast to be +12% higher than the year-ago level. Drivers include the demand forecast driven by an economy that is recovering from Covid and by continued elevated natural gas prices. The PSC expects average supply prices to be at nearly decade highs, on par with levels last seen in 2014, reversing a favorable trend observed in recent years as commodities were broadly declining. The Commission also forecast a peak load across the state of 31,765 MW, compared with installed generating capacity of 37,537 MW, a comfortable ~18% reserve margin.

We view the proactive notification by the PSC as the latest cautious data point for New York utilities, particularly Consolidated Edison (ED) which filed a rate case for its NY City subsidiary earlier in the 2022. The PSC Staff testimony is expected on May 20 where we and most investors we have spoken with testimony expected to emphasize ways to control customer rate impacts as New York City's economy has not yet recovered to pre-covid levels. Higher energy supply costs could well prove a sustained headwind to the significant rate increase requested by ED, exasperated by the high level of bill arrears that still have yet to be recovered. Maintain Underperform on ED as the latest PSC notification suggests sustained focus on ratepayer bill impacts.

WTRG: PA approves 10% ROE for Aqua

Following the particularly cautious administrative law judge (ALJ) recommendation suggesting an 8.9% ROE as the "most reasonable," the Pennsylvania Public Utility Commission (PUC) issued an order on Thursday at their open meeting in which they approved an authorized ROE for WTRG's Aqua PA segment of **10% inclusive of a +25bp management incentive.**

The final decision from the Commission was much more constructive than feared, paving the way for a potential rerating in shares following the close to 20% selloff YTD (just slightly below peer AWK despite 70-30% water-gas business mix and the broader gas rerating). We ultimately expect management to reiterate their 5-7% long term EPS trajectory at upcoming AGA meetings following the positive regulatory outcome. Reiterate Buy given deep discount relative to water peers and upside catalysts from core execution and more water acquisitions after successful regulatory resolution in a critical state should remove the lingering overhang. See our latest here: Essential Utilities: Core quarterly execution ahead of critical rate case resolution later this week 10 May 2022

NI: PA PUC denies over-pressurization settlement

The Pennsylvania Public Utility Commission voted 3-0 to deny the settlement agreement on Columbia Gas of PA's (a NiSource [NI] subsidiary) 2018 over-pressurization event. The PUC directed the case back to the PUC's independent Bureau of Investigation and Enforcement (I&E) for further examination. The settlement would have required NI to pay a $535k civil penalty and make procedural and training improvements.

Head up. The originally proposed civil penalty of $535k is immaterial, but the increased focus on NI during a rate case could add noise to the process. NI has increased focused on safety since the 2019 Merrimack incident and has made a number of organizational and process changes. Despite a minor cautious data point, we maintain Buy given attractive valuation paired with upside from potential further efficiency measures as well as capex upside and an extension of the longer-term growth rate driven by generation spending.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
WEC Energy Group Inc: Peer-Best Execution at Modest Valuation: Upgrade to Buy	Julien Dumoulin-Smith	13 May 2022
Hawaiian Electric Industries: New York Luau: Takeaways from latest management meetings	Julien Dumoulin-Smith	13 May 2022
Southwest Gas Holdings: Framing the Upside/Downside Risk and Robust Strategic Review is Supportive; Buy	Julien Dumoulin-Smith	12 May 2022
US Electric Utilities & IPPs: PowerPoints: FLNC First Takes, D OSW Settlement, DUK OSW Lease Win, PEG	Julien Dumoulin-Smith	12 May 2022
Atlantica Sustainable Infrastructure: Defensive play, while int'l exposure shifts from risk to advantage; Upgrade to Buy	Julien Dumoulin-Smith	12 May 2022
Constellation Energy Corp: Big 1Q Beat. 2022 'Only' Intact but Future Profitability Still Bright as Printing Green	Paul Zimbardo	12 May 2022
US Electric Utilities & IPPs: PowerPoints: Inflation, EVGO Miss, CEG, NWE, DUK/AGR Offshore, FTS, NRG, FTCI	Julien Dumoulin-Smith	11 May 2022
Public Service Enterprise Group: Raising ests further on Power, although volatility & ZECs create uncertainty	Julien Dumoulin-Smith	11 May 2022

Exhibit 2: Primary stocks mentioned in this report
Prices and ratings for primary stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
CEG	CEG US	Constellation Energy	US$ 53.47	C-1-7
VST	VST US	Vistra Energy	US$ 23.41	B-1-7
NRG	NRG US	NRG Energy	US$ 41.39	B-2-7
EIX	EIX US	Edison Intl	US$ 64.86	B-2-7
AQN	AQN US	Algonquin Power	US$ 13.4	B-3-8
YAQN	AQN CN	Algonquin Power	C$ 17.47	A-3-8
PNW	PNW US	Pinnacle West Capit	US$ 73.38	B-3-7
ED	ED US	Consolidated Edison	US$ 94.35	A-3-7
WTRG	WTRG US	Essential Utilities	US$ 43.74	B-1-7
NI	NI US	NiSource Inc	US$ 29.61	A-1-7

Source: BofA Global Research

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Price objective basis & risk

Algonquin Power & Utilities Corp (AQN / YAQN)

Our SOTP PO is $15.50 (C$19.53). We assign P/E multiples on 2024E (18.6x for electric, 17.7x for gas, and 26.1x for water, respectively) earnings of its regulated seg based on expected 2025 breakdown. We back out future tax differential stemming out of tax rate normalization.
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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.

Consolidated Edison (ED)

Our $86 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group multiples 18.4x/17.5x for electric/gas respectively with a -2.0x 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.

Upside/Downside risks to achievement of the Price Objective and Rating are: 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, 8) ability to complete the Mountain Valley Pipeline, and 9) raw materials costs & supply chain delivery timelines.

Constellation Energy Corp (CEG)
Our $82 Price Objective is based on an 12.5% 2024E equity Free Cash Flow yield (FCF yield) on an unhedged/'open' basis. This aligns with approximately 9x EV/EBITDA legacy sum-of-the-parts approach, representing a favorable premium to fossil-heavy peers and supported by a detailed sum-of-the-parts companion analysis.

Risks to achievement of the Price Objective are: 1) changes in energy & capacity prices, 2) retail margins & market share, 3) operation and capital costs, 4) capital allocation decisions, 5) nuclear incidents or accidents, 6) legislative and regulatory changes, and 7) change environmental standards for nuclear assets.

Edison International (EIX)
Our $66 PO is based on sum of the parts analysis with a peer 17.5x (previously 17.0x) 2024 P/E grossed-up 5% for group growth. A -2x P/E discount is applied to the CPUC, as well as the Parent/Other segment, and -1x P/E discount to FERC jurisdictional utilities. The discount reflects below-average growth and regulatory considerations, albeit FERC risk profile is less challenging than the CPUC. 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

Essential Utilities (WTRG)
Our price objective is $50 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 23.6x and 17.2x. We apply a 1.0x premium to Peoples Gas given the organic growth opportunities, while applying a variety of premiums to its water subsidiaries: +2x to PA, +2x to IL, +2x to OH, +2x for TX, +2x for OH, and no premium for balance of biz. We net out parent drag with a blended multiple.

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

NiSource Inc (NI)
Our $35 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 16.9x for gas and 17.6x for electric with a 2.0x premium for both the electric & gas utilities' strong growth rates and incremental renewable buildout, with capex potentially beginning in '24-'26, but acknowledge industrial gen load migration risk. While there are near-term headwinds for solar, we are confident in mgmt. ability to manage and mitigate the impacts.

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.

NRG Energy (NRG)

Our $43 PO is based on a discounted 2023E sum-of-the-parts analysis. We apply a premium/discount to our 7.0x base EV/FCF multiple (based on long-term historical industry trends) to each segment based on our views of the specific asset type and region. We discount the Generation segment to 4.4x EV/EBITDA given ongoing power market pressures for merchant fossil assets. Within Generation, we apply a 7x disc to ERCOT coal given supply chain challenges. We apply a 6.6x multiple to Retail, at a premium to the base IPP multiple, given expectations for steady margin improvement with growth driven by cross-selling and product/service expansion efforts. We include $400mn securitization proceeds, reflected in YE-23 cash balance. We assume $2.1bn share repurchases by YE-23.

Upside risks to our PO: 1) increase in power market fundamentals that drives FCF higher, 2) outperformance on targeted synergies, and 3) expansion of retail margins and customer growth.

Downside risks to our PO: 1) deterioration in power market fundamentals that drives FCF lower, 2) underperformance on targeted synergies, and 3) contraction of retail margins and customer count declines.

Pinnacle West (PNW)
Our price objective of $69 is based on a peer utility P/E multiple of 18.2x on our 2024E EPS of $4.44 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.

Vistra Energy (VST)
Our $29 price objective is based on a 2023E SOTP valuation. We assign a discount/premium to the peer group EV/FCF multiple of 7.0x for each fuel within each geography, depending on our specific views for the asset type and market: We include the full $275mn of margin-enhancing initiatives as well as $200mn optimization benefits and the $275mn of synergies related to the DYN acquisition. We further capitalize our estimated income tax for the combined entity to reflect the higher tax burden than peers, and we include a $50mn NPV of TRA payments. We reflect Vistra Zero accretion at 12x EV/EBITDA, with '26 FCF discounted at 12% back to '23. We also reflect $500mn of ERCOT securitization proceeds (implied in net debt balance). Our average implied EV/FCF multiple for the overall business is 5.5x. We include impact from future bill credits from Uri storm & NPV of ERCOT uplifts, exclude Koch litigation.

Downside risks: 1) declining wholesale power & capacity prices, 2) competitive & regulatory change to retail businesses, principally in Texas, 3) operational issues pertaining to running power assets including Nuclear asset in Texas.

Upside risks: 1) VST may improve its retail margins and retain customers, 2) VST may beat its margin enhancements initiatives, 3) VST may see a decrease in the price of key

inputs such as natural gas and coal, and 4) VST may see an increase in wholesale power prices.

Analyst Certification

We, Julien Dumoulin-Smith, Paul Zimbardo and Ryan Greenwald, 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.

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
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE 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
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Dominion Energy	D	D US	Paul Zimbardo
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Ryan Greenwald
	Exelon	EXC	EXC US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	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
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM 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	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith

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

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Unitil Corporation	UTL	UTL 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
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Ryan Greenwald
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC 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
	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
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
RSTR				
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Energy Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	70	54.69%	Buy	56	80.00%
Hold	36	28.13%	Hold	28	77.78%
Sell	22	17.19%	Sell	11	50.00%

Equity Investment Rating Distribution: Utilities Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	76	50.00%	Buy	55	72.37%
Hold	36	23.68%	Hold	30	83.33%
Sell	40	26.32%	Sell	23	57.50%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1916	57.18%	Buy	1207	63.00%
Hold	705	21.04%	Hold	452	64.11%
Sell	730	21.78%	Sell	362	49.59%

[R1] 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.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2]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.

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Going back to Miami; AGA conference question bank

We are hosting a number of in-person meetings at the American Gas Association (AGA) financial conference in Miami starting on May 17th. This is another opportunity to meet multiple management teams in the utility sector following the hiatus to a virtual context at one of the key financial conferences for the year. While solar procurement and development issues has been one of the main discussions on 1Q updates, there are a number of other factors in the space that could have received more attention in our view including **1)** the inflationary environment for O&M and capex, **2)** interest rate exposure and offsets, and **3)** customer and load growth trends as we trend toward more normalcy. We look forward to fulsome discussions after comprehensive 1Q22 company updates.

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

Companies reflected in the Q-Bank include: Ameren (**AEE**), Avangrid (**AGR**), Algonquin Power (**AQN**), Atmos Energy Corp (**ATO**), Avista Corp (**AVA**), Black Hills Corp (**BKH**), CenterPoint Energy (**CNP**), Chesapeake Utilities (**CPK**, Not Covered), CMS Energy (**CMS**), Consolidated Edison (**ED**), Dominion Energy (**D**), DTE Energy (**DTE**), Duke Energy (**DUK**), Essential Utilities (**WTRG**), MDU Resources (**MDU**), MGE Energy Inc. (**MGEE**), NiSource (**NI**), New Jersey Resources (**NJR**), NorthWestern Corp (**NWE**), NW Natural Holdings Company (**NWN**), ONE Gas Inc (**OGS**), Southern Co (**SO**), Spire (**SR**), Sempra Energy (**SRE**), UGI Corp (**UGI**), Unitil Corp (**UTL**), WEC Energy Group (**WEC**), Xcel Energy (**XEL**).

Strategy, Inflation, Interest Rates & Solar Are Top of Mind

We list detailed questions for the companies above but the overriding industry and macro themes are solar delays driven by the DOC's circumvention investigation, strategic reviews/simplification, inflationary impacts to capex and O&M, and interest rate exposure. The number one topic for a number of companies during 1Q updates was solar development and procurement challenges. Some companies have done a good job of quantifying the potential impacts and, more importantly, mitigation measures to maintain earnings growth trajectories through the headwinds while others have been vaguer. Inflation remains a focus though generally utilities have stated O&M and capex has trended in line with expectations so far. Interest rate risk was not highlighted enough across the sector during the 1Q updates and we look for further detail through the course of our meetings. Additionally, recent market returns for debt and equity have brought pension and benefit plans to the forefront.

While every company has nuances that we look forward to diving deeper into, what meetings are we particularly interested in? Duke Energy (DUK) – Carbon Plan, solar delays and offsets, offshore wind; New Jersey Resources (NJR) – solar capex reduction, growth trajectory near-term; Southwest Gas (SWX) – ongoing strategic review, new CEO Con Ed (ED) – NY rate case, clean energy sale; Algonquin Power (AQN) – Kentucky Power nearing close, solar impacts; NiSource (NI) – renewables delays, mitigation measures, strategic review; Sempra Energy (SRE) – LNG buildout, costs; Dominion Energy (D) – solar, offshore wind, RNG; and many more. **See the full report for our list of key questions.**

13 May 2022

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DOC: Department of Commerce
LNG: liquefied natural gas
RNG: renewable natural gas

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Ameren (AEE)

- How much capex upside in your existing 10-year plan could you see from the MISO long-term planning process under the announced Tranche 1 of the Futures 1 scenario? How do greenfield/brownfield project distinctions impact your forecast?

- What are the impacts of the recent plant in service accounting (PISA) extension legislation on your internal forecasts and capital planning at Ameren Missouri electric?

- Discuss your long-term planning process in the context of your expected updated Integrated Resource Plan (IRP) filing expected later in 2022 as well as MISO's long-term transmission planning and your early retirement of Rush Island. Do you expect to provide investors with an updated capex plan later this year that incorporates some or all of these impacts?

- How are you managing customer bill impact – particularly at IL Electric – of the recent MISO capacity auction and resulting energy supply cost increases?

- How has inflation of materials and general uncertainty around the supply chain for renewables impacted your long-term planning? Do you see certain projects as potentially at risk when you file your updated Missouri Integrated Resource Plan (IRP)?

- Do you have latitude within your financing plan to accelerate capex beyond that proposed in the latest 5-year look?

- What are the key levers that you have for determining where in the 6-8% EPS long-term CAGR range you will achieve?

- Please share your views on the proposed multi-year plan (MYP) ratemaking mechanism as proposed by the recently passed IL energy legislation.

- 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?

- 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 are your views on the Qualifying Infrastructure Plant (QIP) rider that is in place for IL Gas utilities? Do you see any risk of the rider being repealed prior to its scheduled 2023 sunset? Do you expect it to be replaced by a similar mechanism if the current version is allowed to expire? If no replacement is passed, what impact on your earned ROE do you expect from greater regulatory lag?

- 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?

- 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?

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Electric Utilities & IPPs: Earnings PowerPoints: Light at the End of Solar Tunnel? AES, ED, & AEE.	Julien Dumoulin-Smith	06 May 2022
Ameren Corporation: Upsides abound after latest refresh; MO resource and transmission in focus	Julien Dumoulin-Smith	17 March 2022
North American Utilities & IPPs: Earnings FirstTakes: AEE FY22 & 6-8% CAGR, LNT FY22 Bump, PPL Dividend Cut	Julien Dumoulin-Smith	18 February 2022
Ameren Corporation: 4Q21 and 2022 guidance preview: A long runway of growth ahead	Julien Dumoulin-Smith	21 January 2022

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 magnitudes?
- What are the next steps and key dates to watch for New England Clean Energy Connect (NECEC)?
- Can you please discuss the largest variables and areas of change since you last provided the 6-8% 2020-2025 long-term adjusted EPS guidance?
- When do you expect the Federal Energy Regulatory Commission (FERC) to act on New England base transmission ROEs and/or incentives?
- How did the utility earned ROEs in 2021 compare to your projections and the allowed levels?
- Please discuss the cost cut plans underway. What jurisdictions do you see an ability to cut costs to support shareholder earnings? Are these savings sustainable?
- How have the regulatory environments shifted in recent years in your key jurisdictions such as Connecticut and New York?
- When do you anticipate rescheduling your Analyst Day for? What are the critical gating items?
- Are your offshore wind investments core to the outlook? Would you consider divestitures?
- What is the commercialization strategy for your Kitty Hawk offshore wind lease?
- What is the year one net income for your offshore wind projects? How have project returns evolved due to increase capital and financing costs?
- Are there are opportunities to improve the capacity factors on the operating wind assets with capital or operating investments?
- 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 what has contributed to the historical and current shifts to the solar project anticipated commercial operations to date?
- What is the best way to approach modeling future equity needs for the business?

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Title: Subtitle	Primary Author	Date Published
US Electric Utilities & IPPs: PowerPoints: Inflation, EVGO Miss, CEG, NWE, DUK/AGR Offshore, FTS, NRG, FTCI	Julien Dumoulin-Smith	11 May 2022
US Electric Utilities & IPPs: PowerPoints: EXC, DUK, WTRG, & HE Earnings. ES/AGR Updates, Cali, OGE, AY	Julien Dumoulin-Smith	09 May 2022
Avangrid: Potential for Further Delays as AD/CVD Risks 2023. Maintain Underperform	Paul Zimbardo	27 April 2022
US Electric Utilities & IPPs: PowerPoints: Utility Technicals, AGR 1Q, ETR Takes, XEL CO, CMS Crypto, GHG	Julien Dumoulin-Smith	27 April 2022
Avangrid: Navigating Choppy Waters With a New Captain At the Helm: Challenged Backdrop	Paul Zimbardo	25 April 2022
US Electric Utilities & IPPs: PowerPoints: Utility Inflation, AGR Maine Legislation, PA Coal/Crypto Mining, RINs	Julien Dumoulin-Smith	13 April 2022
US Electric Utilities & IPPs: PowerPoints: AGR NY, PPL RI, LNG Energy Summit, SRE LNG Cameron 4, & More	Julien Dumoulin-Smith	04 April 2022

Algonquin Power (AQN)

- How has the ongoing **AD/CVD** investigation impacted solar projects?
    - What is your expectation for timeline of resolution?
    - How de-risked is '22?
    - How are you thinking about implications for '23-24?
    - How do you deal with the earnings impact?
- Can you talk about latest trends in the **supply chain** more broadly? How concerned are you around **inflationary pressures** to procure components? Do you see risk of project delays at this point in time? What about margin trends?
- Can you walk us through the latest **PPAs** you have signed? What type of economics do these projects command?
- What's the trajectory for **HLBV income** that is related to tax equity income for new renewables and existing renewables?
- Can you talk about the latest **competitive dynamics** in pursuit of US renewables?
- Where do you see yourself trending in the **7-9% LT EPS CAGR** under the currently announced projects? What are the key drivers to achieve each end of the range?
- How are you thinking about additional strategic **M&A** and do you see the potential for deals to materialize against the latest backdrop? How are you thinking about your ability to participate in municipal water acquisitions in particular given your higher cost of capital?
- Outside of acquisitions, what are potential levers to drive further **organic earnings growth** across your portfolio?
- Can you talk about the make-up of earnings for long term EPS? How much is from Liberty Power vs. Utilities? How do you think about achieving long-term **DPS and EPS growth & composition**?
- Can you talk about how you are thinking about any implications from the previously passed **infrastructure plan** and any potential changes to the **tax code**? Would you consider these to be a net tailwind or net headwind?
- How are you thinking about potential **legislation carve outs or tax extenders** after the failed Build Back Better efforts? What would it ultimately mean for your business?
- Please discuss your relationship with **AY** and your latest thoughts on the long term partnership strategy?
- Can you talk about latest **load trends** you are seeing across your regulated business?
- Can you walk us through your current **regulatory agenda** across key states to achieve contemplated rate base growth?
- Can you discuss your various **regulator relationships** across the jurisdictions in which you operate?

- Can you give us an update on where your **earned ROEs** are trending across your jurisdictions? How do you think about your ability to manage any regulatory lag over time?
- Discuss your **credit ratings** relative to your aspirations to scale capital spend across the various jurisdictions both on the regulated and unregulated side. Talk about how **tax equity** financing fits into your CapEx plan. What are the latest trends you are seeing in tax equity and how do you think about a potential change in corporate tax rate as impacting availability of tax equity?

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Title: Subtitle	Primary Author	Date Published
US Electric Utilities & IPPs: PowerPoints: SRE LNG, SO Vogtle Co-Owners, AEP-AQN Kentucky	Julien Dumoulin-Smith	31 March 2022
US Electric Utilities & IPPs: PowerPoints: MISO Tx Delay, AEP-AQN KY Latest, SWX-Icahn, Biden-Supply Chain	Julien Dumoulin-Smith	25 March 2022
Algonquin Power & Utilities Corp: FY21 First Takes: Low Quality Beat; Eyes on KY process after recent Analyst Day	Julien Dumoulin-Smith	04 March 2022

Atmos Energy Corp (ATO)

Inflation, Growth & Capex

- Can you discuss the volume and growth trends you are seeing by customer class? Some strong industrial demand, how does that translate to bottom-line vs residential growth cognizant of the different margin profiles?
- How is your O&M tracking relative to your FY22 and long-term expectations? Can you discuss timing of the projects for the remainder of the year? How is inflation playing into your expectations here? Any mitigating factors that we should be cognizant of?
- What is your view on inflation's impact on the capex budget beyond FY22? What % of your capex is exposed to material, human capital, etc.? And what percentage is locked in from a contract perspective?
    - Can you talk about your labor contracts? How much is locked in, when are they renegotiated, etc.?
- Can you frame the $13B-$14B capital plan (i.e. is it majority pipeline replacement and to support customer growth)? Are there other investments opportunities that do not get a lot of attention that we should be thinking about?
- Can you touch on the latest trends you are seeing for customer growth? What areas are the strongest (Dallas metroplex seems like a leader in your service territories)?
    - Any insight on what customer class is really driving the growth? Is it more residential or industrial weighted?
    - What is embedded in the 6-8% LT EPS growth assumption?
- How should we think about passing the costs through to customers paired with your $13B-$14B capital plan over the next five-years? Any risk in investments being pushed out?
- How do you think about executing around the 6-8% annual EPS growth rate - what are the key considerations between the top-end and bottom end of that range?

Winter Storm Uri

- Can you talk through the progress at each state for gas cost recovery/securitization? TX seems buttoned up at this point and awaiting issuance, but how should we think about KS?
    - Do you expect to reach a settlement on the costs in KS? Can you talk through the timeline post-determining the costs to be securitized?
- Moody's recently revised the outlook back to stable, what are the gating factors for S&P to move their outlook back to stable? Do they need to see the actual issuance or are they waiting for some other milestone?

Regulatory

- Discuss your currently pending filings. How should we think about the range of outcomes?
- How do you think about allowed ROEs given where interest rates are heading?
- Can you remind us how you are thinking about the general rate case at Atmos Texas Pipeline in '23? Any initial thoughts here? What is embedded for an outcome in the longer-term plan?

Alternative Fuels

- Investment in alternative fuels seems like it is just related to interconnection at this point, but, longer-term, how do you think about the ability to invest in Renewable Natural Gas (RNG) and Compressed Natural Gas (CNG)?

- Are your states contemplating any mechanisms that would facilitate investment in alternative fuels? How do you educate regulators and policy-makers on the benefits of these alternative fuels as regulated investments?
- Could RNG become a potential rate base opportunity?

Other & Financing

- How strong are the prohibition of natural gas bans across your jurisdictions? Which of your jurisdictions have this legislation in place?
- How do you think about the recent proliferation of incidents from several companies across the space - could that accelerate gas safety and reliability spending?
- How are you thinking about the vehicle for your equity needs through the five year plan? Shares have been strong, how do you think about timing? Is ATM your preferred vehicle?
- How do you view further consolidation in the space given the very recent, very healthy public marks? Do you still prioritize organic growth over M&A? Any ability in your view to take advantage of where gas LDCs are trading in private hands?

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Title: Subtitle	Primary Author	Date Published
North American Gas Utilities: F2Q22 LDC First Takes: UGI pos '22 guide, ATO narrowing guide, NJR solar challenges	Julien Dumoulin-Smith	05 May 2022
Atmos Energy Corporation: More gas in the tank: Why we are still positive despite outperformance	Julien Dumoulin-Smith	17 February 2022
Atmos Energy Corporation: Weather Normalization Works Nicely; in-line 1q, RRC approved securitization too	Julien Dumoulin-Smith	09 February 2022

Avista (AVA)

Inflation & Guidance

- How should we think about the $445M in capex per year in '22 and '23? Are you feeling any inflationary pressures on that capex? Do you run the risk of planned work not being completed given the elevated cost environment? Any offsets?
    - What is your view on inflation's impact on the capex budget? What percentage of your capex is exposed to materials, human capital, etc.? What percentage is locked in from a contract perspective?
- Can you talk about your assumption for O&M in both '22 and '23? 5% in '22 then 2-3% in '23. What gives you confidence in holding O&M at more normal levels in '23 in an inflationary environment when you are expecting higher customer growth? What have you been seeing so far?
- What is the expectation for customer growth in 2022+? How does compare with historical growth?
- Longer-term, is the 1% customer growth embedded in the 4-6% EPS growth rate? How would you frame the top and the bottom-end of the range? Investors have been myopically focused on the near-term earnings trajectory, so curious how you would frame the longer-term outlook?
    - Any investment areas in particular that we should be tracking? How do you think about your LT capex profile?
- Can you talk through the power and gas backdrop? The drag from the energy recovery mechanism (ERM) was raised in the last update, what are the potential offsets that you see through the course of '22?
    - ERM will be reset with new rates, are you confident in your ability to get that to more normal levels? Any discussions with regulators to remove the impact?
- 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?

Regulatory

- How are you viewing the WA environment following the most recent rate case outcome and the filing of the multi-year plan earlier this year? What has been the feedback so far? What are the next data points that we should be watching in that case? Is settlement possible in your view?
    - What sticking points do you expect from intervenors in the case? How are you looking to resolve the opex issue resulting from the prior case in the ongoing case?
    - Can you talk about the authorized ROE that was requested and recent authorized ROE trends that we have seen in the state? How would you described the embedded ROE in the plan? What are the next data points that we should be watching in the case?
- Settlement has been reached in OR, what are the remaining steps to get new rates into effect there?
- Moving to ID, how should we think about timing for implementation of new rates in 2023? You will file in 1Q, so should we expect a similar Sep. 1, 2023 implementation?
- What other mechanisms do you feel you need in your jurisdictions that would enable you to earn closer to your allowed ROE?

- Is there anything that you are working on that could alleviate structural lag? Do you continue to expect 70bps of structural lag long-term?

Wildfires

- Are there any updates to the Babb Road Fire lawsuit? How do you view the viability for inverse condemnation in Washington?
- Can you discuss the regulatory construct for wildfires in each of your jurisdictions? Is there any precedent for cost recovery of liabilities?
- How much do you plan to spend under the Wildfire Prevention program? Could accelerated wildfire prevention spending potentially feature in future cases?
- 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?
- How do you think about regulated M&A broadly?

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Electric Utilities & IPPs: PowerPoints: TLN/PPL Suit, BLNK/EVGO, VST/CIFR Crypto, & ETR/SR/AVA Equity	Julien Dumoulin-Smith	10 May 2022
Avista: Remaining Cautious on the Outlook Despite Recent De-Rating; Reit. U/P	Julien Dumoulin-Smith	09 May 2022
US Electric Utilities & IPPs: PowerPoints: FTS, PNW, LNG, NI, AVA/NWN, AEP KY, Vestas & Wind	Julien Dumoulin-Smith	04 May 2022
US Electric Utilities & IPPs: Pac NW 1Q22 First Takes: AVA beat, NWN miss; inflation pressures top-of-mind	Julien Dumoulin-Smith	04 May 2022
Avista: Remaining cautious on '23 as '22 looks challenged w/ power price impacts	Julien Dumoulin-Smith	08 April 2022
US Electric Utilities & IPPs: PowerPoints: SO Mar. ITAAC Positive vs Plan; AVA Babb Road Fire Lawsuit	Julien Dumoulin-Smith	01 April 2022
Avista: Still Below '23 Guide Range: What's Driving the Delta? Underperform.	Julien Dumoulin-Smith	24 February 2022
Avista: FY23 EPS guide reiterated? Bridge from '22 still challenged in our view	Julien Dumoulin-Smith	23 February 2022

Black Hills Corp (BKH)

- Discuss the recent **crypto mining** contract that was signed after the earlier RFP. How should we think about incremental earnings impact out of such efforts?
- How are you framing **incremental capital opportunities** beyond the latest update, particularly related to the recent Integrated Resource Plan (IRP) and Clean Energy filiing in Colorado? How should we think about your ability to rate base **renewables** longer term?
- 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? Can you discuss latest conversations with credit agencies? How do you view ongoing **equity needs** after 2022, particularly if there are incremental capital spending opportunities.
- 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. What is the prospective strategy 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?

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Black Hills Corporation: A solid start despite risk from jury noise. More incremental opportunities ahead	Julien Dumoulin-Smith	06 May 2022
US Electric Utilities & IPPs: Earnings PowerPoints: D, PPL, ES, SRE, IDA, BKH, MDU, OGE. AEP & SWX	Julien Dumoulin-Smith	05 May 2022
US Electric Utilities & IPPs: PowerPoints: AGR Wind, FE Ohio, UGI Weakness, XEL/CNP/BKH Regulatory Recap	Julien Dumoulin-Smith	16 February 2022
Black Hills Corporation: Affirmation of core LT trajectory after big 2021 weather miss	Julien Dumoulin-Smith	11 February 2022

CenterPoint Energy (CNP)

Solar & Regulatory

- Can you discuss your recently issued request for proposal (RFP) for flexible resources?
- Can you talk about potential solar delays and the impact to the capital plan? How are you and your developers working to mitigate the impacts? Remind us what the impact is from a delay into '24?
    - How have your discussions been with regulators on increased pricing? What is the process to get approval for increased costs?
- How would you frame the rate case in '24+ to include the renewables? How should we think about the interplay with the potential solar delays?
    - 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?
- Discuss the decision to pursue securitization of coal in Indiana. This construct has not been tested yet in the state, how do you expect stakeholders to view the request? Any preliminary conversations?
- Settlement reached in the MN gas case, when should we be expecting an order and new rates?
- Administrative Law Judge report is coming on the MN Uri costs, can you frame the potential impacts of the case? What is at risk? How has the Uri storm cost changed the regulatory backdrop in the state, if at all?
- 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

- Can you discuss the increase/pull forward in capex into '22? What type of capex?
- Where does your reserve capital stand? How are you thinking about what will replenish the reserve?
- Texas transmission has been a focus – how does this get layered into the plan? What is the timing for an update?
- How are cost reductions trending YTD? What takes you to either end of the 1-2% range in a given year? How is the inflationary environment impacting your ability to achieve the cost reductions? Is the flexibility there to hit the 8% EPS growth consistently?
    - Is there any upside to the 8% EPS growth in the near-term? Or should we think about upside to the growth rate being offset by flexing O&M to get you more latitude longer-term?
- Can you talk about your 14-15% FFO/Debt metric target going forward? How are you thinking about this especially given some additional latitude with the metrics following the midstream exit?
- How should we be thinking about the filing of the framework around the Natural Gas Innovation Act in MN? What programs do you expect to seek potentially later this year after the framework is accepted by the Commission?

Other

- What other strategic initiatives do you perceive are remaining? What is the trigger point for you to consider the sale of an additional gas utility? Clearly saw a positive price marker of late.
- How are you thinking about the path to net-zero by 2035? What are the near-term investment opportunities that you see will be driven by the transition?
- Can you frame the barriers for further sales of Energy Transfer units as it stands today? What is the latest dialogue with the ratings agencies?

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CenterPoint Energy: Premium story continues to materialize; Proactively pulling forward capex, Buy	Julien Dumoulin-Smith	04 May 2022
CenterPoint Energy: Pulling forward capex: Inflationary or more growth? Strong, top-tier targets regardless	Julien Dumoulin-Smith	03 May 2022
US Electric Utilities & IPPs: Earnings PowerPoints: CMS, PEG, UTL, CNP, OGS, and AMRC/EIX	Julien Dumoulin-Smith	03 May 2022
US Electric Utilities & IPPs: PowerPoints: CNP full exit of ET; SWX/Icahn	Julien Dumoulin-Smith	28 March 2022
US Utilities & Clean Tech: PowerPoints: CNP MN, SWX-Icahn, AZ Regulatory (PNW), FTCI Recap, & More	Julien Dumoulin-Smith	15 March 2022

Chesapeake Utilities (CPK, Not Covered)

- Can you share more about the drivers for the organic growth in the natural gas distribution business? How much of that is driven by improved residential margins vs usage growth? How do you see customer growth trending at your utilities?
- How do you assess the various capital opportunities across your distribution jurisdictions? Any jurisdiction stand out as a particularly attractive opportunity for growth?
- Any items on the regulatory front that we should be looking for? Are your Commissions discussing the ability to recovery capital costs, or just the gas costs through PGA, of RNG?
- What is your outlook for investment in gas transmission? We have seen new projects hit some speed bumps, albeit mostly related to the long-haul interstate pipelines, but do you still see a runway for growth here?
- What are the key drivers for the propane margins per gallon and increased demand? In your view, how will these tailwinds evolve over long term?
- How do you think about the M&A opportunities vs organic growth for the propane business?
- What is your outlook on CNG? How is fleet transition trending?
- Can you discuss your outlook for the RNG investment opportunities, both on the production and transportation side? Particularly around Marlin. When do you think the financial and strategic partnerships will reach critical mass for CPK?
- You have provided for infrastructure around RNG. Are you seeking opportunities on the production side at this point? If not, why not? It seems like your service territory would set you up well for investment here.
- Any additional updates on the negotiation of the economic and governance terms with CleanBay and the Q4 '23 timeline for the project?
- How incremental would investments associated with RNG projects be to your growth/capital spending forecast?
- How are you thinking about H2? What is the investment opportunity for CPK look like? I know there is a research project ongoing, are there additional details that could be shared at this point? Are you evaluating Green Hydrogen options for your Eight Flags gas plant?
- Are there any investment opportunities or upside as it relates to the $175-200mn capex projections for 2022, particularly in the Unregulated Energy business?
- How do you think about executing around the $750mn - $1B capex guidance from '21 to '25 - what are the considerations between the top-end and bottom end of that range? How should we think about potential upside to this guidance? What is on the horizon that you could point to?
    - When would you roll forward the plan to 2026? How do you think about additional opportunities within that extended timeframe?
- What is the right mix between regulated and unregulated? What is the breakdown in contribution to growth between regulated and unregulated? i.e. unregulated is much smaller, but is it contributing outsized growth for CPK?
- How are you thinking about M&A generally? How do you see the M&A market for sustainable investments? Is there an opportunity to strategically add a segment there to gain growth?

CMS Energy (CMS)

- Please discuss the recently filed settlement in your integrated resource plan (IRP). In your view what were the most constructive portions of the settlement?
- Where do you expect your long-term EPS CAGR of 6-8% to fall relative to the current base of 2022 midpoint of $2.87? What factors will determine whether actual results come in at the high or low end of the range?
- How would you characterize your current EPS growth trajectory to the 6-8% you guided toward prior to the Enerbank sale?
- Given that your 2022 EPS guidance assumes 21c from normalized storm costs after an elevated 2021, what offsets or additional latitude do you have to offset another year of elevated storm impacts?
- Voluntary Green Tariff – how many MWs do you have deployed currently? How do you expect this to grow over time?
- How are you addressing the Michigan Public Service Commission (MPSC) staff resistance to the Consumers Gas rate case proposal for an owned renewable natural gas (RNG) facility? Are you confident that you will be able to achieve sufficient support for the project in the current proceeding?
- If you receive commission approval for specific upside levers to your existing capital plan, do you anticipate needing to issue equity financing before 2026 as identified in the current plan?
- Would you consider fuel switching at any of your coal facilities rather than full exit by 2025?
- How are you managing customer bill impacts in the current inflationary environment, particularly as it relates to fuel costs?
- To what degree are you accelerating grid hardening efforts following the damaging storms that have affected your service territory in recent years?
- How are you tracking against balance sheet metrics and thresholds set by the rating agencies? Do you view the current latitude as acceptable and are you considering any modifications of your financing plan?
- What level of customer growth is embedded in your existing 5-year plan as compared to the 1% growth seen in both electric and gas customers in the 2016-21 period? How does this translate to forecast load growth?
- How much load growth from EV charging do you forecast through 2030? What level of EV penetration is embedded in this forecast?
- Would you consider divesting of other assets within the Enterprises segment, or any other strategic transactions?
- What is your view on maintaining the Dearborn Industrial Generation (DIG) asset as part of the unregulated Enterprises business? How do you view opportunities to recontract the facility given the recent capacity auction results from MISO?

BofA Global Research Reports

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CMS Energy: Cleaner and greener post IRP, but upside less than initially expected	Julien Dumoulin-Smith	05 May 2022
US Electric Utilities & IPPs: Earnings PowerPoints: CMS, PEG, UTL, CNP, OGS, and AMRC/EIX	Julien Dumoulin-Smith	03 May 2022
US Electric Utilities & IPPs: PowerPoints: Utility Technicals, AGR 1Q, ETR Takes, XEL CO, CMS Crypto, GHG	Julien Dumoulin-Smith	27 April 2022
US Electric Utilities & IPPs: PowerPoints: NEE/TSLA Solar, CMS IRP Settlement, NRG AZ Retail, HE CFO, SGRE	Julien Dumoulin-Smith	21 April 2022
CMS Energy: 1Q22 Preview: Resource discussions ongoing as final decision nears	Julien Dumoulin-Smith	12 April 2022

Consolidated Edison (ED)

- Discuss your process of evaluating strategic options for the Clean Energy Businesses (CEB) now? Would you sell parts of the portfolio or are you looking to monetize the entire business?
- How do you see your equity needs evolving if the CEB segment were sold following the outcome of the strategic review?
- Discuss the key components of the Apr 2022 updated rate case request filed by Con Edison Company of New York (CECONY), including revised capex and rate base.
- Are you confident in securing a storm O&M recovery mechanism in the CECONY rate case? What is the expected earnings impact from getting the ability to recover minor storm expenses?
- Do you see any lingering effects from Covid on your O&M expense or residential/commercial demand in 2022?
- What steps is the Con Edison Company of New York (CECONY) taking to address the elevated level of customer arrears, which have been tracking higher since the fall? Do you see a correlation between higher energy prices and the level of past-due accounts?
- Please describe the key components of your 2022 EPS guidance range. What earned ROEs are you assuming at each of your utilities?
- NY state officials have been vocal about the pace of electric and gas increases, particularly during the winter months when fuel costs rose; how does this inform your rate case filing and would you consider scaling back to ask in order to mitigate the bill impact?
- What factors will determine whether Con Ed can reach the upper end of its long-term EPS guidance range? The lower end?
- Please describe the detail of your long-term financing plan for both CECONY and the holdco. Do you see any potential need to accelerate equity issuance in order to true up the CECONY equity layer?
- How many MWs of build-own-transfer of renewable projects do you plan to develop in 2022 and in the forecast period? What are the key valuation metrics that you are managing to as part of this strategy?
- Are you currently embedding any assumptions around the Mountain Valley Pipeline (MVP) in your long-term forecast, either a sale or an earnings contribution if it enters service?
- What is the current status of offshore wind bidding solicitations for the Transco?
- Are you currently planning or evaluating blending renewable natural gas (RNG) into your gas distribution utility in order to decarbonize it over time?
- Do you still view the Steam business as core to your operations? What is your long-term outlook on demand in this segment given its dependence on commercial activity in New York City?

- What level of EV penetration in NYC is embedded into your long-term forecast? Other than the charging station make-ready capex already approved by the commission, what other opportunities exist for Con Ed in the EV value chain?

- Do you intend to accelerate your utility-owned rate base renewables build above the 200 MW of solar contemplated in the current rate case filing? How do you perceive regulator and stakeholder views on this topic?

- How do you view the opportunity for utility-owned storage and how does this align with state-level decarbonization goals for 2030 and beyond?

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US Electric Utilities & IPPs: Earnings PowerPoints: Light at the End of Solar Tunnel? AES, ED, & AEE.	Julien Dumoulin-Smith	06 May 2022
US Electric Utilities & IPPs: PowerPoints: 1Q22 Previews & Key Themes. ED Customer Bills & Solar.	Julien Dumoulin-Smith	20 April 2022
US Electric Utilities & IPPs: PowerPoints: ETR Storms, NI OH Staff, ED NY Budget, Nuclear Trends, & SR MO	Julien Dumoulin-Smith	08 April 2022
Consolidated Edison: Clean Energy Sale Likely Accretive, Shares Pricing in Low-Vol EPS Growth	Julien Dumoulin-Smith	08 March 2022

Dominion Energy (D)

Solar

- Can you add some color to the commentary on the 1Q update around the projects that are potentially subject to a tariff and those that are not? What is driving this factor?
- You have previously guided to mid-teens contribution from investment tax credits. How should we think about the balance between regulated and unregulated?
- How do you get comfortable with assuming some of the tariff risk on the contracted side? Are you in conversations with customers around potential PPA increases?
    - Can you discuss what you are seeing in terms of competitiveness of solar vs traditional fossil? How has the demand, interest from commercial customers trended since th
- Have there been any discussions around changing the way you account for investment tax credits? Any desire to amortize the credits over a period of time? Could you absorb this without resetting EPS lower?

Offshore Wind

- Can you discuss the recent offshore wind rider settlement with Staff and the Sierra Club? What was the reception to the settlement at the hearing on
    - Do you believe the Attorney General's arguments will resonate with the Commission? Is there any precedent that you could point to that would support your case?
- Cost decreased by ~$150M, what was the driver of this? Is it understood by parties that the small portion of the cost is floating?

Regulatory

- Please walk through the high level factors for the next 2024 VA triennial review such as the use of customer credit reinvestment offsets (CCROs), the previously record coal plant impairments, and other mitigating factors. What prospective earned regulatory and operating earned ROEs are embedded in your long-term earnings guidance?
- How has engagement with the new Virginia Governor and other state elected officials been since the November 2021 election? Are there any legislative measures that you feel would further strengthen the regulatory construct in the state to drive renewables investments
- How would your characterize your stakeholder relations after the stipulation? What are the key other VA regulatory proceedings to follow?
- Is there any change in your investment plans if Virginia exits the Regional Greenhouse Gas Initiative (RGGI) and/or if you exit PJM? How much bill headroom does this create (relative to where inflation is trending)? What if there is additional Federal renewables support enacted?

Growth, O&M, & Strategy

- Can you discuss the trends in datacenters and electric vehicle charging load in your Virginia and South Carolina electric territories? Does this growth lead to new generation needs? What would you need to see to revise your long-term projections embedded in guidance?

- Do you see an opportunity to build renewables or other zero emission resources to support Federal government procurement initiatives? What would have to change to support the development of the pumped storage hydro plant previously contemplated?
- How do you think about the ability to execute on 6.5% growth targets through 2026? What factors are there that could push you higher or lower through 2026?
- What are the factors that influence the decision to monetize non-core assets? Are you willing to undertake near-term EPS dilution if it supports a lower risk/more regulated profile with higher growth in the long-term? Any desire to monetize assets to offset the small amount of equity needs you have in plan
- Please provide an overview of your offshore wind development efforts and how they differ from unregulated peers? What is your latest cost estimate, how much of the capital is secured, what is your status for vessels, etc.? Would you consider developing more vessels and other infrastructure to support the new US industry?
- What are the drivers behind the relatively flat controllable O&M profile, especially given the latest inflationary factors?
- Could we see further VA coal plant retirements announced in the next few years given economics? 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? At the regulated utilities what are your core strategies to decarbonize the gas stream?

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Dominion Energy: Walk Down The Yellow Brick Hampton (Solar) Road: Addressing AD/CVD Risks	Paul Zimbardo	09 May 2022
US Electric Utilities & IPPs: Earnings PowerPoints: D, PPL, ES, SRE, IDA, BKH, MDU, OGE. AEP & SWX	Julien Dumoulin-Smith	05 May 2022
US Electric Utilities & IPPs: PowerPoints: WEC Beat/Raise, Orsted, HE, AZ PNW/FTS, Bill Inflation, Coal, ETR, & D	Julien Dumoulin-Smith	02 May 2022
US Electric Utilities & IPPs: PowerPoints: ROE Watch, Manchin BBB, D Solar, POR/NWN OR, Canada, & OGE-ET	Julien Dumoulin-Smith	26 April 2022
Dominion Energy: Wind at the Sails for Rider Filing; Solar Less Certain, Supply and Cost for 2023	Paul Zimbardo	14 April 2022

DTE Energy (DTE)

- What are your views on the outcome of your MI peer utility's integrated resource plan (IRP) and how do any takeaways that you have inform your own filing strategy? How do you see your ability to garner a settlement with key parties including commission staff and the state attorney general's office?
- What are the factors that you are evaluating when deciding whether to shut down Belle River and Monroe or to convert from coal to gas-fired generation? What would be the capital requirements of a conversion?
- How has demand from both residential and commercial/industrial customers been trending in your voluntary renewables business?
- What are the major components of the $388m rate increase requested in your latest electric rate case? Do you see the size of the rate increase requested as potentially risky given the existing inflationary environment?
- When do you expect to file your next natural gas rate case, and what do you anticipate will be the major investment priorities you will file for?
- Please discuss the planned investment amounts in your enhanced tree trimming program and how you have designed the program to reduce outages and improve overall system reliability.
- How much overall demand growth could you see from incumbent battery production facilities in your service territory? Have these customers approached you about custom/green solutions and if so would they be potential customers of the voluntary renewables program?
- Other than accelerating retirement of your two remaining coal plants, what other priorities do you hope to advance in the coming IRP filing?
- How do you see this fall's IRP filing as helping to improve your long-term EPS growth visibility? Do you plan to provide an update on your long term growth target following the filing of the IRP?
- How much, if any, exposure does DTE have to supply chain or tariff risks stemming from the US government's AD/CVD investigation?
- Please discuss the average level of returns that you are seeing currently in new projects in renewable natural gas (RNG) and cogeneration at DTE Vantage. How have these trended over the last several years? Would you consider divesting some or all of this business?
- What kind of electric customer and load growth do you forecast in your service territory for the balance of the decade? How much are building and transportation electrification driving these trends?
- Please discuss the risk control processes in place in the Energy Trading business. Given the black box nature of the segment, how can you give investors comfort in its earnings power on a sustained basis? What are the advantages or synergies of keeping this as part of the consolidated DTE?

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DTE Energy: Resource plan in focus amid near-term strength across the franchise	Julien Dumoulin-Smith	02 May 2022
North American Utilities & IPPs: First Takes: POR FY22 Cuts. DTE, AWK, XEL, PCG, SO, AEP, PNM	Julien Dumoulin-Smith	28 April 2022
DTE Energy: Upgrade to Buy: Top-of-Peer-Group Growth Value Set to Shine	Julien Dumoulin-Smith	15 February 2022

Duke Energy (DUK)

Solar & Mitigation

- How are you viewing your solar projects (both regulated and unregulated) in '22 and '23? On commercial renewables in '23, what is the sensitivity on MW delayed vs net income?
- Can you discuss your method for booking tax credits? What is the tenor and profile of the earnings recognition? i.e. what portion of the total tax credits are you booking in year one, year two, year three, etc.?
- What deployment are you expecting on the regulated side in '23? What jurisdictions are these projects focused in?
- What levers do you believe you have to offset the potential impacts of solar delays? O&M has been a key tool in the past, what is the latitude for cost cutting? How are you viewing cost reductions ahead of a rate case in your largest jurisdiction?
    - How is the inflationary backdrop playing into your ability to cut costs? What are the cost cuts targeting?
    - Any ability to pull forward regulated capex into '22/'23? How does this impact your earned ROE as you will not be in the multi-year construct yet?
- Many of your peers have recently divested or announced plans to divest their renewables assets – is this a strategy you could employ at contracted renewables? What are the pros and cons? How much tax credit recapture would you have on the portfolio?

Offshore Wind & Carbon Plan (to be filed May 16)

- Can you discuss the latest offshore wind lease win? Pricing was healthy vs NY Bight, but how are you thinking about developable acres, capacity, capacity factor, turbine size, etc.? What kind of levelized cost of energy (LCOE) are you expecting?
- How are you thinking about timing and cadence of the buildout? Previously, the Carolinas were constructive on the economic development factor of the buildout of offshore wind, how are stakeholders, politicians, others viewing offshore today?
- Offshore wind was included as a path in the 2020 IRP, how did the Commission and other intervenors view the potential build out through
- Preliminary portfolios in the carbon plan were crafted using gas availability as a constraining factor, can you discuss your decision to use this? How did this impact the potential portfolios vs the 2020 IRP?
- Offshore wind seems like more of a possibility today. What factors would influence your decision to pursue small modular reactors given the cost profile relative to renewables/storage?
- Remind us 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?
- What percentage ownership of renewables and storage is assumed in your current plan and in the back-half of the 10yr plan (2025-2030)? Can you talk through variations between jurisdictions? *NC is clearly outlined in legislation.*

Performance-Based Ratemaking

- Can you provide the latest thoughts and pros/cons of the performance based rates framework? Duke Energy Progress (DEP) will file in 4Q22 followed by Duke Energy Carolinas (DEC) in early 2023, what is the process to get new rates in effect? What are the data points that we should be looking out for in the interim?
- How much regulatory lag can you avoid/mitigate via multi-year rate plans (MYRP) and ROE banding/sharing mechanisms? What would allow you to execute at the top-end of the EPS range?
- Can you talk about coal plant securitization potential? How much rate base is left in coal assets? Is this an opportunity in Indiana? *One of your in-state peers is getting ready to test the construct.*
    - Could securitization and retirement accelerate your rate base growth? When do you expect to be able to explore this opportunity more? The next IRP cycle?

Regulatory

- How do you think about the fleet transition in Indiana (IN) and what has the stakeholder feedback been? 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 much rate base is left in coal assets?
- How do you think about earned ROEs in FL through the outlook with modestly lower authorized ROE? Can you describe the interest rate mechanism and protection? 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 – is this core? Any opportunities to decarbonize here too? What has the progress been so far?
- 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?

Strategic and Financing

- Taking all of the capital spending opportunities through the remainder of the decade into consideration, how should we think about financing?
- Are there any opportunities with National Methanol (NMC) after the commodity rally?

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Duke Energy: Headwinds as top-half execution shifts right; shares attractive at current levels	Julien Dumoulin-Smith	10 May 2022
US Electric Utilities & IPPs: PowerPoints: EXC, DUK, WTRG, & HE Earnings. ES/AGR Updates, Cali, OGE, AY	Julien Dumoulin-Smith	09 May 2022
Duke Energy: 1Q22 First Takes: Miss on storm impact; look for more solar details on the call	Julien Dumoulin-Smith	09 May 2022
Duke Energy: 1Q22 Preview: Setting the Table for a Turnaround on EPS Execution; Reit. Buy	Julien Dumoulin-Smith	12 April 2022
US Electric Utilities & IPPs: PowerPoints: Virginia and Carolinas Offshore (D/DUK/AGR) & CT Rates (ES)	Julien Dumoulin-Smith	28 March 2022
US Electric Utilities & IPPs: PowerPoints: DUK Climate Update, FERC ROE Incentives, Arizona Regulatory Update	Julien Dumoulin-Smith	23 March 2022

Essential Utilities (WTRG)

- How are you trending within your **2022 EPS** guidance of $1.75-$1.80 following 1Q strength? What are the puts & takes to put you at the high end or low end of the range?
- How would you frame the role of **Hydrogen** in your business strategy over time?
- How do you think about annual equity needs for organic growth after announcing the plans for an **ATM**?
- How should we think about the impact to longer term earnings trajectory following the rate case outcome for **Aqua Pennsylvania**? What levers do you have to manage ROEs?
- How should we think about contribution from **Repairs Tax** accounting treatment for each year of the forecast period based on the current investment forecast?
- 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?
- How are you thinking about anything **strategic** around the gas business given private markers and the public market backdrop?
- Discuss latest efforts around your ongoing acquisition pursuit of the **Chester Water Authority** and any updated expectations.
- Can you comment on prospects for acquiring the **Bucks County Water & Sewer Authority**?
- 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 bill**?
- 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 latest **acquisition prospects** post Pandemic and given elevated inflation that could further strain budgets? How has the federal funding out of the recently passed infrastructure bill shifted any conversations?
- 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 given higher rates but inflationary pressures? 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 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

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Essential Utilities: Core quarterly execution ahead of critical rate case resolution later this week	Ryan Greenwald	10 May 2022
US Electric Utilities & IPPs: PowerPoints: EXC, DUK, WTRG, & HE Earnings. ES/AGR Updates, Cali, OGE, AY	Julien Dumoulin-Smith	09 May 2022
US Electric Utilities & IPPs: PowerPoints: AEP & OGE CAGR Increases. OGS, WTRG, PPL, Wind Auction, CA & More	Julien Dumoulin-Smith	24 February 2022

MDU Resources (MDU)

- How are your key input costs trending so far in the first half of 2022 vs. late 2021 including fuel and asphalt oil? How does this compare to assumptions in your internal forecasts for 2022?
- Please discuss your expectations for margin development in the services and materials business for the balance of the year. Are higher-priced contracts that have been added to the backlog in recent quarters expected to be realized in sales during Q2? Has lower-priced work mostly been realized?
- What level of volumetric growth in aggregates, ready mix, and concrete do you forecast in '22? How much of this is organic growth vs. the impact of recent acquisitions?
- What electric utility growth do you expect in 2022 and based on which drivers?
- What gas utility growth do you expect in 2022 and based on which drivers?
- Is availability of skilled labor as much of a headwind thus far in 2022 as compared to 2021? Do you see supply normalizing in the near term?
- What are the key drivers in specific markets you have called out in recent updates on the construction side, including Columbus, Las Vegas, Alaska/Hawaii, and Oregon? Are there any other key geographies or markets that you see driving results in '22?
- Do you anticipate federal and state spending on infrastructure to pick up in '22 as American Rescue Plan Act (ARPA) funds begin to be disbursed?
- In the Services business – do you have different growth rate expectations for either the Electrical & Mechanical or Transmission & Distribution businesses? Why or why not?
- What is the outlook for natural gas production in the Bakken basin and how does this inform your expectations for additional demand on the North Bakken Expansion pipeline?
- Please discuss the path for growing the Renewables business in your Services segment. Would you consider growth M&A to accelerate expansion in this segment or prefer to grow it organically? Do you see near-term work as potentially impacted by DoC AD/CVD investigations?
- What are your expected coming rate case filings and can you discuss specific priorities within the context of each one?
- How do you view the opportunity to grow your pipelines business in the medium term, both via expanded capacity on existing assets and through new projects? How much does federal infrastructure spending support drive the near-term opportunity?
- 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?
- Do you see potential headwinds from the Washington State building code update limiting new gas connections in commercial buildings? Do you have any plans to challenge the update or propose alternate solutions?

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
MDU Resources Group, Inc.: Guide reaffirmation relief, but materials margins still slipping	Dariusz Lozny, CFA	06 May 2022
US Electric Utilities & IPPs: Earnings PowerPoints: D, PPL, ES, SRE, IDA, BKH, MDU, OGE. AEP & SWX	Julien Dumoulin-Smith	05 May 2022
US Electric Utilities & IPPs: PowerPoints: TLN Distress, SRE Mexico, D Offshore, Cali Storage, MDU Val, TX Renew	Julien Dumoulin-Smith	11 April 2022
MDU Resources Group, Inc.: 1Q22 Preview: Confident on price hikes amid robust construction demand	Dariusz Lozny, CFA	05 April 2022

MGE Energy Inc. (MGEE)

- How do you view AD/CVD risks to your planned solar + storage buildout in partnership with WEC? Do you have flexibility to backfill capex?
- 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?
- Are you confident in your ability to recover the full undepreciated value of the Columbia generating station following its scheduled early retirement?
- 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 behind MGEE's decision to exercises its initial option to purchase 50 MW of capacity in the West Riverside gas generating plant that went in to service earlier in 2020. What else are you evaluating as you consider the second option for an additional 50 MW?
- 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?

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Title: Subtitle	Primary Author	Date Published
North American Utilities & IPPs: Power Points: PCG Buy Case, Infra Bill Early Look, WEC, MGEE, Solar Bill	Julien Dumoulin-Smith	31 March 2021
US Electric Utilities & IPPs: Power Points: Texas & Latest Datapoints, CWEN's Exposure, BKH, H, MGEE	Julien Dumoulin-Smith	25 February 2021
US Electric Utilities & IPPs: Power Points: GA runoff, XEL, ISO-NE Capacity, DUK, MGEE, D, ES	Julien Dumoulin-Smith	05 January 2021
MGE Energy: Wisconsin super-premium SMID cap continues to deliver	Julien Dumoulin-Smith	30 December 2021

NiSource (NI)

Solar Delays & Mitigation

- Can you discuss the '22 and '23 solar delays? How are you getting to 9c-10c of potential '24 impact? Is that assuming a step adjustment to rates?
- You have outlined 3c-4c of potential cost reductions, what is this targeting? What percentage is one-time vs perpetual?
    - You have previously discussed O&M efficiencies embedded in that 7-9% growth rate, can you give more detail on what was previously assumed and how does this play with the 3c-4c?
- What is the type of capex that is being pulled forward in order to further offset the solar delays?
- How are you viewing the potential tariff risk? Would you go back to the Commission to request an increase in capital cost if tariffs were implemented?
    - What is the timing of the adjustment to the certificate of public convenience and necessity?
- You provided a fairly wide range of 6-18 months impact from the investigation, can you help frame the short and long-end of that range?
- The extension of the Schahfer coal units - do you need Commission approval? Are they open to this and cognizant of the reliability needs? Any impact on expected O&M savings? Is this something you are going to have to offset with more one-time levers?

2021 IRP

- Where do the request for proposals (RFPs) stand for your 2021 integrated resource plan (IRP)? When are you seeing projects available by? Others have quoted as late as 2025 for new solar projects, are you seeing the same?
    - Remind us what the timeline looks like for additional color on more specific projects?
- Can you frame the $750M of incremental capex associated with the 2021 integrated resource plan (IRP)? Is the full amount assuming full ownership of the renewables?
    - How are you and other stakeholders viewing the viability for utility ownership of the assets?
- 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?

Strategy

- Can you give us a flavor of what kind of latitude you see on cost reductions across your portfolio? Any utilities stand out as particularly inefficient?
    - How are you benchmarking costs vs your high performing peers? Any initial sense on how we should think about this?
    - Levers are likely to be pulled for solar delays. In terms of your cost mitigation to date, what portion of the cost reductions are structural savings vs transitory? Is NiSource Next focused on structural savings?

- What are your latest thoughts around potential portfolio optimization replacing a portion of the equity needed to fund your renewable strategy? *We have seen very healthy markers of late.* How should we think about dis-synergies here?

Regulatory

- Can you walk through the latest on the NIPSCO Gas rate case?
- OH case is very top-of-mind for everyone. Can you talk through the wide delta between ask and Staff? Do you believe there is room for a settlement in the case?
    - How should we think about timing? Are you still assuming 3Q22 for implementation?
    - Any concerns on the Infrastructure Replacement Program or the Capital Expenditure Programs? Intervenor feedback was fairly positive.
- Got through many proceedings toward the end of 2021, 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 '22? Which are earning below their authorized right now?

Financials & Guidance

- How should we be thinking about your FY22 EPS estimate (i.e. what drives you to the top and the bottom-end? Seems like there would be upside to current levels, but curious if you could expand on your typical timing for adjustments to the range?
- You have your 7-9% growth through 2024 driven by the renewables investment, how does the ongoing IRP play into this? How are you thinking about an extension of the high growth runway?
- Capex contemplated in the 2021 IRP is not the same as the previous IRP, but what additional opportunities do you have across gas and electric to drive sustained higher EPS growth?
- Are you comfortable with your base rate base growth (i.e. ex-renewables) going forward? Is this sustainable? Are there opportunities for investment in renewable natural gas (RNG) in your view?
- 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?
- How does NI look at its current credit ratings, remind us what the target debt metrics are?
- What are the credit agency downgrade/upgrade thresholds for these metrics?

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
NiSource Inc: Solar Risks Overstated in Shares; see Ability to Mitigate the Impact, Reit. Buy	Julien Dumoulin-Smith	06 May 2022
NiSource Inc: Clearly identifying offsets to renewables delays, reiterating growth in pos. update	Julien Dumoulin-Smith	04 May 2022
US Electric Utilities & IPPs: PowerPoints: FTS, PNW, LNG, NI, AVA/NWN, AEP KY, Vestas & Wind	Julien Dumoulin-Smith	04 May 2022
US Electric Utilities & IPPs: PowerPoints: ETR Storms, NI OH Staff, ED NY Budget, Nuclear Trends, & SR MO	Julien Dumoulin-Smith	08 April 2022
US Utilities & Clean Tech: PowerPoints: CMS IRP, XEL Comanche Coal, NI BoD, RNW India PPA Ruling	Julien Dumoulin-Smith	16 March 2022

New Jersey Resources (NJR)

Solar – Clean Energy Ventures

- Can you discuss the latest solar delays, capex reductions for both '22 and '23? PJM interconnect and NJ policy seem to be the main drivers.
    - When do you expect to receive clarity around the PJM interconnection issues? This has been a hindrance for some time, and the interconnection backlog has continued to be challenging.
- Where does the NJ Solar Successor program stand for projects over 5 MW? How much of your
    - Any indication from the Board of Public Utilities (BPU) on resolution of the issues?
- How are you viewing the impact of the DOC's circumvention investigation on the business? What percentage of your panels are secured and more importantly in the U.S. for '22 and '23? Have you done sensitivities around tariff risk and the impact on your targeted IRRs?
- Remind us how you book the solar tax credits? Straight-line over five years?
- How should we be thinking about the 7-9% growth rate that you have outlined in the near-term with solar delays? Even '23 looks at risk of further push out?
- How do you get investors comfortable with your expansion into solar given the challenges you have seen since announcing the expanded solar capex budget on your analyst day in 2020?
- Can you give us a sense of how that solar pipeline has trended of late? Any data points that you can give to outline the growth that we have seen of late? What is the geographic breakdown of that portfolio?
    - Do you expect to provide updates to the solar pipeline every quarter as something investors can reference to track your progress in the segement?
- How has solar demand trended given the backdrop of higher power prices? Are customers more willing to sign power purchase agreements (PPAs)?

NJNG

- What is on the regulatory horizon for New Jersey Natural Gas (NJNG)? Your investment programs are in place? Rate case in '23/'24 timeframe?
    - Remind us the driver of the rate case, IT spending?
- How are you viewing RNG and power-to-gas (P2G) at the utility? Is there support for the investments from stakeholders in the state?
- What do you believe to be your runway for safety and reliability spending and growth? What is the latest sentiment for natural gas vs electrification in the state?

Adelphia Gateway & Marketing

- The project is nearing completion, can you clarify if by year-end you mean fiscal year end or calendar year-end?
- The asset management agreements have been supportive so far, what is the latitude for the remaining book? Any appetite to enter into more of these agreements?

- The guidance raise was supported by Energy Services performance, how should we think about this going forward, it seems like as it is not in guidance? Hypothetically, would you revise guidance down if you saw actual results from non-AMA energy services cause a drag? Or would you just continue to exclude it from guidance?

Strategy

- M&A in the gas utility space has been a hot topic of late, what are your latest views on consolidation in the industry? Especially given the multiple paid for your in-state peer?

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
North American Gas Utilities: F2Q22 LDC First Takes: UGI pos. '22 guide, ATO narrowing guide, NJR solar challenges	Julien Dumoulin-Smith	05 May 2022
New Jersey Resources Corp: Still Looking for Proof of Concept on Solar Buildout and Remaining Cautious	Julien Dumoulin-Smith	25 March 2022

NorthWestern Corp (NWE)

- Where are you trending relative to **2022 guidance** after 1Q? 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 should we think about **dividend growth** the next couple of years given the modest increase this year and elevated payout ratio?
- 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?
- How are you thinking about drawing on any **equity** under the forward given the latest market conditions? What additional equity needs do you anticipate through your forecast period under the base plan?
- Where are your **credit metrics** today relative to internal targets and targets from agencies? How should we think about incremental **equity** from any further capex upside?
- 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?
- How could the upcoming **Montana elections** change the dynamics in the state?
- How are you thinking about the LT prospects for a **decoupling** mechanism now – is it still something you even want to pursue? How is it being viewed by the commission after the earlier delays?
- Can you walk through latest **load trends** in your jurisdictions by customer class? How are you framing what may appear to be more structural load changes in your jurisdictions?
- Are you seeing any concerns around **supply chains**? Do you see any risk to NT capex?
- How do you see yourself scaling owned generation in the respective jurisdictions? Can you discuss the latest dynamics with **Colstrip** and how this is factoring into any planned resource additions?
- 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 targets? How many rate cases are required to get back within the range after the large equity dilution?
- 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 and public/private dynamics?
- How do you think about opportunities for **transmission** build to the west coast given latest resource adequacy concerns?
- How would you frame the impact to NWE from provisions included in the **Infrastructure bill**? How would you frame prospects for additional legislation or tax extenders?

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Electric Utilities & IPPs: PowerPoints: Inflation, EVGO Miss, CEG, NWE, DUK/AGR Offshore, FTS, NRG, FTCI	Julien Dumoulin-Smith	11 May 2022
NorthWestern Corporation: Regulatory risk vs generation opportunities with backdrop of elevated energy prices	Julien Dumoulin-Smith	02 May 2022
US Electric Utilities & IPPs: PowerPoints: LNT Solar, NWE Miss, TX Bitcoin Load, SRE Cameron 4, LNG, & More	Julien Dumoulin-Smith	29 April 2022
NorthWestern Corporation: 1Q22 Preview: Eyes on execution & regulatory backdrop as MT rate case nears	Julien Dumoulin-Smith	07 April 2022
US Electric Utilities & IPPs: TLN: Report of DIP Financing: What are the Sector Implications? Watch CEG & NWE	Julien Dumoulin-Smith	01 April 2022
US Electric Utilities & IPPs: PowerPoints: PPL MA/RI, ETR LA Securitization, NWE Power, & SWX U/G	Julien Dumoulin-Smith	30 March 2022

Northwest Natural Holdings (NWN)

Core Gas Utility

- Where do you see the most opportunity for growth at the gas utility long term? Cognizant there are IT investments that you are making now and you have some investments in RNG lined up, but longer-term, is the core investment target around safety and reliability?
- How should we be thinking about O&M into 2022 as you ramp into the last portion of the IT investment as well as look to combat inflationary pressures?
    - Can you discuss how much of your capex and O&M is contracted?
- How do you see customer growth trending at your utilities?
- How are you viewing the intervenor testimony in the rate case? What are the biggest differences driving revenue requirement?
- Outside of regulated RNG which we have already discussed, can you discuss potential incremental capex opportunities that are not currently baked into your 5-yr capital plan? Is the next round of IT spending embedded in plan?
- How is hydrogen testing progressing? When do you expect for this to be a meaningful contributor to the system?
- What is the timeline that you see for integration of hydrogen into the system?

Regulated RNG

- What is the latest update around RNG efforts in Oregon? How should we think about offtake vs rate base going forward? Are there any projects you have a line of sight on? When will we get clarity on the next round of RFPs?
- Why do you only include a small placeholder for RNG in your capital plan at this point? Any thoughts on including placeholders in your capital plan or at least a range of expectations for regulated RNG investments that investors can reference?
- Do you expect to hit the 5% cap by 2025? Is there an opportunity to go to the legislature to ask for more room under the cap in the near-term?
- It is very early in the buildout of RNG, but have you received any feedback from stakeholders? Are they supportive of the direction you are progressing?
- What is the investment needed per year to meet Oregon's RNG goals?

Competitive RNG

- Can you start with an overview on your strategy of getting into competitive RNG? What type of feedstocks are most available/most attractive in your view? How is the PacNW market for RNG?
- How far up the development pipeline are you looking to go, or are you planning to be more of a provider of capital? Overtime do you see yourself vertically integrating more as you gain more expertise?
- How are you thinking about the market for RINs and LCFS in your investment decision making? Is it a consideration or are you thinking more stable, long-term contracted deals?

- Have you given more thought to what you expect return-wise for the projects you outlined previously? Or at least do you have a sense on when you might be in a position to disclose more? What level of disclosure are you considering?
- How are you thinking about competitive green hydrogen investment? It might be a little bit further out, but the timeline could be aided by a potential production tax credit. Would you think about investment in hydrogen the same way as RNG?

Water

- Can you walk through the EPS outlook at your water utility? Ultimately, what is your target in terms of overall business mix for water vs gas in terms of rate base or earnings contribution?
- What is your view on the landscape for acquisitions? When do you expect to shift to acquiring more "fixer-uppers" that are more accretive?
- A couple of important rate cases were recently decided. Anything on the regulatory front that we should be looking for?

Growth & Other

- As we think about the investments you are making at the utility, in water, and now especially with the move to RNG, how should we think about the +4-6% annual EPS growth rate? What pushes you to the top or bottom end?
- Can you walk through your decarbonization targets? How does these targets compare to the targets across your jurisdictions?
- Can you discuss the latest around natural gas bans in your service territory and how you are engaging with stakeholders to show the value of natural gas?
- How are you thinking about your M&A strategy on the water utility side? How much capital are you allocating to M&A in that business per year?

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ONE Gas Inc (OGS)

FY22, Capex, & Growth

- Can you talk about the moving pieces of your '22 EPS guidance at $3.96-4.20?
    - Non-employee benefit plans caused a drag in 1Q22, how are you thinking about the impact for the remainder of the year? What are the offsets to the drag to keep you at the midpoint of the range?
- Can you talk about discuss growth vs maintenance capex? Seems like capex has shifted to more growth-related of late which extends your runway for higher, 6-8% growth.
- There seems to be some lag on customer growth vs expectations, can you discuss this dynamic? How should we think about shaping growth and contribution to margin?
- the main drivers of the updated plan? It seems like an all the above more positive outlook on the business, but wondering if anything in particular stands out?
- How has customer growth trended? What is embedded in plan? You stated growth in TX accelerates to ~2% by 2026, what gives you confidence in this?
- Can you discuss potential incremental capex opportunities that are not currently baked into your 5-yr capital plan? Anything that could potentially increase your updated rate base growth of 8-9%?
- How do you think about executing around the new 6-8% annual EPS growth rate - what are the key considerations between the top-end and bottom end of that range?
- Can you walk through your O&M assumptions in your '21 guidance? How much of the cost savings in '20 is sustainable into '21?

RNG

- Can you update us on the latest with the Vanguard partnership? What does the market look like for projects at this point?
- Is the opportunity more landfill gas or dairy? Dairy has a better CI score.
- Would you consider being the provider of capital for projects that Vanguard pursues? We have seen other gas LDCs enter this structure with Vanguard.
- We have seen other gas utilities invest in and rate base the actual digesters and infrastructure around RNG. Is this something that could be on the horizon for you all? Or are you focused more on the infrastructure supporting offtake?
- Supply chain and inflation dynamics? Is this even a consideration considering these opportunities are further out on the horizon?
- Any view on where costs stand for RNG at this point? How do you see this trending?
- How do environmental credits play into your strategy? Any view on the RINs or LCFS market?
- How would you think about recovery of the cost? Same as RNG? Is an allowance under the PGA in a rate case the path forward for cost recovery in your view?
- Customer bills. What is the balance of costs vs decarbonizing?

- Would you pursue additional regulatory approval to increase the amount of H2 or RNG in your system? What are the barriers to doing this? Is it just customer bills?
- I know your customer base is a high portion of residential, but what is the appetite from your industrial customer base on RNG and hydrogen? Have you started to have conversations here? Voluntary program?

Regulatory

- Can you provide an update on your regulatory outlook? Outside of annual filings across your jurisdictions, anything else we should be looking for?

Strategy & Other

- How does the current M&A market look for smaller gas LDCs in your opinion? Recent public marks for gas LDCs looks very healthy.
- How are you thinking about the delta between public and private valuations for gas utilities? If you continue to see depressed valuations, would you consider strategic options?
- Can you discuss how OGS prioritizes M&A vs organic growth?
- Can you walk through your decarbonization targets? How does these targets compare to the targets across your jurisdictions?

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
ONE Gas, Inc.: Remaining constructive on defensive gas utilities; benefit plan impactful in 1Q	Julien Dumoulin-Smith	05 May 2022
ONE Gas, Inc.: Miss on 1Q: Pension an impact; what is the ability to manage costs in the backdrop?	Julien Dumoulin-Smith	03 May 2022
US Electric Utilities & IPPs: PowerPoints: AEP & OGE CAGR Increases, OGS, WTRG, PPL, Wind Auction, CA & More	Julien Dumoulin-Smith	24 February 2022
North American Gas Utilities: Swapping for Higher Quality; U/G OGS, D/G SJI and See Further Bifurcation in Gas Utes	Julien Dumoulin-Smith	17 February 2022

Southern Company (SO)

Vogtle

- How are trending directionally on ITAACs for Unit 3 since the update?
    - Can the Nuclear Regulatory Commission (NRC) process the expected ramp in filings toward 103(g)?
- How many days are you embedding for fuel load completion? Do you still see the ability to overachieve this?
- Unit 4 productivity - how is that trending vs historical and expectations? Can you give us a sense on the labor environment you are seeing? Both availability and cost.
    - How does Unit 4 stack up with where you were with Unit 3 at the same stage?
    - What are the best items/data points to track to assess how on track you are with Unit 4?
- What should we expect out of the Staff VCM testimony? Where do you perceive Staff's stance on the project? More aligned?
- 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?
- Can you discuss the latest with the co-owners? What is the maximum exposure w/ the current project cost? When should we expect resolution? How will that be communicated with Street?
    - What is the risk that the co-owners vote not to move forward with the project?
- Can you speak on your relationship with the Commission? How are you viewing the election next year?
- How should we think about equity in terms of incremental costs? Do you expect that any additional costs will be funded through equity?
- How are attrition trending on site? What about absenteeism?
- 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?
- What do you believe will be the biggest challenge in hitting the targeted in service dates at this point? What should we be tracking?

Growth & Capex

- Can you talk through the Georgia Power integrated resource plan (IRP)? What is included in plan vs what is still incremental? How much transmission and distribution investment is driven by the plan?
    - What is your sense on stakeholder feedback so far? Any potential sticking points that you expect?

    - What is the latest on coal ash remediation planning? Any readthrough from the Environmental Protection Agencies' recent rulings on other plants in the US?

- When are you expected to file the Alabama Power IRP (cognizant the process is behind closed doors)? What are current coal retirement timelines in the state? Barry retirement seems like it will be longer-term?
- What is driving the $3B in additional Southern Power investments? Is it driven primarily by renewables? What do these projects look like?
    - How are you thinking about inflation and supply chain in renewables?
- Longer-term, how should we be thinking about more novel investments such as H2, renewable natural gas, 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?

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Southern Company: Vogtle Remains On-Track, but Shares Appropriately Pricing Risks from Here	Julien Dumoulin-Smith	02 May 2022
Southern Company: Vogtle Unit 3 De-Risking, but Unit 4 still a Concern; Economic Backdrop is Strong	Julien Dumoulin-Smith	28 April 2022
Southern Company: Progress on U3, but Still Risks to Sharing, U4 w/ more data points through '22	Julien Dumoulin-Smith	12 April 2022
Southern Company: Positive Feb ITAAC update is just one step and still see risks from here; Neutral	Julien Dumoulin-Smith	16 March 2022

Spire (SR)

Guidance

- Narrowed guidance range of $3.75-$3.95, can you talk through the drivers that got you to the updated range in more detail? Can you talk through your weather adjustment mechanisms in MO and AL? Any ability to amend these going forward (i.e. post-resolution of rate case?)
    - In a more normal, less regulatory focused year, would there have been some offsets available to mitigate the impacts from weather and usage?
- Can you talk about the revision to gas marketing? What is the driver? On gas marketing, what is the remaining assumption on Winter Storm Uri recovery? Is it embedded in guide?

Regulatory

- How are you viewing alignment with stakeholders in this ongoing rate case? Is there a mutual understanding with Staff?
- Any major differences in the case that was filed vs the prior case, what are you emphasizing in this case that was not well outlined in the prior case in your view?
- How are folks viewing the proposal for an accelerated timeline? Any indications so far?
- The capitalized overhead study was fairly positive, but how much of an increase in expenses does the study drive? Will the commission deviate from the report?
- What gives you confidence in returning to a higher equity layer in your next rate case? Are you carrying less short-term debt? What has been the commentary around a higher equity layer tied with a lower ROE? Do you think the Commission sees merit in this argument?
    - Can you talk about leverage at Spire Missouri? Where are you trending today? How is this conducive to a higher equity layer in the rate case?
    - Can you talk about including short-term assets in rate base? Will this be a goal?
- More generally, how are you viewing your relationship with the regulators and stakeholders? Do you feel that this case will make it more difficult to reach constructive settlements going forward? How do you give investors confidence in mending the construct?
- How do you see future Missouri PSC turnover impacting the case outcome?
- How have the conversations been with the ratings agencies? They have been fairly patient in changing their view on a regulatory jurisdiction in the past, but Moody's still has a negative outlook on Spire Missouri.
    - On a consolidated level, how should we think about FFO/debt for '22?
- Anything else we should be watching from a regulatory perspective?

Growth & Capex

- How should with think about the 5-7% growth rate? What are the assumptions you are making on the upcoming rate case? Can you give us some detail on how you are thinking about the base? Should we think about a normalized EPS being the '22 guidance ex-impact of capitalized overhead?

    - It is correct to assume a hockey stick to more normal levels of EPS following the next rate case (assuming a more reasonable outcome in the rate case)?

- How do you think about the recent proliferation of incidents from several companies across the space - could that accelerate gas safety spending?
- How do you think about the sustainability for pipeline replacement spending? What opportunities are beyond that timeframe?
- Can you discuss potential incremental capex opportunities that are not currently baked into your 5-yr capital plan?
- Can you touch on customer growth in your service territories and how that plays into your growth rate?

STL

- You received clarity on the STL pipeline problem through the winter and the rest of the remand process. Any expectation on how long this will take to get through the remand process? Do you see this as a priority for FERC? How are you viewing the new Commission make-up?
- Can you quickly discuss the alternatives to STL as you see them at this point? Longer-term, what do these look like if the pipe were to be shut down?
- Any risk of your returns getting cut from their current level on the pipe? Understand that it is not fully contracted so you are not earning a full return currently, but is there downside to current earnings potentially?
- Is there any ability to find additional offtake for STL at this point? Would also strengthen your case on its need.

Gas Marketing & Gas Storage

- What should we be thinking about in terms of LT run rate for Gas Marketing? Right around the $20M/year level?
- How core is your gas marketing segment? We've seen several companies look to divest or de-risk non-regulated assets, would SR follow this trend? Is there any ability to enter in to longer-dated contracts with customers?
- How do you think about your gas storage strategy? What end markets are these assets intended to serve?
    - When are you expected to make an investment decision here? Remind us when the FERC deadline is?
    - How do you think about book-ending expectations in scenario where gas storage does not play out as intended?
- What are your thoughts around eventual recovery from counterparties in ongoing gas marketing litigation – how would you frame your position with counterparties? How do you think about this against a broader industry context?

Other

- Can you walk through your decarbonization targets? How does these targets compare to the targets across your jurisdictions?
- What are your latest efforts in RNG or Hydrogen? Do you see investment opportunities in these areas to be applicable to rate base in any of your jurisdictions?

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Electric Utilities & IPPs: PowerPoints: TLN/PPL Suit, BLNK/EVGO, VST/CIFR Crypto, & ETR/SR/AVA Equity	Julien Dumoulin-Smith	10 May 2022
Spire: Narrowing Guidance Despite Overhead Deferral, What are the Drivers for FY22?	Julien Dumoulin-Smith	06 May 2022
Spire: U/G to Neutral; Drag on '22 Likely Lower than Expected; Street too Punitive	Julien Dumoulin-Smith	18 April 2022
US Electric Utilities & IPPs: PowerPoints: ETR Storms, NI OH Staff, ED NY Budget, Nuclear Trends, & SR MO	Julien Dumoulin-Smith	08 April 2022
US Electric Utilities & IPPs: PowerPoints: VST CEO Transition, SR MO, CPUC Interview, NJ Affordability PEG/CEG	Julien Dumoulin-Smith	21 March 2022

Sempra Energy (SRE)

- What are your expectations for earned returns at Southern California Gas (SoCalGas) and San Diego Gas & Electric (SDG&E) in 2022 and future years? What has caused the historical earnings above the allowed rate of return and do you foresee an ability to continue the trend?
- What factors led your request for an increase in the California utility allowed equity ratios to 54% versus peers at 52%? If the requested increase is not granted would you take equity out of the subsidiaries?
- What is your latest view of the upcoming California wildfire season relative to recent years in light of the drought conditions?
- What is the affordability picture for your California utilities? What is the average annual utility bill for SoCalGas and SDG&E relative to disposable income – i.e. wallet share?
- How much rate base remains at Aliso Canyon? How many remaining lawsuits are remaining and what is the range of prospective potential liabilities?
- Broadly what California utility legislation do you believe has the highest probability of success in this legislative session? What would the impacts be for Sempra?
- Can you discuss the SoCalGas Safety Culture Assessment proceedings and initial lessons learned? What are the next steps?
- What was the cause of the recent extension of timing for the Cameron 4 Final Investment Decision (FID)?
- In your conversations with potential counterparties for future LNG developments, what has been the most debated area? Price, contract duration, equity ownership, tolling structure, or other factors? Why do you believe others in the industry have secured sales & purchase agreements (SPAs) in 2022?
- Do you anticipate making similar FERC permit change requests as you did for Cameron related to Port Arthur to reduce the emissions profile?
- Do you currently expect additional electric investment in Mexico?
- What will influence future Sempra Infrastructure Partners (SIP) moneitizations? What is the broad balance sheet strategy? Is SIP core to Sempra?
- Please discuss any novel features that are likely to be factors in the upcoming Texas rate case aside from the traditional elements?
- How significant are the new load interconnection requests in Texas related to cryptocurrency mining and data centers? How are the utility and ratepayers protected from these newer sources of load with risk of stranded costs?
- What are the most significant factors that could drive adjusted EPS toward the high-end of your long-term guidance range?

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Sempra Energy: LNG Development a Marathon, Not a Sprint. But Cameron 4 Slow Out of Gates	Julien Dumoulin-Smith	10 May 2022
US Electric Utilities & IPPs: Earnings PowerPoints: D, PPL, ES, SRE, IDA, BKH, MDU, OGE, AEP & SWX	Julien Dumoulin-Smith	05 May 2022
US Electric Utilities & IPPs: PowerPoints: LNT Solar, NWE Miss, TX Bitcoin Load, SRE Cameron 4, LNG, & More	Julien Dumoulin-Smith	29 April 2022
US Electric Utilities & IPPs: PowerPoints: TLN Distress, SRE Mexico, D Offshore, Cali Storage, MDU Val, TX Renew	Julien Dumoulin-Smith	11 April 2022
US Electric Utilities & IPPs: PowerPoints: AGR NY, PPL RI, LNG Energy Summit, SRE LNG Cameron 4, & More	Julien Dumoulin-Smith	04 April 2022
US Electric Utilities & IPPs: PowerPoints: SRE LNG, SO Vogtle Co-Owners, AEP-AQN Kentucky	Julien Dumoulin-Smith	31 March 2022
Sempra Energy: Dare to Dream: Cameron 4 LNG Upside But Is There More? CA ROEs Remain a Risk	Julien Dumoulin-Smith	14 March 2022

Southwest Gas Holdings (SWX)

Strategy & Settlement

- Can you discuss the latest settlement with Icahn? What are the key measures? What changed your view on engaging with them and coming to an agreement?
- Can you give us more detail on the robustness of the process? Who are the players that are involved? Any sense on timing?
- On Centuri, how should we be thinking about the 90 days? Should we read into a decision on Centuri for the remainder of the strategic review?
- How do you balance holding on to the utility and potentially improving the profile and metrics with maximizing shareholder value today?
- How would you think about a minority sale of the infrastructure services business and then a tax-free spin? Is this still on the table?

Regulatory

- What should we be looking for in your ongoing AZ rate case? How are you thinking about mitigating bill impacts? Any opportunities to cut O&M or SG&A to lessen the impact to customers? I think it is pretty clear that the Commission is very focused on this point in particular.
- Has the Commission looked through the opco capital structure through to the parent in the past? Do you see this as a risk given the large step up in parent level debt?
- How do you think about allowed ROEs given recent data points for peer utilities? Obviously, will be different cases with different evidence, but still the Arizona Corporation Commission (ACC) has a focus on customer bills.
- How should we be thinking about post-test year plan adjustment given the ACC's negative stance of late? What gives you confidence in lining up rate case timing with the post-test year adjustment?
- What is the latest regulatory outlook in NV and CA? Can you discuss any potential upside to capex programs in those jurisdictions?

Utility Infrastructure Services

- Can you walk through the major drivers on the utility infrastructure services (Centuri) side of the business? How is cross-selling progressing given the Riggs Distler acquisition? What gives you confidence in margins in FY22 and going forward? What are the drivers of the expansion?
- Any ability to take some interest rate risk off the table for Centuri as change of control will require you to remarket the debt at Centuri in the event of a separation?
- Clearly, we have already seen a win on the offshore wind front. How are you thinking about the LT growth potential of the business with Riggs?
- In terms of earnings contribution mix, what mix does SWX target between the now three major businesses with Questar?

Growth, Financing, & Capex

- How should we think about the growth rate for the business? Also, how does the lumpiness with the rate case play into growth we should be thinking about maybe a lower ‘22 and then a step up in ‘23? Or should we think about growth pretty ratably across the two years?

- When will you be in a position to share longer-term growth targets?
- Can you discuss your rate base growth projections at the utility? It has moved down from 7.5% in '21 to 5-7% in '22 with a wide range of potential capex, what is driving this?
    - How do you think about trading growth for better ROEs? From a EPS perspective, what is the tradeoff?
- Do you perceive that the growing need for increased reliability and resiliency creates incremental rate base opportunities given the need for gas infrastructure supply?
- Can you discuss the growth projects at MountainWest? $100M over three years, how are you viewing opportunities beyond the $100M? Are there any out there? Previously, you have stated you bought the asset for its cash flows, not its growth profile.
- How have conversations with ratings agencies been? Any conversations on business mix? How are they viewing the planned equity component of the transaction?
- What are your thoughts on the permanent debt financing for the MountainWest deal? Where are you expecting to price the debt?

Sustainability & Other

- Any thoughts around seeking damages for the Driscopipe issues? Would be a benefit to customers and could put you in favor with the Commissioners who were focused on this during the investigatory hearing. What is holding you back?
- What are your latest efforts to better align with decarbonization trends on the gas utility side? Any updates around your initiatives in RNG or Hydrogen? It seems some projects are starting to materialize. Are these mostly focused on the infrastructure
- Is there opportunity for regulated investment in RNG or other alternative fuels? What else do you think you could be afforded from a regulatory perspective to help facilitate the expansion into RNG, CNG, and H2?

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Southwest Gas Holdings: Settlement Announced w/ Strategic Transactions Even More Likely; Buy	Julien Dumoulin-Smith	09 May 2022
Southwest Gas Holdings: ISS Recommends Partial Icahn Slate, Pos. for Robust Review Process; Reit. Buy	Julien Dumoulin-Smith	02 May 2022
US Electric Utilities & IPPs: PowerPoints: SWX Strategic Review, HE Bank Earnings, FTS Transmission & LNG	Julien Dumoulin-Smith	18 April 2022
Southwest Gas Holdings: Battle in the SW Heating Up Ahead of May Meeting; Upside from Discounted Levels	Julien Dumoulin-Smith	13 April 2022
US Electric Utilities & IPPs: PowerPoints: LNT Solar Delays & Mgmt, Fed Rates/Latest for HE, PJM Coal, SWX	Julien Dumoulin-Smith	07 April 2022
US Electric Utilities & IPPs: PowerPoints: Crypto Mining, SO GA, SWX Latest, AES Alto Maipo, & Nuclear/SMR	Julien Dumoulin-Smith	05 April 2022
Southwest Gas Holdings: U/G to Buy: Positive Risk/Reward; Equity Overhang Cleared w/ Upside From Here	Julien Dumoulin-Smith	30 March 2022

UGI Corp (UGI)

Guidance, LPG, & Gas Marketing

- Can you walk us through the margin impact driven by gas marketing for the first half of FY22? How do you expect the marketing impact to trend for the remainder of the year? Gas prices in Europe have continued to be volatile.
    - What steps are you taking on contract structure to remediate the margin impact and prevent the same impact from happening in the future?
    - What are the potential outcomes of the energy marketing strategic review? How large of a percentage of UGI International margin does this represent?
- What are the mitigation measures being employed to be able to offset half of that impact for FY22? What gives you confidence in your ability to execute on these mitigation measures?
- How much of the cost reductions are one-time vs perpetual? How should we think about costs coming back into the plan as we enter '23+?
- Can you talk through the drivers for the liquid petroleum gas (LPG) segment in Europe in F2Q22? Margins improved, was this an indication of your ability to price the stated price contracts higher?
- How should we think about margin impacts from continued commodity volatility in this quarter w/ Russia's invasion of Ukraine?
- Any concerns on supply being impacted?
- On the volume side for Global LPG, how has attrition trended? Has the rate increase or decreased in recent years?
- How should we think about '23+? You have reiterated your wider 6-10% EPS CAGR, but what about FY25 EPS guidance? How should we think about this?

Renewables

- Investment pipeline for renewable natural gas (RNG)? How much capital have you committed so far, and how much more is needed to reach the goal within the $1B-$1.25B budget? Are there larger projects? Or just more of the same?
- Clearly there is more talk in the industry around RNG, how are you thinking about competition on these projects? When would you feel comfortable sharing more detail on the return profile so as to give investors higher confidence in the Strategy and competition
- Now that the JV with SHV Energy has been approved, how are you thinking about timeline for the 6 projects in the pipeline there? What are the economics relative to the economics for RNG?
- Can you talk about your strategy with renewable identification numbers (RINs) and Low Carbon Fuel Standard (LCFS)? How does GHI play a role here?
- How are you viewing the landscape for additional investment opportunities in Europe? Seems like it would be an attractive market given the push for decarbonization. Should we be thinking about more of the same rDME investment? What other opportunities are out there?
- What about bioLPG investment in the US? When does this opportunity look attractive in your eyes?

- Return profile – is there a point where you can disclose more around drivers here? When do you envision being able to give more disclosure here? When you turn some projects online?
- How do you balance upside from market prices for RINs and LCFS vs consistent contracted revenues?
- Financing? Funded with FCF, but how would you think about financing if incremental opps come into the fold? Clearly some debt reduction assumed in your current plan – would your target just be delayed if incremental opportunities were to come into the plan?
- What is the structure for bioLPG? Are you targeting the same sort of contract structure as in the US around RNG? Any market-based risk here?
- Can you talk through how you are thinking about decarbonization targets?
- How much does RNG blending increase the all-in gas cost? What are the regulators comfortable with at this point?

Utility

- Can you walk us through the base rate case in PA? What are the key asks and where would you expect to find pushback if any?
    - Where do parties stand on the case today? Any ability to settle?
- At the utility? What is the customer bill increase vs last year that you see? Do you hedge? What is the storage position? When were you procuring for storage?
- Can you discuss some of the upside opportunities that you have to rate base growth? You talked about large projects and/or large expansions to new communities. Can you give some color on confidence in these materializing?
- Any regulatory mechanisms for Mountaineer that you feel you need to make healthy investment in the system?

Midstream

- Can you discuss the latest acquisition on the midstream side? How does this play with the strategy of that business?
- How are you viewing the opportunity for midstream expansion? What kind of investments/midstream assets are you focused on now?
- Are there sufficient inorganic investment opportunities remaining in your footprint in Appalachia?
- How is Columbia midstream performing vs your expectations?

Business mix & Strategy

- Thinking about the 50/50 business mix (nat gas and LPG), do you see yourself able to reach this through more organic or inorganic opportunities? What kind of weight would the renewables segment have to hold before you broke it out?
- Do you have appetite to continue to grow the regulated utility business via M&A? Are you exclusively focused on natural gas or would you consider electric and water? Geography? Does it need to be Appalachia area?
- Have you contemplated delineating growth for the different segments to give investors color?

- How are you thinking about potential M&A opportunities given some of the latest very healthy public marks for utilities? Seems like it could be more difficult to make acquisitions work given the price environment.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
UGI Corp.: Offsets Announced, but Remain Neutral on Belief Shares will be Slower to Reflect	Julien Dumoulin-Smith	09 May 2022
UGI Corp.: How low is FY22? Messaging the Offsets Will Be Critical for the Update	Julien Dumoulin-Smith	25 April 2022

Unitil Corp (UTL)

Regulatory

- Please provide an update on the pending rate cases in New Hampshire. How has the settlement been received in the Unitil Energy Systems case? What are the key upcoming milestones to watch out for and what are your expectations?
- Should we assume the Northern Utilities case will be resolved in a similar fashion? What has been the historical timeline for settlement filings at that utility?
- How should we think about the electrification opportunities across your jurisdictions? Which state offers the most opportunity in this realm?
- Are you afforded the regulatory mechanisms necessary to make a strong push on the electrification and RNG? Anything that you are working with the Commissions on?
- Anything else we should be focused on from a regulatory perspective?

Growth & Capex

- Please discuss the major drivers of growth behind your five-year capex forecast. Are there any opportunities not factored in that could be considered incremental?
- Can you provide more detail around the upside to capex guidance via EV infrastructure, additional grid modification and other supply side projects?
- How do you think about executing around the 5-7% annual EPS growth rate - what are the key considerations between the top-end and bottom-end?
- How has customer growth trended of late? You have seen strong growth in your territory throughout the pandemic – do you feel the need to change your longer-term expectations for customer growth at this point?
- Are customer conversions expected to pick back up in '22 coming out of COVID where it was more difficult to complete the work?
- How should we be thinking about customer growth in terms of your LT growth rate? What are you embedding in plan?

Strategy & Balance Sheet

- What are your thoughts around the current M&A market from both the electric and gas side of the business? *There have been some very healthy public marks recently.* How do you prioritize organic vs inorganic growth?
- How are you thinking about your targeted dividend payout ratio of 55-65% as well as dividend growth, especially in light of your capex plan?
- How are you tracking within your FFO/debt metrics?

Other

- Can you walk through your decarbonization targets? How do these compare to the renewable portfolio standards across your jurisdictions?
- Can you discuss your latest efforts in CNG, RNG, or other alternative fuels to natural gas? What are the next data points to look for on legislation regarding some of these alternative fuels?
- Maine has been a topic of discussion of late, what is your sense on the potential referendum there? How would you characterize your relationship with regulators and stakeholders?

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
North American Utilities & IPPs: Power Points: AEE 1st Take, Clean Energy Pullback, 1Q Scorecard, ES, MDU, UTL, D	Julien Dumoulin-Smith	11 May 2021
North American Utilities & IPPs: 1Q First Takes: D, OGS, LNG, UTL	Julien Dumoulin-Smith	04 May 2021
US Electric Utilities & IPPs: Earnings PowerPoints: CMS, PEG, UTL, CNP, OGS, and AMRC/EIX	Julien Dumoulin-Smith	03 May 2022
North American Utilities & IPPs: Power Points: SO 1st Takes, EXC 1Q & IL Legis Details, AVA, NEE/SC, CNP, UTL	Julien Dumoulin-Smith	29 April 2021
Unitil Corporation: Upgrading to Neutral; Regulatory Backdrop De-Risked, LT Upside to Capex for SMID	Julien Dumoulin-Smith	03 February 2022

WEC Energy (WEC)

- Please discuss the offsets that you have in your capital plan to account for delays or cost overruns related to AD/CVD. Do you see any risk of being at or near the low end of your 6-7% EPS CAGR guidance as a result?
- To what extent does the American Transmission Co (ATC) expect to benefit from the Midcontinent Independent System Operator (MISO)'s long term planning process? How might newly-announced projects impact the current outlook for earnings growth at ATC?
- In the event that the QIP Illinois rider sunsets at the end of 2023 as currently required by statute, can you confirm that you do not expect your existing capex cadence to slow from the current level?
- What level of regulatory drag do you expect for People's Gas if the current infrastructure rider is eliminated? Do you expect to pivot to annual rate cases?
- Are you seeing any inflationary pressures on materials or other supplies as you evaluate potential additional projects for the Energy Infrastructure segment? What level of returns are you seeing for projects today and how do these compare to returns seen in recent years?
- Given construction remains under way on the Cardinal Hickory Creek transmission line, what potential resolutions are there to the Upper Mississippi River National Wildlife and Fish Refuge crossing issue?
- Describe the hydrogen and natural gas co-firing test program at your Upper Peninsula Reciprocating Internal Combustion Engine (RICE) unit. What blend do you expect to use and to generate how much energy?
- What factors are you considering as you evaluate your second 100 MW option on the West Riverside Energy Center facility? Is your preference to secure renewable generation plus storage?
- Your long-term sales forecast in Wisconsin has been trending down over the last several updates and now is 0.7-1.0% in 2024-26 – what are the drivers behind this including continued growth in residential load and economic development in SE Wisconsin?
- How much long-term load growth from electric vehicles do you anticipate as part of your forecast by 2030? What % EV penetration is assumed here?
- Do you view crypto mining as a meaningful electricity demand driver in any of your jurisdictions?
- How are you incorporating renewable natural gas (RNG) blending into your gas distribution utility operations? Are the IL and WI jurisdictions broadly supportive of programs to decarbonize these systems over time?
- 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?

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Electric Utilities & IPPs: PowerPoints: WEC Beat/Raise, Orsted, HE, AZ PNW/FTS, Bill Inflation, Coal, ETR, & D	Julien Dumoulin-Smith	02 May 2022
US Electric Utilities & IPPs: PowerPoints: CT Anti-Utility Legislation, AGR New CEO, AEP OH, UGI 206, WEC IL	Julien Dumoulin-Smith	07 March 2022
WEC Energy Group Inc: Strong execution in '21, IL gas investment debate momentum; but priced in	Julien Dumoulin-Smith	07 February 2022

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?
- 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?
- Please provide an update on the pending Winter Storm Uri cost proceeding in Minnesota – what are key stakeholder positions, and do you expect to achieve a constructive outcome?
- What is your expectation for long-term EPS growth within your existing 5-7% target range assuming constructive outcomes in pending regulatory proceedings?
- Under what scenario would your long-term EPS growth compound near the bottom of the 5-75 range?
- How would you describe your visibility into earnings today vs. 12 months ago given the regulatory progress made over the last year?
- What are your views on the RTO adder being considered at FERC? If eliminated do you expect the adder could be replaced by another type of mechanism?
- 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%?
- When will you have clarity on capex upside related to your CO pathway projects?
- 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?
- Do you expect the Dec 2021 Boulder wildfire to impact the commission's planning or policies regarding wildfire mitigation?
- Do you still see a meaningfully lower equity funding need if direct pay were passed? Do you expect a pro-clean energy tax package to be passed sometime in 2022?
- Decarbonization of natural gas distribution – what strategies or pilots are you undertaking in your jurisdictions?
- What are the opportunities to accelerate EV investment in your jurisdictions (particularly ones that have low EV penetration) relative to your existing investment plans? How much EV load growth is embedded in your current forecast?
- What RNG blending or gas distribution decarbonization programs/pilots do you currently have in your forecast?

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Xcel Energy Inc: Still myriad sources of upside, reiterate Buy on this Midwest premium name	Julien Dumoulin-Smith	04 May 2022
North American Utilities & IPPs: First Takes: POR FY22 Cuts. DTE, AWK, XEL, PCG, SO, AEP, PNM	Julien Dumoulin-Smith	28 April 2022
US Electric Utilities & IPPs: PowerPoints: Utility Technicals, AGR 1Q, ETR Takes, XEL CO, CMS Crypto, GHG	Julien Dumoulin-Smith	27 April 2022
US Electric Utilities & IPPs: PowerPoints: FERC Transmission 206s, CEG Datacenter, XEL Comanche, and More	Julien Dumoulin-Smith	22 April 2022
US Utilities & Clean Tech: PowerPoints: CMS IRP, XEL Comanche Coal, NI BoD, RNW India PPA Ruling	Julien Dumoulin-Smith	16 March 2022

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

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AEE	AEE US	Ameren Corp	US$ 92.61	A-1-7
AGR	AGR US	Avangrid	US$ 44.08	A-3-7
AQN	AQN US	Algonquin Power	US$ 13.4	B-3-8
YAQN	AQN CN	Algonquin Power	C$ 17.47	A-3-8
ATO	ATO US	Atmos Energy	US$ 112.09	A-1-7
AVA	AVA US	Avista Corp	US$ 42.59	B-3-7
BKH	BKH US	Black Hills	US$ 74.51	B-1-7
CNP	CNP US	CenterPoint Energy	US$ 30.39	B-1-7
CMS	CMS US	CMS Energy	US$ 68.58	A-2-7
ED	ED US	Consolidated Edison	US$ 94.35	A-3-7
D	D US	Dominion Energy	US$ 82.9	A-1-7
DTE	DTE US	DTE Energy	US$ 128.71	A-1-7
DUK	DUK US	Duke Energy	US$ 108.85	A-1-7
WTRG	WTRG US	Essential Utilities	US$ 43.74	B-1-7
MDU	MDU US	MDU Resources	US$ 25.36	B-1-7
MGEE	MGEE US	MGE Energy	US$ 81.26	A-3-7
NI	NI US	NiSource Inc	US$ 29.61	A-1-7
NJR	NJR US	New Jersey Resources	US$ 43.66	B-3-7
NWE	NWE US	NorthWestern Corp	US$ 58.58	B-2-7
NWN	NWN US	Northwest Natural	US$ 50.14	B-3-7
OGS	OGS US	ONE Gas, Inc.	US$ 85.34	B-1-7
SO	SO US	Southern Company	US$ 74.08	A-2-7
SR	SR US	Spire	US$ 74.75	A-2-7
SRE	SRE US	Sempra Energy	US$ 157.96	B-2-7
SWX	SWX US	Southwest Gas	US$ 92.16	B-1-7
UGI	UGI US	UGI Corp.	US$ 37.87	B-2-7
UTL	UTL US	Unitil Corp	US$ 54.17	B-2-7
WEC	WEC US	WEC Energy Group Inc	US$ 100.82	A-1-7
XEL	XEL US	Xcel Energy	US$ 73.55	A-1-7

Source: BofA Global Research, Bloomberg

Price objective basis & risk

Algonquin Power & Utilities Corp (AQN / YAQN)
Our SOTP PO is $15.50 (C$19.53). We assign P/E multiples on 2024E (18.6x for electric, 17.7x for gas, and 26.1x for water, respectively) earnings of its regulated seg based on expected 2025 breakdown. 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 2x 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 converts in 2024.

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 $102 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 18.4x 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.

Atmos Energy Corporation (ATO)
Our $131 PO is based on our 2024E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group multiple of 17.7x.
Our gas peer P/E multiple is grossed up to reflect the group's 5% CAGR (2020-24E) to reflect capital appreciation across the sector. We then apply a 3x premium across jurisdictions 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 10x EV/EBITDA multiple as a base to our '24E EBITDA. We then apply a 2.0x 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 $45 PO is based on an 2024E SOTP. The utilities are valued on by applying discounts to the base sector P/E of 18.4x/17.6x for electric/gas due to below average growth and regulatory jurisdictions. Both electric and gas peer P/Es are grossed up +5% to reflect capital appreciation across the sector. The renewables are valued at approximately 11x EV/EBITDA, consistent with peers while offshore wind is valued using discounted cash flows at a 12% discount rate. Future potential value creation from the renewable development 'DevCo' is provided as well. Lastly parent/HoldCo financing negatives are ascribed

Up/downside Risks to achievement of the PO and Rating are: 1) earned ROEs at the utilities, 2) utility capital expenditure forecasts, 3) regulatory/political/legislative outcomes, 4) equity needs, 5) offshore wind construction, 6) 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. 7) natural disasters, 8) commodity and interest rate fluctuations, and 9) management changes.

Avista (AVA)
Our $41 PO is based on our 2024E sum-of-the-parts (SOTP) analysis, based on the large cap electric group multiple of 17.7x and the gas regulated multiple of 17.0x. 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. We apply a -2x discount to WA and ID to capture uncertainty associated with fire risk and regulatory risk. We apply a -2x 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 $84 PO is based on a SoTP valuation. Gas Utilities: We apply the 16.9x peer P/E multiple on 2024E EPS. Electric Utilities: We apply the 17.6x peer P/E multiple on 2024E EPS. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector with a 1x premium given elevated growth among SMIDs. 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 EV/EBITDA 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)
Our CenterPoint Energy PO is $34 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 17.4x 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 16.6x and add a 4x premium to account for potential strategic opportunities longer-term.

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 4x premium to account for incremental capex not yet in plan. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector and apply prem/discounts. 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 are: 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 $70 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 17.5x for the electric seg and of 16.8x 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 2022 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. We value Dearborn Industrial Generation (DIG) on a DCF basis given the plant is expected to be sold to Consumers at the end of 2025, with our valuation reflecting the remaining cash flows.

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 $86 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group multiples 18.4x/17.5x for electric/gas respectively with a -2.0x 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.

Upside/Downside risks to achievement of the Price Objective and Rating are: 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, 8) ability to complete the Mountain Valley Pipeline, and 9) raw materials costs & supply chain delivery timelines.

Dominion Energy (D)
We value Dominion Energy at $93 using a 2024E sum-of-the-parts analysis. For the utilities we apply the comparable electric (17.7x) and gas (17.0x) peer multiples which we gross-up by 5% to reflect capital appreciation across the sector. We apply premiums of 3x for Virginia and 2x for South Carolina electric utilities and +3x to the gas utilities in Ohio, Utah, North Carolina, and South Carolina. We apply discount adjustments to lower value utility sources in South Carolina (NND) and Utah (Wexpro) as well as the South Carolina bill credits.

Contracted assets are valued based upon a 11x EV/EBITDA for renewables and discounted cash flow analyses for Cove Point and Millstone at the prevailing discount rates reflecting the risk characteristics. 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 diversified utilities with relatively higher levers of leverage

Risk to achievement of the Price Objective and Rating are: 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 for both regulated & unregulated segments, 5) volatility in interest rates and pension returns, 6) changes in commodity prices, and 6) natural disasters.

DTE Energy (DTE)
We value DTE Energy at $139 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 17.3x and 16.6x, respectively). Both electric and gas peer P/E multiples are grossed up for a year to 2023 by 5% to reflect capital appreciation across the sector. We value the DTE Vantage segment on a multiple of 2024 EPS - the grossed-up electric multiple of 18.2x to account for the renewable natural gas (RNG) business. We assign an equity value of zero to the Equity Trading segment given potential for earnings volatility and opacity of the segment. We also reduce the equity value for estimated unallocated parent debt by applying a 17.8x multiple to both the interest expense and corporate overhead expenses at the parent. Risks to Price Objective: regulatory/political/legislative actions, realized returns from the unregulated Vantage segment, changes in equity needs, load growth/class mix, equity needs, weather/natural disasters, and interest rate fluctuations.

Duke Energy (DUK)
Our $119 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 17.7x and the gas utilities at peer group multiples of 17.2x 2024E 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 2024E EV/EBITDA basis. We use 9.0x multiples for midstream and transmission segments. 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.

Essential Utilities (WTRG)
Our price objective is $50 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 23.6x and 17.2x. We apply a 1.0x premium to Peoples Gas given the organic growth opportunities, while applying a variety of premiums to its water subsidiaries: +2x to PA, +2x to IL, +2x to OH, +2x for TX, +2x for OH, and no premium for balance of biz. We net out parent drag with a blended multiple.

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

MDU Resources Group, Inc. (MDU)
Our $30 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 17.6x for electric and 16.9x for gas, respectively with a -1.0x discount for each reflecting the latest management capex guidance, 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 '22 EV/EBITDA estimate, applying a multiple of 9.6x based on an average of several publicly-traded peers in the cement, asphalt, and aggregates business.
We value the Construction Services business using a '22 EV/EBITDA estimate, applying a multiple of 8.8x 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 '22 EV/EBITDA est., applying a multiple of 11.0x based on an average of several publicly-traded midstream peers. We also apply a -1.0x valuation discount reflecting uncertainty about growth at projects including North Bakken. We net out total parent drag and back out remaining non-regulated debt. 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 $75 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group 2024E multiples (18.5x/17.4x 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 +3.0x 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.

New Jersey Resources Corp (NJR)
Our $45 PO is off our 2024E SOTP, based on gas peers of 17.7x. For non-reg biz, we apply a 11.0x multiple plus a 1.0x premium to account for the derisked nature of the AMAs. For Midstream, we capitalize EBITDA at a base multiple of 10.0x but add a 1x discount to the business as we see less growth potential than the peer set. 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.

NiSource Inc (NI)
Our $35 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 16.9x for gas and 17.6x for electric with a 2.0x premium for both the electric & gas utilities' strong growth rates and incremental renewable buildout, with capex potentially beginning in '24-'26, but acknowledge industrial gen load migration risk. While there are near-term headwinds for solar, we are confident in mgmt. ability to manage and mitigate the impacts.

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.

Northwest Natural Holdings (NWN)
Our $51 PO is based on our 2024E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group '24 P/E multiple of 17x 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 an in-line multiple in OR and note potential upside from RNG and benefits from decoupling, offset by a lower growth profile and the long-term outlook is more uncertain. Additionally, we note regulatory risk with the ongoing OR rate case. For NWN's gas storage (unregulated), appliance, and asset management business, we apply a 8x EV/EBITDA multiple, in line with comparable asset class, and net out debt. We apply a water utility peer P/E multiple of 27.7x to NWN's water earnings and then net out corporate & other drag (largely SG&A) using a weighted average multiple of 18.7x on '24.

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.

NorthWestern Corporation (NWE)
Our $61 price objective is based 2024E price/earnings (P/E) methodology. We apply the electric utility sector P/E of 17.5x as a base then gross-up +5% to reflect capital appreciation across the sector. Lastly we apply a -2.0x discounted multiple to the 2024E peer multiple due to below-average regulation and overall modest growth.

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.

ONE Gas, Inc. (OGS)
We use a sum-of-the-parts analysis to calculate our $96 for OGS, applying a FY24E Gas LDC peer multiple of 17.1x (grossed up by 5% to reflect capital appreciation across the space). We use a 3x premium to the group for TX and OK given constructive regulation and growth trends and an in-line multiple for KS.

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.

Sempra Energy (SRE)
Our $161 PO is based on a sum of the parts valuation of 2024E earnings. The US utilities are valued using the electric (17.2x) and gas (17.2x) average P/E that we grossed-up +5% to account for sector growth. We apply a -2x discounted valuation to the California utilities (SDG&E and SoCal Gas) for wildfire risks and concerns about long-term use of natural gas. We apply a +2x premium to the TX utility (Oncor) for above average growth and high visibility into rider recovery. The Infrastructure segment (SIP) is valued at 11.5x EV/EBITDA, an implied premium to the Mexican market (5.5x) and select premium US midstream comparable (Williams and TC Energy at approximately 11x) on EV/EBITDA 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 achievement of the Price Objective and Rating are 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 with guidance, 7) LNG investment decisions.

Southern Company (SO)
Our $74 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 17.5x for electric and 16.8x for gas, respectively (with dis/prem applied per asset depending on growth/risk): we then gross up these multiples 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 are: 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.

Southwest Gas Holdings (SWX)
Our $101 PO is based on our 2024E Sum-of-the-parts (SOTP) analysis. We apply a 17.0x our 24E 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 all of the utilities, we now apply an in-line multiple to reflect strategic opportunities on a historically discounted utility. Additionally, we value the FERC regulated MountainWest and Great Basin Pipeline separately on a midstream peer group average FY24E EV/EBITDA multiple of 9.6x and net out associated debt. We apply an in-line

multiple for MountainWest to reflect strategic opportunities on a low/no growth asset - this is still an 11% discount to SWX's purchase price. For the infrastructure services segment, we apply 8.6x FY24E EV/EBITDA multiple based on peer consensus multiples plus a 1x premium given relatively higher insulation to market downturns and better metrics. 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 to achieving the Price Objective 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.

Spire (SR)
Our $79 PO for SR is based on a sum-of-the-parts analysis. Consistently across our coverage universe we apply the peer gas 2024 P/E multiple (17.4x) as a starting point and 'gross-up' by five percent to account for growth across the sector. We include a 2x discount for Missouri given the recent rate case order 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 10.0x EV/EBITDA multiple with a 4x discount for storage given uncertainty, and a 2x discount for marketing due to volatility. We weight STL pipeline as 75% in our valuation given uncertainty with the pipe's future.

Upside risks: 1) favorable regulatory and/or legislative outcomes, 2) lower interest rates, 3) ability to earn the regulatory allowed rate of return, 4) lower equity needs, 5) higher capital expenditures, 6) Favorable FERC ruling on STL pipeline commercial operations

Downside risks:
1) adverse regulatory and/or legislative outcomes, 2) higher interest rates, 3) inability to earn the regulatory allowed rate of return, 4) higher equity needs, 5) lower capital expenditures, 6) unfavorable ruling from FERC on STL pipeline commercial operations, and 7) natural disaster

UGI Corp. (UGI)
Our $40 PO is derived from our SOTP analysis, applying specific multiples and premiums to assets. For the gas utility, we utilize a 24E 17.0x P/E multiple and an electric multiple of 17.7x, in line with peers. For U.S. and international LPG, we utilize 6.7x and 5.7x EBITDA, respectively, a slight discount to the sparse number of publicly traded comps given impacts to margins at the business. We use a 9.9x EBITDA multiple at midstream w/ a premium/discount depending on the asset & CMG expansion weighted at 50%, respectively, given uncertainty associated with expansion opportunities/project execution. We take the NPV of future renewable solutions cash flows (using a 12% discount rate and 2% long-term growth rate), implying a 12.8x EV/EBITDA multiple (in line to slightly higher than our valuation to peers biz mix). 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 risks: 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 $53 PO based on a 2024e forward P/E basis using a utility group multiple of 18.5x for electric and 17.4x for gas. Both electric and gas peer P/E multiples are grossed up for a year to 2024 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 $109 PO is based on 2024E SoTP, with a large cap electric group multiple of 17.6x and gas regulated multiple of 17.0x. Electric and gas peer P/E multiples are grossed up for a year to reflect capital appreciation across the sector. We apply a 4.0x 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 4.0x premium to the gas utilities, except IL's Peoples Gas which is 3.0x, and North Shore Gas with the Gas System Modernization Program (GSMP) and capex forecasts de-risked following the ICC order. We ascribe a 4x 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 4.0x 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 4.7%, 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 $78. 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 17.5x 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.

Analyst Certification

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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
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE 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
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Dominion Energy	D	D US	Paul Zimbardo
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Ryan Greenwald
	Exelon	EXC	EXC US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	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
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM 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	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith

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

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Unitil Corporation	UTL	UTL 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
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Ryan Greenwald
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC 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
	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
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
RSTR				
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Energy Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	70	54.69%	Buy	56	80.00%
Hold	36	28.13%	Hold	28	77.78%
Sell	22	17.19%	Sell	11	50.00%

Equity Investment Rating Distribution: Utilities Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	76	50.00%	Buy	55	72.37%
Hold	36	23.68%	Hold	30	83.33%
Sell	40	26.32%	Sell	23	57.50%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1916	57.18%	Buy	1207	63.00%
Hold	705	21.04%	Hold	452	64.11%
Sell	730	21.78%	Sell	362	49.59%

[R1] 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.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2] 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.

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US Electric Utilities & IPPs

Utility-scale solar: who is at risk from latest US investigation?

Industry Overview

14 April 2022

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AD/CVD increasingly in focus for rate base solar

We take a closer look at our regulated utility coverage in the context of the AD/CVD investigation opened by the DoC in March. Based on channel checks and input from investors, we see '23 procurements as most at risk as '22 projects likely have the majority of panels and supplies secured and '24 are still far enough in the future to await the outcome of any investigation and to incorporate cost increases as needed. Conversations with policy experts also point to the timeframe of the investigation taking the longer "complex" route involving a 150 day review (a "simple" review could be completed in 85 days). Utility-scale developers with projects under way but with panels not yet secure are most at risk given potential additional tariffs and delays as the review plays out. Additionally, those with RFPs underway could see some challenges with developers uncertain on pricing. There could be contract structures struck to pass through impacts prospectively but utilities would likely need full clarity before having projects approved by most commissions.

Our conversations with companies as well as our recent meetings in Washington DC (see full takes here: Bracing for a longer breakdown in panel supply: takes from DC) suggest that '23 in-servicing dates are most at risk given increasingly problematic availability of panels pending the DoC investigation. All of the utilities we spoke with flagged potential offsets in the event that renewable spend is delayed – reallocating capital among electric categories (from solar to distribution for instance) and from electric to gas in order to preserve investment plans is the most likely playbook in our view.

LNT, NI among most exposed names

Based on analysis of published capex plans and renewable deployment goals, we see a handful of names as most exposed to cost overruns and construction delays stemming from the AD/CVD investigations. Specific companies with large levels of exposure in capex and MW terms include **LNT,** with 700 MW scheduled to go in service in WI in 2023 alone, with another 50 MW in IA in the same year with the balance expected to be added in 2024. In contrast to a potentially challenging 2023 setup, LNT sees its '22 projects as largely (though not entirely) de-risked with some 80% of panels on site, while in contrast only 30% of 2023 panels have been secured to date. **NI** will be delaying their analyst day until the fall when they expect to receive more clarity on the potential impacts for the replacement generation from '24-'26. NI has $2B of renewables spending in-flight or recently completed ($1B in '22 and $1B in '23) – we see potential risks to the '23 projects being delayed which could then delay the implementation of rates in '24 to capture the projects. Additional time for the strategic review is also a likely factor for the analyst day delay in our view. *See more key names on page 2.*

Easier to name those not impacted; Pure T&D, LDCs, etc.

While the quarter will be noisy for most, we see those with no exposure to solar as relatively better off on the whole, particularly T&D utilities including **EXC**, **PCG**, **EIX**, **ES**, and **SRE**, integrated utilities with little to no solar in their plan including **PPL**, **FE**, **BKH**, etc., gas utilities (ex-**NJR**), water utilities, and other misc. names with no exposure incl. **LNG**, **CEG**, and **BE**. The DOC decision to take up the case is clearly impactful for a vast portion of space, and we see the set-up into 1Q results for names as somewhat cautious.

AD/CVD: antidumping and countervailing duties
DoC: Dept of Commerce
PPA: power purchase agreement
T&D: transmission and distribution
RFP: request for proposal
MW: megawatt

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Who else stands out?

*Along with **LNT** and **NI**, we outline a number of other utilities who are top-of-mind and will be key to watch on 1Q. We stress 5-year full capex is less impacted than specific 2022 and 2023 projects considering the potential for delays. We appreciate that many investors are taking an increasing ardent line that delays are just not as substantial of an impact if simply shifting earnings into 2024/2025. We flag delayed RFPs could result in a cascading series of delays into the future or eventual forgoing of opportunities altogether – we don't perceive that there is a 1:1 shifting of projects- some projects simply wont get developed but developing this level of granularity appears premature. For now, appreciate that projects due for late this year could very well suffer from a lack of panels – and ever more critically procurement in RFPs could be stalled without a known pricing impact. Even if developers en masse eventually assume they are willing to absorb unknown tariff risk (we think likely materially less than ~40% on Chinese panels directly), this could take several months. Investors also continue to under-appreciate that the initial 150 day review will not likely prove the decisive resolution they are seeking (aside for potential specific circumstances).*

We see power market impacts as equally important to consider given the substantive deployments of both solar and storage previously contemplated for these periods as well.

AEP has a number of RFPs outstanding across its vertically integrated utilities, but we note a majority of the additions in the current plan are wind vs solar and are weighted more toward the '24-'25 time period. Remember, AEP shifted capital away from contracted renewables on its 4Q update, so no risk on unregulated projects.

DUK has already cut commercial renewables guidance for '22 given supply challenges and allocating available panels to the regulated utilities, and mgmt.'s previous commentary was that there would be a rebound from delayed projects in '23. The investigation puts this rebound at risk as supply and availability challenges could be sustained. On the regulated side, solar additions seem to be longer-dated (except in FL where DUK continues to deploy MWs under the solar base rate adjustment [SoBRA])

D's growth capital plan in VA includes a large amount of solar annually ($6.5B or 24% of the growth capital plan through '26). Projects in '22 seem to be secured, but '23 is more at risk. D will state their purchase power ability is a benefit, but we are cautious on soalr supply and cost (the latter already seemingly a contentious point in the state).

NEE mgmt. has already made their position on AD/CVD clear, issuing a press release directly after the announcement noting their disappointment with the investigation and reiterating FY22 guide, LT guidance, and stating that they would disappointed not to be at the top-end of the ranges. See intact EPS in '22 despite slippage & the real question is whether there is upside to guide with the Analyst Day – potentially no longer given perception issues.

NJR has a large portion of its capital plan allocated to solar (~36% in '23), and while we see the '22 projects as more secure, we could see risks to the remaining ~$50M of projects that are still under evaluation for '22.

WEC has an estimated ~20% of its '23-24 capital plan allocated to solar + storage projects – also exposed is WI peer utility **MGEE** which is a 10% partner in the same facilities. We continue to watch spending here given its relatively elevated exposure.

Solar exposure by the numbers

Below we provide a company-by-company analysis of the exposure and impacts on our regulated utility coverage based on existing plans to add rate base and PPA solar generation.

Alliant (LNT)

Among the largest near term regulated solar MW additions across our coverage is LNT, with 325 MW set to be added in WI in 2022 and a further 700+ MW in WI/IA in 2023. We

see the '22 procurements as largely de-risked from a supply chain perspective with 80% of needed panels having been acquired and cleared customs (i.e. not subject to potential retroactive tariffs). The clearly bigger risk is '23 procurement where the total needed capacity is higher than '22 at 700+ MW. 2023 is modestly de-risked with ~30% de-risked from a retroactive tariff perspective with some panels having already been delivered and others safe harbored. With 70% of panels yet to be delivered there remains a real risk that if the AD/CVD investigation drags out for 12 months or longer, there is some risk that some portion of the 2023 projects get pushed out to 2024. From a rate recovery perspective the WI additions are currently part of the two-year forward test year included in the most recent rate settlement, so the resulting incremental lag would likely require a deferral and re-filing in 2024+. We see LNT as one of the utility names that is most exposed to this dynamic, with significant parts of its near-term capital plan allocated to clean generation ($3B of capex in '22-24, over half of the $5.7B aggregate spend during this period pre-tax equity).

Ameren (AEE)

Ameren is in the process of reviewing and updating its Missouri integrated resource plan (IRP) following last year's ruling requiring scrubbers at Rush Island that pushed forward the retirement date of the coal plant from 2039. Given that the previous IRP (filed in 2020) included only a modest amount of solar generation in the near term (40 MW in aggregate in 2022-23) we expect that the updated IRP, once filed, will also reflect a small amount of solar in the near term given current supply uncertainties. Further out, Ameren's IRP includes 150 MW of wind via a build-own-transfer agreement that is set for in-servicing in 2024 – a less risky timeframe in our view. Given availability of wind generation in its MISO service territory and adequate supply length based on the previous IRP filing, we see Ameren as relatively insulated from the current solar supply uncertainties.

American Electric Power (AEP)

While many of American Electric Power's planned additions are in the 2024-2025 timeframe, we are curious if some impact could be felt with the ongoing RFPs given the uncertainty around pricing. Remember, mgmt. issued the $8.2B capex guidance at the start of Nov. when many request for proposals (RFPs) for renewables were still being hammered out.

Specifically, 1) the Southwestern Electric Power Co (SWEPCO) RFP for up to 3,000 MW of wind, 300 MW of solar, and short-term accredited deliverable capacity up to 250 MW was known at the time of the update, 2) the final Public Service Co. of OK (PSO) for up to 2,800 MW of wind and 1,350 MW of solar was issued after the update, 3) the Appalachian Power Co (APCo) was issued in Jan., and 4) a draft RFP was issued for I&M in Jan to bitain 800 MW of Wind resources, 500 MW of Solar resources. We see the $8.2B as a placeholder, and expect to see refinements over time as mgmt. gains clarity on the projects. Remember, VA and MI have mandated a split between utility ownership and third party contracted, ensuring some degree of success. We remain positive on the outlook for

AES Corp (AES)

As one of the larger renewable developers with annual renewable deployments only rivaled by NEE in the US, we are closely monitoring developments around the AD/CVD investigation and any implications for AES. The company is increasingly focused on US buildout as they look to become 50% US/50% renewables over the next couple of years. While solar renewable demand has remained strong and the increasing commodity price environment should lead to faster and higher procurement of renewables/storage, uncertainty around pricing from the AD/CVD case has resulted in some postponement; Mgmt appears confident there would be a large wave of PPA signings as soon as a resolution is reached but timeline could ultimately prove critical in alleviating concerns in the nearer term on potential implications in '23-24. While concerns are merited for the

sector and the case can prove an overhang for some time, we see AES as uniquely positioned among developers with renewable deployment only rivaled by NEE in the US.

Algonquin (AQN)

AQN maintains a relatively modest amount of solar projects in progress and planned, with ~200 MW across four sites in various stages of panel installations. Per company disclosures, approx. 50 MW have 40-50% of panels installed, with 65 MW in an earlier stage and expected to be completed in Q4 2022. Given the timing and magnitude of AQN's solar capex we see comparably less exposure related to AD/CVD.

CMS Energy (CMS)

CMS' exposure to supply chain delays and cost inflation from AD/CVD relative to owned projects is comparably small given the current plans for two owned solar projects totaling 300 MW and less than $500m in capex – we also note that CMS' projects remain somewhat flexible as to timing targeting a '23-24 in service date. As with other diversified utilities we expect CMS to have a degree of flex in the various buckets in its capital program, with the ability to pivot to more spending at the gas utility in the near term as well as the traditional electric distribution lever.

CenterPoint Energy (CNP)

CenterPoint (CNP) is currently underway on the development of two sets of solar projects in Indiana) a tranche of 400 MW owned and PPA and 335 MW. CNP will file its next integrated resource plan (IRP) in 2023 when we will likely have more clarity on the backdrop for solar. Additionally, we note CNP is in discussions with the Governor and lawmakers around supporting economic development and attracting commercial and industrial customers to the state. We see this as further opportunity to expand renewables capacity additions over the longer-term. We maintain Buy on CNP as we continue to see upside opportunities to the already top-tier earnings growth profile and the ability to continue to re-rate to the higher quality, higher value peers.

Duke Energy (DUK)

DUK has already cut commercial renewables guidance for '22 given supply challenges and allocating available panels to the regulated utilities, and mgmt.'s previous commentary was that there would be a rebound from delayed projects in '23. The investigation puts this rebound at risk as supply and availability challenges could be sustained. We currently assume the top-end of mgmt.'s run-rate for commercial renewables of $200M-$250M. On the regulated side, solar additions seem to be longer-dated (except in FL where DUK continues to deploy MWs under the solar base rate adjustment [SoBRA]). The Carbon Plan will be filed in mid-May and we note that the timing for many of the solar additions is longer-term.

Dominion Energy (D)

Solar makes up 24%, or $6.5B, of Dominion Energy Virginia's $27B growth capex plan for 2022-2026. Additionally, Dominion has $2.9B allocated for contracted solar within the five year plan including $400M in 2022 and $700M in 2023. We see the contracted solar as more at-risk – remember, large-cap peer Duke Energy proactively delayed unregulated solar projects due to supply chain issues. All said, the Virginia Clean Economy act mandates the capacity additions and we have seen fairly seamless approvals of rider filings to date. We will be watching panel availability, cost, and mgmt.'s commentary on customer bill inflation with the current backdrop. If we start to see untenable prices for solar start to flow through to customers, we would be cautious on the pushback from the Governor and lawmakers that have already been vocal on the transition to clean energy being too quick. We maintain Buy as we see Dominion well positioned to weather inflation headwinds given the amount of spending that is covered under fairly straightforward rider filings. We continue to assess the risk environment for Dominion's capital plan.

Tampa Electric

Tampa Electric is currently in the process of adding 450 MW of solar. The current phase of the project is referred to as Wave II and added 235 MW in tranche 1 in 2021 and an incremental 215 MW in tranche 2 in 2022 & 150 MW in tranche 3 in 2023. As with Wave I of the buildout which constructed 654 MW from 2017-2020, the supplier for Wave II is First Solar (FSLR) which is exempt from the current investigation. Tampa Electric expects that its next need for additional modules will be for delivery beginning in mid-2024. As such Tampa Electric appears to be a relative winner in the current backdrop.

Idacorp (IDA)

Idacorp (IDA) has two solar PPAs set to come on line in 2023 (120MW Jackpot & 40MW Black Mesa). Both are fixed price contracts not subject to major price fluctuations and we perceive the panels have already been secured for the projects by the developers. Outside of Jackpot and Black Mesa, IDA has future potential projects contemplated in their latest integrated resource plan (IRP). Potential pricing implications from any additional tariffs related to AD/CVD issues could shift dynamics in which projects might ultimately win bids in the request for proposal (RFP) process to fill projected 2024 and 2025 capacity deficits.

NiSource (NI)

NI will be delaying their analyst day until the fall when they expect to receive more clarity on the potential impacts for the replacement generation from '24-'26. NI has $2B of renewables spending in-flight or recently completed ($1B in '22 and $1B in '23) – we see potential risks to the '23 projects being delayed which could then delay the implementation of rates in '24 to capture the projects. Remember, mgmt. was expecting to file a case in '23 to capture new renewables in rates in '24. We note the 7-9% growth rate is largely predicated on this step up in rates. That said, we see ability to offset with cost cuts or a multi-step rate implementation that could support the growth rate. Additional time for the strategic review is also a likely factor for the analyst day delay in our view.

New Jersey Resources (NJR)

NJR is deploying a large amount capital into solar in '22 and '23. Remember, projects in '21 were delayed into '22. Mgmt. has stated that they have solar panel supply for the projects in '22, but we are cautious on the remaining ~$49M for the year that is 'under evaluation.' In '23, mgmt. expects to spend $206M-$272M in solar, or ~36% of total capex. We have already seen execution issues at NJR with a large amount of capital pushed to '22 from '21 and remain cautious on the backdrop. Maintain Underperform.

NextEra Energy (NEE)

We look toward the 1Q call to better understand the impact the DOC's decision to take up the AD/CVD case which could greatly impact the solar supply chain. In our view, it seems very likely that the disruptions will cause some delays in projects, but the exact impact is less clear at this point as NEE is focused on procuring alternative supply outside of the countries listed. We note NEE has safe harbor supply available, but the panels are very valuable and it will be an economic decision whether or not they will be utilized. NEE has a competitive advantage over other developers and they have seen developers walk away from projects given the supply chain impacts even before the DOC's decision. We previously stated that there could be the potential for NEE and suppliers to share the risk of the tariff in order to keep supply flowing, but we are more cautious on this avenue following recent channel checks.

OGE Energy (OGE)

OGE Energy (OGE) has issued a request for proposal for solar projects with a minimum of 50 MW and maximum of 450 MW with a preference for no more than 150 MW of capacity annually. Bids were due on Mar. 3, 2022 and the expected selection of projects for negotiation was slated to begin on Apr. 20, 2022, but we believe that the process could be put on hold while the uncertainty clears. OGE defines in-service years as **1)**

2022, May 2, 2022-Dec. 31, 2022; **2)** 2023, Jan. 1, 2023-May 1, 2023; **3)** 2024, May 2, 2023-May 1, 2024; and/or **4)** 2025, May 2, 2024-May 1, 2025. Therefore, projects could be weighted more toward the 2024-2025 timeframe given challenges stemming from AD/CVD. Remember, mgmt. has commented stating their intention to add ~100-150 MW of solar annually over the next several years, **but has not included any capacity additions stemming from the 2021 integrated resource plan in their capital plan**. We remain positive on the longer-term growth for OGE, especially as we see ability for significant ownership of renewables.

Pinnacle West (PNW)

Given the relative lack of large-scale renewable project build outs for PNW of late, its exposure to procurement delays and inflationary pressures is limited. Panels for its 150 MW Redhawk facility have already been secured and the company does not anticipate impact from the AD/CVD proceedings given its existing pipeline. While PNW has had to scale back its renewable capex ambitions in recent years – from an initial goal of $700m on average in '21-22 (over 40% of the total, prior to downward reduction of the actual plan) to an average of 26% of the plan total for the years of '22-24 – the resulting exposure to AD/CVD is relatively contained.

Southern Company (SO)

SO recently filed its 2022 IRP in GA for 6 GW of solar over the long-term through 2035. We note SO will likely not own the assets given Commission precedent and does not include solar capex in the capital plan. That said, mgmt. pointed to up to $3B of incremental opportunities at Southern Power which could be at risk of being more toward the back of the plan.

Later in 2022, SO will file an IRP in AL which has typically allowed for utility ownership of generation resources, but details will not be disclosed – we do not expect a large amount of replacement capacity needed at this point, and any replacement capacity is likely longer-term. We see SO as less exposed – the story continue to revolve around Vogtle where we see risks to stated schedule and cost, but believe the risk is appropriately priced into shares and maintain Neutral.

WEC Energy (WEC) and MGE Energy (MGEE)

We examine WEC and MGEE together as the utilities are partners on three solar & storage projects that have been proposed in WI – the Paris and Darien projects that are a combined $900m (90-10 split in favor of WEC) with a target in-service date of 2023, along with the $650m Koshkonong project that is targeting in service in 2024 under the same size split. These projects account for a combined 1,100 MW of capacity with WEC's share equal to 10% of its current nameplate and MGEE's for about 9%. For reference, WEC's long-term capital plan includes aggregate capex of $3.25B in each of 2023 and 2024, with ~21% of the spending over the two year plan allocated to the Paris, Darien, and Koshkonong facilities. Given the realities of magnitude and timing around the proposed solar build, we expect that WEC will acknowledge delays and cost overruns in the 2022 and 2023 projects, likely coming with its coming earnings call.

We see clear risks to both WEC and MGEE for delays and cost overruns stemming from AD/CVD given the relative size of the capex allocated to solar which is concentrated in calendar 2023. Expect WEC to address this on the company's upcoming earnings call and provide a more fulsome update, though at the moment the company has limited its commentary to reaffirming its aggregate long-term capital plan – accordingly we expect some flexing of the electric distribution investment lever.

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

BofA Ticker	Bloomberg ticker	Company name	Price
LNT	LNT US	Alliant Energy Corp	US$ 63.59
AEE	AEE US	Ameren Corp	US$ 96.25
AEP	AEP US	American Elec Power	US$ 101.4
AES	AES US	AES Corp	US$ 24.47
AQN	AQN US	Algonquin Power	US$ 15.7
CMS	CMS US	CMS Energy	US$ 71.9
DUK	DUK US	Duke Energy	US$ 115.11
D	D US	Dominion Energy	US$ 87.19
IDA	IDA US	Idacorp	US$ 113.81
NI	NI US	NiSource Inc	US$ 31.68
NJR	NJR US	New Jersey Resources	US$ 45.26
NEE	NEE US	NextEra Energy	US$ 83.55
OGE	OGE US	OGE Energy Corp	US$ 41.58
PNW	PNW US	Pinnacle West Capit	US$ 77.34
SO	SO US	Southern Company	US$ 75.36
WEC	WEC US	WEC Energy Group Inc	US$ 103.2
MGEE	MGEE US	MGE Energy	US$ 82.55

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Price objective basis & risk

AES (AES)

Our price objective is $28.50 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 +7x premium for US distributed generation for further growth expectations, valuing them at 15x 24E EV/EBITDA. Meanwhile, we value the DevCo using a 12% discount on 4.5GW+ 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 18.1x 24E. We also credit the company with Vietnam and its investment in Uplight.

Downside risks to our price objective and rating are negative regulatory outcomes in the US, international currencies devaluing against the US dollar, political/legislative/regulatory changes, MtM of Fluence (FLNC) subsidiary stock, and overall inability to execute on the renewables plan.

Algonquin Power & Utilities Corp (AQN / YAQN)

Our SOTP PO is $14.00 (C$17.64). We assign P/E multiples on 2024E (16.5x for electric, 14.3x for gas, and 26.8x for water, respectively) earnings of its regulated seg based on expected 2025 breakdown. 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 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 converts in 2024.

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 $96 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 17.2x 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 $113 is based on SOTP analysis. We ascribe a peer forward P/E multiple (18.7x) with a 1.0x premium for its transmission and distribution utilities and transmission-only utilities segments and a 0x premium (in-line multiple) for all of the vertically integrated utilities. For the unregulated portion, we apply a 3.5x discount to the legacy energy supply and marketing biz and a 10x premium to the contracted renewables business to reflect sale aspirations. 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 the Price Objective and estimates 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) uncertainty around announced asset divestitures versus guidance expectations, 6) volatility in volume of electric sales, 7) other adverse regulatory, political, or similar actions.

CenterPoint Energy (CNP)

We value CenterPoint Energy at $34 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 18.1x 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 17.2x. 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 are: 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 $75 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 18.5x for the electric seg and of 17.4x 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 2022 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. We value Dearborn Industrial Generation (DIG) on a DCF basis given the plant is expected to be sold to Consumers at the end of 2025, with our valuation reflecting the remaining cash flows.

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.

Dominion Energy (D)
We value Dominion Energy using a sum-of-the-parts approach to derive our $96/sh PO. Utilities. Our base 2024E approach utilized comparable electric (18.5x) and gas (17.3x) 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 achievement of the Price Objective and Rating are: 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.

Duke Energy (DUK)
Our $124 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 18.5x and the gas utilities at peer group multiples of 17.4x 2024E 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 2024E EV/EBITDA basis. We use 9.0x multiples for midstream and transmission segments. 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.

Idacorp (IDA)
Our $129 PO is based on a sum-of-the-part valuation (SOTP) of the utility and parent segments.

Our utility valuation is based on applying the 2024 large cap P/E multiple of 17.0x that is subsequently grossed-up +5% to reflect anticipated sector growth which is consistent with our valuation approach for the regulated utility coverage universe. We apply an unchanged 3.0x P/E premium to the base peer multiple to reflect the positive attributes detailed in the note included constructive regulation, execution track record, strong balance sheet, and ESG attributes.

Due to the magnitude of the Boardman-to-Hemmingway transmission project ($1.5Bn+) that is not reflected in EPS through 2024, we discount the expected EPS contributed at 10%.

Risks to our price objective are: 1) execution of capital projects, 2) workforce attrition, 3) regulatory outcomes, 3) 'large project risk, 4) changes in interest rates, 5) ability to deploy capital expenditures consistent with the plan, 6) inability to earn the regulatory allowed rate of return, 7) failure of crypto mining load to materialize, and 8) natural disasters.

MGE Energy (MGEE)
Our $71 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group 2024E multiples (17.1x/15.3x 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 +3.0x 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.

New Jersey Resources Corp (NJR)
Our $43 PO is off our 2024E SOTP, based on gas peers of 17.0x. For non-reg biz, we apply a 11.0x multiple plus a 1.0x premium to account for the derisked nature of the AMAs. For Midstream, we capitalize EBITDA at a base multiple of 9.8x but add a 1x discount to the business as we see less growth potential than the peer set. 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 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 18.6x for electric and 27.7x for water (grossed up by 5% to reflect capital appreciation) with disc/prem to reflect the growth/risk profile of the businesses. We apply a 4x prem. (from 5x) for FPL and Gulf. We provide value for possible regulated M&A as one strategy of capital redeployment, albeit weighted at 50% to reflect execution risk. For NEER, we apply a peer EV/EBITDA multiple of 11.8x, which we adjust depending on asset type. Give contracted renewables 3x 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.
Risks to achievement of PO and Rating are 1) regulatory outcomes, 2) weather & natural disasters, 3) commodity price changes, 4) fluctuations in stock prices for YieldCo NextEra Energy Partners, 5) renewable development margins.

NiSource Inc (NI)
Our $36 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 17.2x for gas and 18.1x for electric with a 2.0x premium for both the electric & gas utilities' strong growth rates and incremental renewable buildout, with capex potentially beginning in '24, but acknowledge industrial gen load migration 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.

OGE Energy Corp (OGE)
Our OGE PO is $42/share based on a sum of the parts. For the utility and holdco we apply the FY24 peer multiple of 16.6x. 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. We apply a 1x premium for incremental growth not yet embedded in plan as well as a constructive regulatory environment. We remove our valuation for the Energy Transfer stake. We now value incremental EPS related to the 2021 IRP separately in our valuation. We see the ability for $0.07 of EPS by '24 and probability weight the incremental value by 50% to reflect uncertainty in ownership of the assets.

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 ET 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 ET share.

Pinnacle West (PNW)
Our price objective of $69 is based on a peer utility P/E multiple of 18.2x on our 2024E EPS of $4.44 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.

Southern Company (SO)
Our $78 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 18.5x for electric and 17.4x for gas, respectively (with dis/prem applied per asset depending on growth/risk): we then gross up these multiples 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 are: 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.

Analyst Certification

We, Julien Dumoulin-Smith and Paul Zimbardo, 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.

Special Disclosures

BofA Securities is currently acting as a financial advisor to NextEra Energy Inc in connection with its proposed sale of a 50% non-controlling interest in an approximately 2,520 megawatt (MW) portfolio of long-term contracted renewables assets to the Ontario Teachers' Pension Plan Board, which was announced on November 30, 2021.

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
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE 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
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Dominion Energy	D	D US	Paul Zimbardo
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	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
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM 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	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC 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
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC 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
	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
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
RSTR				
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Energy Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	70	54.69%	Buy	56	80.00%
Hold	36	28.13%	Hold	28	77.78%
Sell	22	17.19%	Sell	11	50.00%

Equity Investment Rating Distribution: Utilities Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	76	50.00%	Buy	55	72.37%
Hold	36	23.68%	Hold	30	83.33%
Sell	40	26.32%	Sell	23	57.50%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1916	57.18%	Buy	1207	63.00%
Hold	705	21.04%	Hold	452	64.11%
Sell	730	21.78%	Sell	362	49.59%

[R1] 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.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2]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.

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US Electric Utilities & IPPs

Further Quantifying the AD/CVD Impact on Two Key Utilities– Dominion & NiSource

Industry Overview

Solar fears spread; who's next at risk

Following NextEra Energy's (NEE) earnings call on April 21 and fears that solar delays could be broader and deeper than many initially thought, we add more detail around certain utilities that we discussed previously in our 14 April 2022 note, Utility-scale solar: who is at risk from latest US investigation?, particularly related to NiSource (NI) and Dominion Energy (D), as both have significant solar spending planned for '22/'23. Both names have been getting an increasing amount of attention of late, yet we are confident about both utilities' ability to manage through the headwinds and importantly keep EPS growth relatively intact. We would be surprised if *either* backed away from previously stated targets on their 1Q22 calls and expect mgmt. to be ready to talk through mitigation measures in the event of varying levels of delays. Remember that it is still early in the AD/CVD investigation process, so utilities are just starting to assess the situation and the ability to flex O&M efficiencies and pull forward other capex to offset the impacts. Generally, we expect many utilities to talk down the impacts of the investigation and discuss mitigation measures available.

NI to see delays; stress testing, likely reiterating guide

We expect NI to see delays in its $1,475M of solar build transfer projects, with the sites slated for '23 more impacted. It is possible that the Dunns Bridge I and Crossroads solar projects scheduled for 4Q22 and totaling $440M are pushed into 1H23+ and the other projects, all of which expected to be in service at some point in '23, pushed into '24. Remember that NEE is the developer for three of NI's solar projects, and NEE has discussed at least five to six months' delay until August, when the preliminary decision is posted in the AD/CVD case. Using simple rate base math, we see $0.14 of FY EPS tied to solar spending (or ~8% of '24 EPS estimates; see below). We expect mgmt. to discuss the potential offsets, including pulling forward distribution capital in states where there is real-time recovery under riders (OH and PA) or potential O&M efficiencies – we believe that there is a lot of latitude on the latter that has yet to be tapped. We maintain our Buy rating on NI, as we believe that the impact of the AD/CVD case has been overstated in the shares and we see ability to offset impacts.

D confident about the plan; ship in Aug., ship in Jan. '23

Solar makes up 24%, or $6.5B, of Dominion Energy Virginia's $27B growth capex plan for 2022-2026. Additionally, Dominion has $2.9B allocated for contracted solar within the five-year plan, including $400M in 2022 and $700M in 2023. Mgmt. is confident about its ability to remain on track with its solar projects, assuming that it can start to ship panels in August (after the preliminary decision) or in January '23 (after the final decision). Under the regulated construct, the cost of panels is less of a concern given the need to construct the capacity under the VCEA. We see $0.08 of FY23 EPS impact from a delay in regulated projects. There are more risks with the contracted projects, in our view – ITC value of the $700M in capex is ~$0.22 (ITCs are booked upfront vs peers; see below), but we believe that mgmt. looks to convey its confidence in the projects, stating that customers are corporations with their own climate goals and less sensitivity to pricing. Mitigation measures could include pulling forward transmission or distribution capex at the utility as well as unregulated RNG. We maintain our Buy rating on D as we see the ability to mitigate the impact of potential solar delays and believe that D is a good hedge for inflation with solar in ratebase.

25 April 2022

Equity
United States
Electric Utilities

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AD/CVD: Anti-dumping/countervailing duty

VCEA: Virginia Clean Economy Act

ITC: Investment tax credit

O&M: Operations & maintenance

RNG: Renewable natural gas

VCEA: Virginia Clean Economy Act

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NiSource Solar Exposure

We outline NiSource's exposure to solar delays below. Build transfer solar projects total $1,475M in capex in '22 and '23, and we expect delays on the '22 projects into '23 and the '23 projects into '24. The EPS stemming from these projects is ~$0.14, and NI will have to go through a rate case to get recovery of the investments.

Exhibit 1: NI Solar Exposure – FY EPS contribution – this is a question of timing ultimately & rate case reflection
We outline the potential EPS impact related to solar delays for NiSource below

Build Transfer Solar	Capex	In-Service	Developer
Dunns Bridge I Solar	$240	4Q22	NextEra
Dunns Bridge II Solar + Storage	$420	4Q23	NextEra
Cavalry Solar + Storage	$190	4Q23	NextEra
Fairbanks Solar	$245	3Q23	Invenergy
Crossroads Solar	$200	4Q22	EDP Renewables
Elliott Solar	$180	2Q23	Capital Dynamics
Total	$1,475		
ROE	9.75%		
Equity Layer	47.86%		
Net Income	68.8		
Shares Out	483		
EPS	**$0.14**		

Source: BofA Global Research estimates, company report

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Dominion Solar Exposure

We outline Dominion's exposure to solar delays in '23 below. We see ~$0.22 of EPS impact on the $700M of commercial capex assuming a 26% ITC (remember that Dominion recognizes all of the ITC upfront). This adds some potential variability if a project is scheduled to come online in '23 but slips to '24 – that said, it is a matter of timing. We see ~$0.08 impact on the regulated side if all of the solar capex in VA is pushed out of '23. We see the commercial projects as more at risk and believe that the regulated projects should be fairly secure. We see inflationary benefits from having solar in ratebase, where modest increases in spend could actually serve to raise EPS outlook more structurally despite near-term gyrations on timing. We will watch as details emerge on timing and supply for '23, but considering the litany of supply resource channels likely within '23, we are relatively less concerned still. '22 panels have all been critically secured, presenting limited risk to FY22 EPS, in our view.

Exhibit 2: D Solar Exposure – also on a FY basis…
D is unique in taking the full ITC benefit upfront vs peers which amortize it over ~5-7 yrs. (booked in the year in-service regardless of timing within the year)

D Solar Exposure	
FY23 Commercial Capex	700
ITC Level	26%
ITC Value	182
FY23 Share Count	839.4
FY23 EPS	**$0.22**
FY23 Regulated Capex	1,300
ROE	9.35%
Equity Layer	51.9%
FY23 Net Income	62
FY23 Share Count	839.4
FY23 EPS	**$0.08**

Source: BofA Global Research estimates, company report

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Price objective basis & risk

Dominion Energy (D)
We value Dominion Energy using a sum-of-the-parts approach to derive our $96/sh PO. Utilities. Our base 2024E approach utilized comparable electric (18.5x) and gas (17.3x) 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 achievement of the Price Objective and Rating are: 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.

NiSource Inc (NI)
Our $36 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 17.5x for gas and 18.4x for electric with a 2.0x premium for both the electric & gas utilities' strong growth rates and incremental renewable buildout, with capex potentially beginning in '24, but acknowledge industrial gen load migration 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.

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	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
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	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
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	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

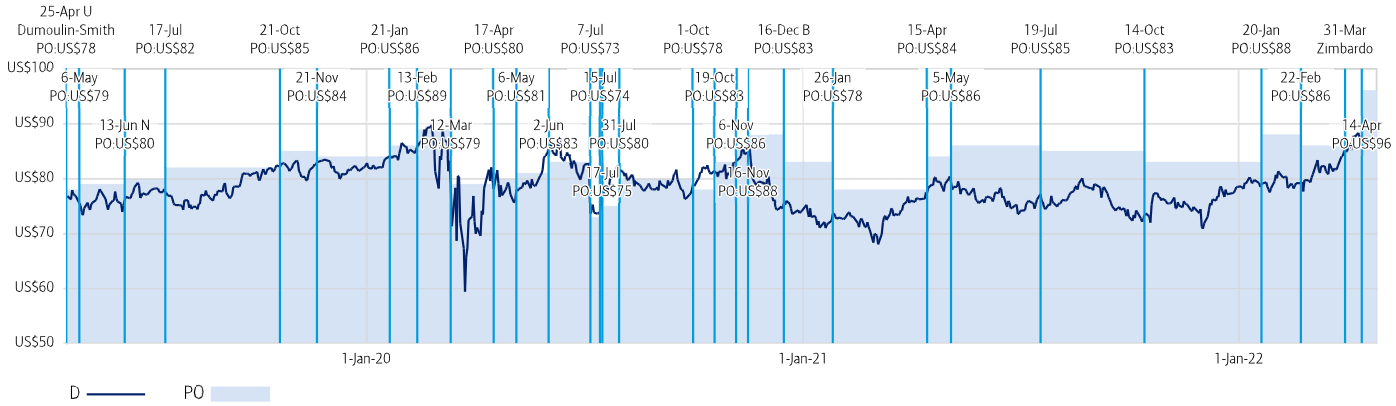
NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Ryan Greenwald
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC 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
	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
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
RSTR				
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

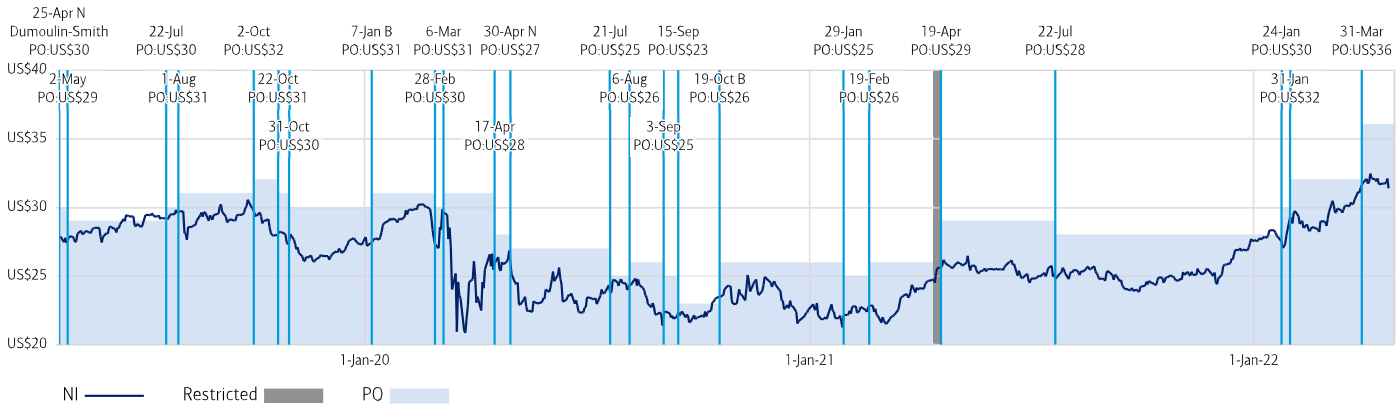
Dominion Energy (D) Price Chart



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.

NiSource Inc (NI) 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.

Equity Investment Rating Distribution: Energy Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	70	54.69%	Buy	56	80.00%
Hold	36	28.13%	Hold	28	77.78%
Sell	22	17.19%	Sell	11	50.00%

Equity Investment Rating Distribution: Utilities Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	76	50.00%	Buy	55	72.37%
Hold	36	23.68%	Hold	30	83.33%
Sell	40	26.32%	Sell	23	57.50%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1916	57.18%	Buy	1207	63.00%
Hold	705	21.04%	Hold	452	64.11%
Sell	730	21.78%	Sell	362	49.59%

[R1] 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.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2] 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.

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ETR: Stormier 2022 Forecasts Clouds Outlook

Researchers at the Colorado State University (CSU) Department of Atmospheric Science released their 2022 Forecast for Atlantic Seasonal Hurricane Activity on April 7th. The report predicts 19 "named storms" in the Atlantic Basin during 2022, versus 1991 - 2020 annual averages of 14.4. The report cites weak la Niña conditions likely to transition to neutral El Niño by summer/fall as grounds for the high storm forecast. This 19 named storms forecast for 2021 compares with a forecast of 17 named storms and April 2020 forecasts of 16 named storms, indicating a projection for a higher level of activity.

Storm activity in the Gulf is frequently cited by investors as an overhang for shares of Entergy (ETR) and we point to the significant ~$4Bn hurricane cost estimates for 2020-2021. We maintain Buy on Entergy despite the forecast for a challenging storm season given the deeply discounted valuation and forthcoming June Analyst Day that we view as a key catalyst. Specifically management's contemplated accelerating grid hardening plan should resonate with stakeholders as well as investors in an even stronger way ahead of storm season. Details are available in our latest report here: Entergy: Gulf Re-Rating Ahead: 'Steel for Storms', Decarbonization, and Industrial Growth 24 March 2022

NI: Staff files rec. in OH rate case; wide rev. req. delta

The Public Utility Commission of Ohio (PUCO) Staff filed their recommendation in Columbia Gas of Ohio's, a NiSource subsidiary (NI), ongoing rate case recommending a disappointing revenue requirement range of $35M-$57M adjustment vs $221M ask (16%-26% of request). The largest driver of the delta appears to be the test year operating income that Staff calculated which shows less of a deficiency (NI filed test year operating income of $104.5M and Staff's calculated operating income for the test year ended 12/31/21 is $210.5M).

The ROE was fair in our view, a baseline cost of common equity recommendation of 9.04% percent to 10.05% percent vs NI's ambitious ask of 10.95%. Staff's capital structure recommendation of a 50.60% equity layer was directly in-line with NI's ask. The recommendation is modestly concerning given the wide delta between Staff the company's request. Historically the Staff is the most influential intervenor in Ohio, followed by the Ohio Consumer Counsel (OCC). This case has drawn out longer than we had expected as it was filed at the end of June 2021; however, it is not surprising given the protracted nature of regulatory proceedings for peers. It seems Staff has taken their time going through the details of the case - this is the first time Columbia Gas of OH has been in a general rate case in the state in over a decade. Despite the negative data point, we maintain Buy on NI as we see upside stemming from the strategic review that could show a pathway for cutting costs and maintaining elevated growth over a longer period. We continue to watch the impact on the solar supply chain for NI's projects expected to be online in 2022-2023.

Please see full report for ED/NY Budget, Nuclear trends, SR MO, & more.

08 April 2022

Equity
United States
Electric Utilities

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CSU: Colorado State University
PSC: Public Service Commission
PPA: Power Purchase Agreement
PUCO: Public Utility Commission of Ohio
OCC: Ohio Consumer Counsel

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ED: New York Budget - Looking at Climate/Utilities

New York Governor Kathy Hochul announced the ~$220Bn FY23 New York budget which includes a "historic investment in pandemic recovery funding" ($2Bn) and "record investment in clean energy infrastructure, climate resiliency and preservation". Climate investment includes $4Bn environmental financing for climate change projects including further transportation electrification. The budget does not appear to include the previously discussed state-wide 2027 gas/oil ban in new construction. Based upon our initial review of the draft budgets there does not appear to an increase in support for utility customers via covid-related arrears relief; however, we look for the finalized budget to be released after negotiations are completed in the upcoming days.

We maintain our cautious view on New York regulated utilities, principally Consolidated Edison (ED) and are closely watching the pending rate case developments. The mid-April winter moratorium on disconnections is an anticipated date given the magnitude of customers who are not current on their electric & gas bills. Maintain Underperform on ED with shares trading at an elevated level versus the fundamentals with a below-average growth rate projected. Please see our latest on New York arrears here: US Utilities & Clean Tech: New York state of mind: watching arrears as rate case looms 17 March 2022

Nuclear: 2021 93% capacity factor, ~flat YoY

The US Energy Information Association (EIA) released its analysis of US nuclear performance with a 93% capacity factor while net generation output continued its annual decline due to unit retirements. The capacity factor has steadily increased from ~91% in 2013 as overall industry performance has improved. There have been six reactor retirements in 2017-2021 (Oyster Creek, Pilgrim, Three-Mile Island, Indian Point 2-3, and Duane Arnold) representing 4.7GW with an incremental 3.0GW expected in 2022 (Palisades) and 2024-2025 (Diablo Canyon 1-2). This brings overall US installed capacity to 96GW YE21, down from ~100GW in 2018. Southern Company's Vogtle 2.2GW Units 3-4 are guided to achieve commercial operations in 2022-2023, dampening the decline.

We do not forecast any additional nuclear retirements beyond the announced Palisades and Diablo Canyon plans due to much stronger merchant economics and additional state-level support. On the opposite end of the spectrum despite the rise in natural gas & coal prices we are skeptical of new nuclear given the protracted nature of construction and uncertainty about levelized cost of energy. We provided a recent look at how to value merchant nuclear here: US Utilities & IPPs: How to value a Nuclear Plant? Depends Who (and When) You Ask

SR: Working on Overhead Regulatory Treatment

Spire Missouri (SR) filed a notice to the Missouri Public Service Commission (MoPSC) stating that the Company, Staff, and the Office of Public Counsel are working to come to an agreement on an outstanding issue related to the March 18th Staff report regarding treatment of capitalized overhead. Spire asked the Commission to not delay an order approving capitalized overhead treatment consistent with the March 18th Staff report as parties are working on addressing the outstanding issue.

Most of the exact detail on cost transfer from capitalization to cost in service was redacted from the public filing and therefore it is unclear to us what the exact impact of Staff's proposed treatment. Tthe report stated that Spire shall defer the cost of its non-operational A&G overheads to a regulatory asset beginning on Dec. 23, 2021 at the rate quantified by accounting firm PwC, plus a general adder for seasonality. Staff clarified that a number of cost categories should **continue** to be capitalized consistent with current methodology while a smaller number of other costs will cease capitalization.

We found the original study to be positive on the surface and could lower the associated EPS drag on 2022 ($0.20-$0.35), but await additional detail on the exact impact and, more importantly, the Commission's interpretation and views on the study. We would like to see additional data points from the Commission that point to the construct being more consistent and comparable to others across the country. We maintain Underperform on Spire despite what seems like a positive data point given the continued uncertainty with the construct.

Clean Energy: ICLN rebalance announcement expected after close

The iShares Global Clean Energy ETF (ICLN) is up for rebalancing after close on Apr. 8 where we could see some shifting weights and potentially some additions/subtractions from the index. We had previously highlighted that ReNew Power (RNW US) could potentially be up for inclusion as Indian renewable peer Azure (AZRE) is in the index. That said, RNW US has not received their ESG score from MSCI, and therefore is not up for inclusion. Additionally, ConEd (ED), which is currently in the index, is selling its renewables portfolio which could impact their inclusion in the index. We maintain Buy on RNW as we see upside from additional growth and minority sales of assets. We maintain Underperform on ED as we see risks in the ongoing NY rate case.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Utilities & IPPs: Utilities & Interest Rates: Friends or Foes? We Examine Recent Performance	Julien Dumoulin-Smith	08 April 2022
Eversource Energy: 1Q22 Preview: Offshore progress, CT legislation, and regulatory efforts too	Paul Zimbardo	08 April 2022
Fluence: Battery supply headwinds expected until 2023+, despite mgmt. forecast; PO to $13	Julien Dumoulin-Smith	08 April 2022
US Electric Utilities & IPPs: PowerPoints: LNT Solar Delays & Mgmt, Fed Rates/Latest for HE, PJM Coal, SWX	Julien Dumoulin-Smith	07 April 2022
NextEra Energy: 1Q22 Preview: Looking through short-term solar supply issues, outlook is bright	Julien Dumoulin-Smith	07 April 2022
Global Metals Weekly: Solar to make silver shine	Global Commodity Research	08 April 2022

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

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
ETR	ETR US	Entergy Corp.	US$ 122.99	B-1-7
NI	NI US	NiSource Inc	US$ 32.11	A-1-7
ED	ED US	Consolidated Edison	US$ 97.56	A-3-7
SR	SR US	Spire	US$ 74.62	A-3-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Consolidated Edison (ED)

Our $83 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group multiples 17.4x/16.8x for electric/gas respectively with a -2.0x 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.

Upside/Downside risks to achievement of the Price Objective and Rating are: 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, 8) ability to complete the Mountain Valley Pipeline, and 9) raw materials costs & supply chain delivery timelines.

Entergy (ETR)
Our $124 Price Objective (PO) is based on a sum-of-the-parts analysis. The 2024E electric utilities average P/E of 17.4x is grossed-up +5% to reflect capital appreciation across the sector. We apply in-line P/E multiples to the subsidiaries except for +2x Texas to reflect the constructive regulation environment and -1x New Orleans based upon historical contentious proceedings. We net out 50% of the parent HoldCo long-term debt and apply a P/E multiple to 50% of the interest expense.

Risks to achievement of the rating or PO are 1) changing rate-making mechanisms or unexpected regulatory outcomes, 2) earned return on equities by jurisdiction, 3) hurricanes and other weather events, 4) nuclear accidents, safety events, or other incidents, 5) interest rates fluctuations, 6) equity issuances relative to management's forecast and access to capital markets, 7) ability to deploy regulated capital expenditures, and 8) costs related to the exit from the competitive business.

NiSource Inc (NI)
Our $36 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 17.2x for gas and 18.1x for electric with a 2.0x premium for both the electric & gas utilities' strong growth rates and incremental renewable buildout, with capex potentially beginning in '24, but acknowledge industrial gen load migration 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.

ReNew Power (RNW;C-1-9;$8.27)
Our $11 PO is derived from a SOTP Valuation, with a base DCF ($7) taking individual existing Commissioned project cash flows discounted by our cost of equity of 14% plus a Growth valuation that captures our estimated value of RNW's growth. Our Growth valuation attributes $1/sh to Committed growth projects and $2/sh to Newbuild growth projects, both discounted at a 14% cost of equity. We include terminal value of $1/sh. We take the value per share from our three DCF valuations and add them to arrive at our SOTP price objective.

Note that the 14% discount rate we apply to projects is based on the 25-year Treasury plus a 7% market premium reflecting risk compensation for developing economics.

Downside risks: inability to meet stated capacity factors, increased competition leading to lower capacity additions, counterparties (mainly state discoms) delayed payments on power contracts, and inability to secure financing.

Upside risks: acceleration of renewables deployments in India and increased market share on future auctions.

Spire (SR)
Our $61 PO for SR is based on a sum-of-the-parts analysis. Consistently across our coverage universe we apply the peer gas 2024 P/E multiple (14.4x) as a starting point and 'gross-up' by five percent to account for growth across the sector. We include a 2x discount for Missouri given the recent rate case order 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 9.0x EV/EBITDA multiple with a 4x discount for storage given uncertainty, and a 2x discount for marketing due to volatility. We weight STL pipeline as 75% in our valuation given uncertainty with the pipe's future.

Upside risks: 1) favorable regulatory and/or legislative outcomes, 2) lower interest rates, 3) ability to earn the regulatory allowed rate of return, 4) lower equity needs, 5) higher capital expenditures, 6) Favourable FERC ruling on STL pipeline commercial operations

Downside risks:
1) adverse regulatory and/or legislative outcomes, 2) higher interest rates, 3) inability to earn the regulatory allowed rate of return, 4) higher equity needs, 5) lower capital expenditures, 6) unfavourable ruling from FERC on STL pipeline commercial operations, and 7) natural disaster

Analyst Certification

We, Julien Dumoulin-Smith and Paul Zimbardo, 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.

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
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE 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
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Dominion Energy	D	D US	Paul Zimbardo
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	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
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM 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	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
UNDERPERFORM				

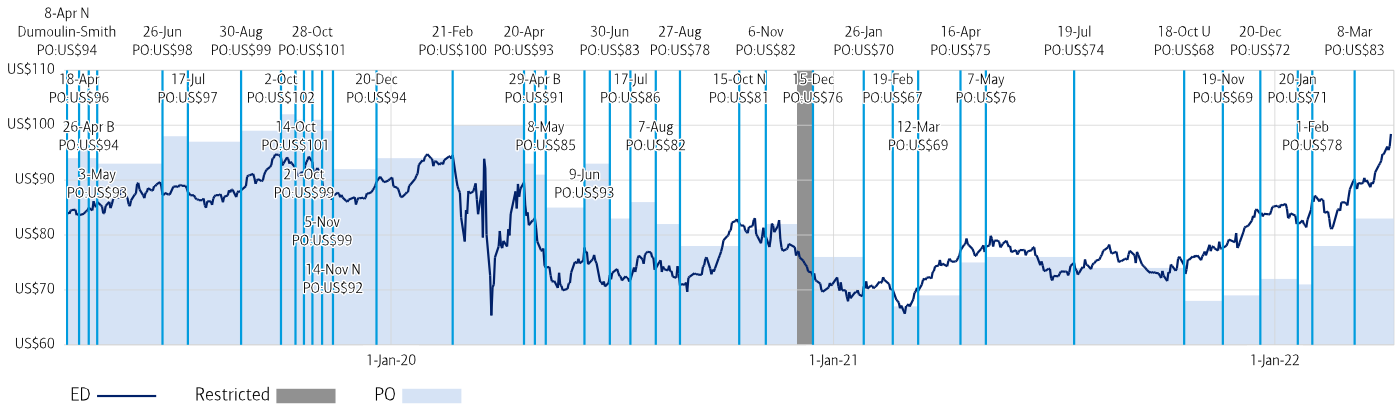
NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

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
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC 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
	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
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
RSTR				
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

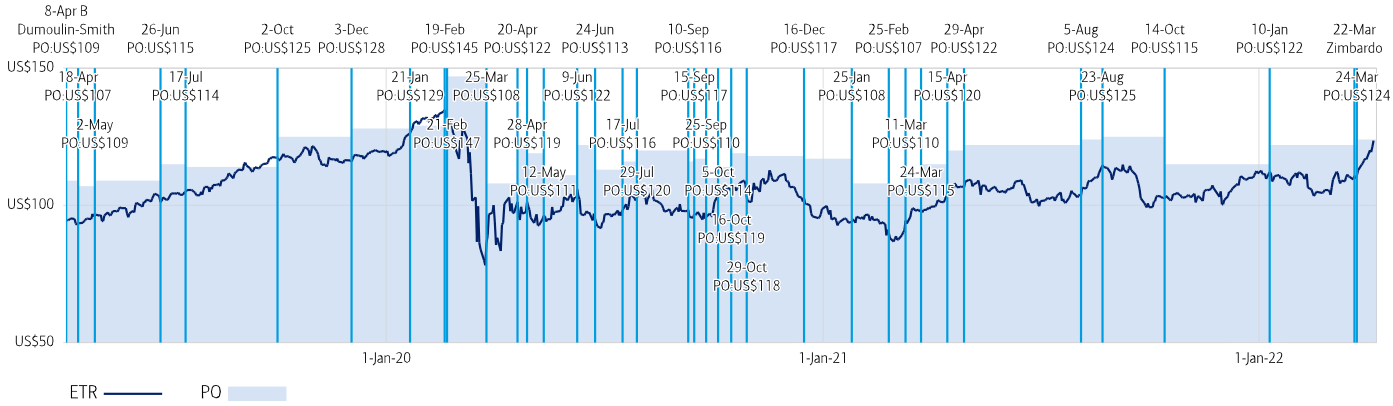
Consolidated Edison (ED) Price Chart



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.

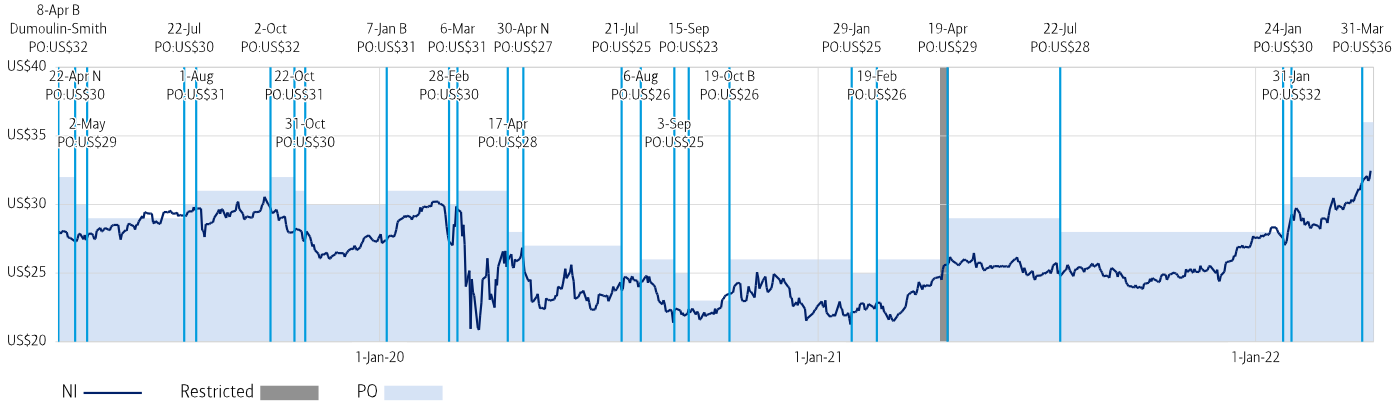
Entergy Corp. (ETR) Price Chart



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.

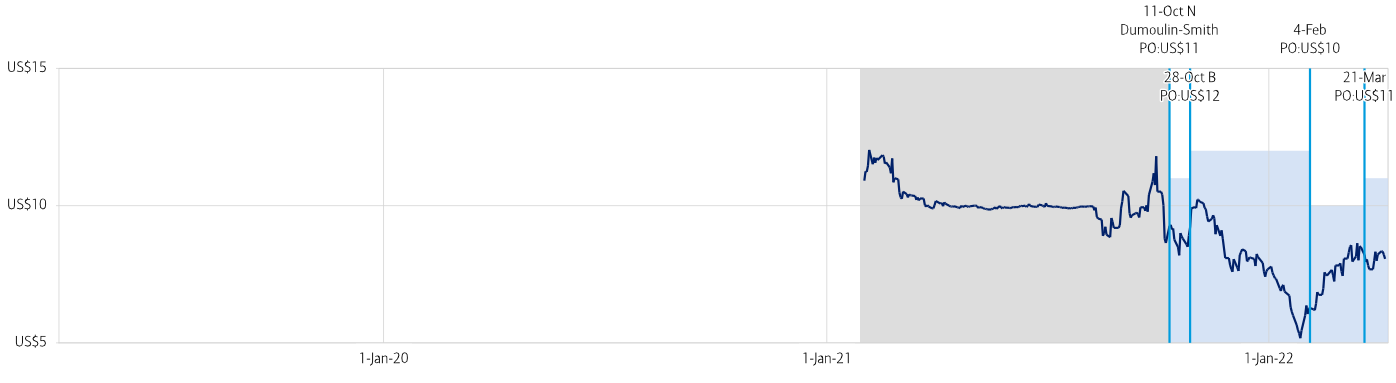
NiSource Inc (NI) Price Chart



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.

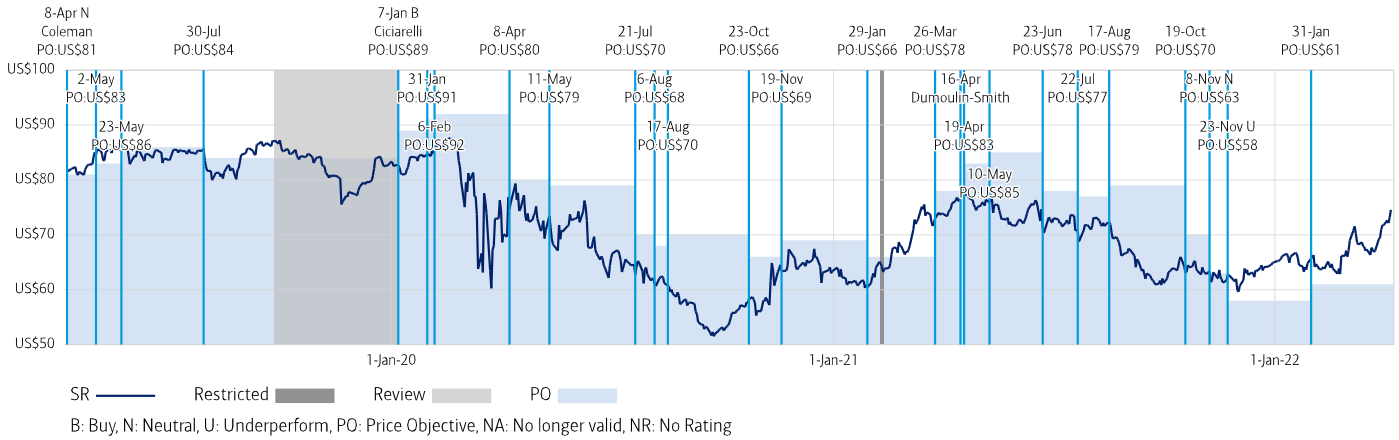
ReNew Power (RNW) Price Chart



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.

Spire (SR) 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.

Equity Investment Rating Distribution: Energy Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	70	54.69%	Buy	56	80.00%
Hold	36	28.13%	Hold	28	77.78%
Sell	22	17.19%	Sell	11	50.00%

Equity Investment Rating Distribution: Utilities Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	76	50.00%	Buy	55	72.37%
Hold	36	23.68%	Hold	30	83.33%
Sell	40	26.32%	Sell	23	57.50%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1916	57.18%	Buy	1207	63.00%
Hold	705	21.04%	Hold	452	64.11%
Sell	730	21.78%	Sell	362	49.59%

[R1] 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[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2] 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, 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: Consolidated Edison, Entergy Corp., NiSource Inc, ReNew Power, Spire.
BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: NiSource Inc.
The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Consolidated Edison, Entergy, NiSource Inc, ReNew Power, Spire, Inc.
BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Consolidated Edison, Entergy, NiSource Inc, ReNew Power, Spire, Inc.
The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: Consolidated Edison, Entergy, NiSource Inc, ReNew Power, Spire, Inc.
BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: Consolidated Edison, Entergy, NiSource Inc, ReNew Power, Spire, Inc.
BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: Consolidated Edison, Entergy, NiSource Inc.

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Technicals Meet Fundamentals: Analyzing the Overlap

This morning we released a collaboration report with Stephen Suttmeier, BofA Technical Research Strategist, highlighting bullish technical views on AEE, XEL, ETR, NI, VST, and OGS versus a more cautious stance towards AGR. Please see the full report: Utilities: still room to run. Technical stars align with fundamentals on key names.

AGR: 1Q22 beat but focus on AD/CVD related '23 delays

Avangrid reported 1Q22 EPS beating BofA est. excluding the offshore wind lease gain by 6%. Management cites 606 MW of wind and solar on track for 2022 COD (likely meaning panels have already been secured), but indicated that all of its 333 MW of solar was at risk of delay. We remain cautious on shares considering AGR's exposure to AD/CVD likely compounds earlier delays. There remain significant execution risk on >1GW '22-'25 solar, especially since AGR currently owns only ~130MW of solar. While the expertise of the parent company Iberdrola is noteworthy, AGR is relatively new to the solar business after recently pivoting from an onshore wind focus. *See more in our note Potential for Further Delays as AD/CVD Risks 2023. Maintain Underperform.*

ETR: 1Q Small Miss But Ahead of Management Plan

Entergy Corp (ETR) reported $1.32 1Q22 adjusted EPS versus $1.46 BofAe/$1.34 Consensus, and importantly indicated that they are trending above plan due to stronger sales in the period. The favorable volume was a mix of positive weather (+$0.08, -$0.03 YoY) and +2.9% weather adjusted retail sales, led by +6.5% industrial (smaller EPS impact for lower margin). FY22 weather adjusted retail sales growth guidance was +1.8%, although this appears to be 2H22 weighted due to the timing of the storm so the strong 1Q22 should be a tailwind versus guidance. Net customer growth continues at a healthy rate with +90bp YoY, experiencing healthy organic growth along with much of the Southeast we track. The miss versus BofAe appears to be driven in large part from our expectation of a YoY reversal of 'collective other' items +$0.19 that did not manifest, mitigated by net weather. $6.15-$6.45 FY22, FY23, FY24, and 5-7% long-term adjusted EPS guidances were reaffirmed as expected.

The balance sheet strengthened in the period, consistent with the plan, with +$588Mn higher consolidated operating cash flow (+$572Mn at the utility from the depressed ($50Mn) negative in 1Q21. Proceeds from the $3.2Bn Louisiana securitization in the next few months will be the biggest driver of improvement. The commitments to achieving Moody's (above 14%) and S&P's (14-16%) key FFO/Debt credit metric targets by YE22 was similarly reaffirmed. Remaining equity to be sourced declined to $570Mn from ~$700Mn as of YE21 as management continues to take a measured pace to addressing the financing needs. The 1Q22 adjusted ROE declined to 10.4% from 11.3% while adjusted FFO/Debt improved to 9.3%. The 100MW Sunflower Solar project in Mississippi was slightly delayed to 3Q22 from 2Q22 and the 180MW West Memphis Solar project's prior 2023 estimated in-service date was changed to "to be determined" from 2023. Overall we remain comfortable with Entergy's solar plans as the larger utility-owned commercial operations dates are in 2024, such as the 250MW Driver Solar in Arkansas and 150MW for St. Jacques Solar. The RFPs similarly are 2024-2026 with a combined 4GW targeted between utility owned and contracted assets. *See more below.*

Please see the full report for more on ETR, XEL CO, CMS, FERC, Crypto and NI.

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COD: commercial operations date

AD/CVD: anti-dumping/countervailing duties

RFP: Request for proposal

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ETR Cont.

Lastly, Entergy is still targeting the shutdown and sale of the Palisades nuclear plant in Michigan to Holtec in 2Q22. We recently prepared an analysis on the plant (see report We Ask Again, What is a Nuclear Plant Worth? Palisades Déjà vu: Is It Too Late?) and our base case remains that the asset retires next month followed by the Holtec transaction close shortly thereafter.

Entergy's 1Q22 update is net positive, in our view, with FY22 tracking ahead of plan and the expected improvement in credit metrics starting to materialize. The slight moderation in the solar plans is not a surprise given the macro pressures, but Entergy is relatively insulated with the vast majority of the company's solar planned for 2024+. We reiterate our Buy on Entergy as one of our preferred regulated value utilities, trading at a discount to comparable peers and the overall utilities group on 2024E.

XEL: CO settlement updated, Comanche 3 to close in '31

Xcel Energy's (XEL's) subsidiary Public Services Company of Colorado (PSCo) reached an updated settlement in the utility's integrated resource plan (IRP) with commission staff and other key interveners. The biggest change relative to the prior iteration of the settlement was moving up the retirement date of Comanche 3 from 2034 to 2031 – recall that Colorado (CO) commissioners had expressed skepticism at keeping the plant open until 2034 given pollution from its coal operations and ongoing reliability concerns. Given the earlier retirement date XEL has also updated the book value to be securitized from $668m to $732m. The other operational plans for Comanche 3 are broadly unchanged vs. the prior version of the settlement, with the plant stepping down its targeted annual capacity factor to 50% in 2025 and 33% in 2029. The owned replacement capacity amount has been updated to reflect the undepreciated book value of $690m (from $626m previously) or 500 MW. Overall the updated retirement date is not a surprise given loud opposition from key stakeholders to the 2034 proposal – the key question remains whether the updated settlement is enough to satisfy CO commissioners given ongoing reliability issues at Comanche, with the plant remaining out of service. We maintain our Buy rating on XEL as a premium defensive utility name given positive implied total return.

CMS: Electric rate case filed in MI

Consumers Electric filed its latest Michigan rate case with an initial request for a revenue increase of $225m, representing a 6.5% increase vs. the last approved rates. The requested ROE is 10.25%, with inflation factors of 3.7% in '22 and 2.3% in '23, consistent with projections from IHS Markit. The ROE ask is slightly below the 10.5% requested in the 2021 rate case, which ultimately resulted in a status quo 9.9% approved return, albeit with a modest $27m rate increase. We expect some pushback from consumer advocates on the above-inflation rate increase request, though the recent settlement in the electric resource plan should give the company support. Maintain Neutral on CMS given our view that risk/reward is balanced at present levels.

FERC: Comments filed on FERC GHG policy

Parties including the Environmental Protection Agency (EPA), the Edison Electric Institute, Duke Energy (DUK), Kinder Morgan (KMI), Cheniere Energy (LNG), Tellurian (TELL), the Sierra Club, and a myriad of others filed comments in the Federal Energy Regulatory Commission's (FERC) docket to re-evaluate the process for analyzing greenhouse gas (GHG) emissions in its permitting process for new interstate natural gas facilities. On March 24, FERC converted changes made in two policy statements to draft statements to allow for more public comments. In general, and to little surprise, proponents of including a more stringent GHG analysis for new projects certificate included many environmental advocates. In contrast, many corporate entities stated that the certificate policy is overly burdensome and questioned the underlying cost/benefit of the process. Companies also stated the need for natural gas to facilitate the retirement of coal facilities and transition to renewables, and the policy would jeopardize natural gas infrastructure and result in higher costs – the mitigation measures called for in the draft statements are unclear to the companies, and many companies believe that FERC should not consider upstream and downstream emissions as it could be duplicative.

Docket PL21-3. *It is supportive that companies were allowed to voice their opinions on the issues, and there has been political pressure on the Commission to speed up the permitting process as natural gas prices have spiked and infrastructure is in part to blame for higher prices in some regions. Two opposing sides to a difficult problem – decarbonization, slowing the impact of climate change vs energy security and lower prices.*

Crypto Mining: NY Set to Vote on Permitting Moratorium

The New York State Assembly advanced Assembly Bill A7389C related to a two-year moratorium on new/renewed environmental permits for proof of work cryptocurrency mining. The proposed legislation would also require a comprehensive generic environmental impact study (GEIS) in accordance with the New York Climate Leadership and Community Protection Act of 2019 (CLCPA). The bill swiftly passed the Assembly on April 26th after the Ways and Means Committee on April 25th and was delivered to the state Senate. Earlier versions of the legislation (SB6486) were introduced in May 2021 and had favorable June Senate Rules Committee votes (14-1, 6 ayes with reservations) and Floor votes (36-27) before the bills "died" in the prior legislative session. There are currently 47 co-sponsors in the Assembly out of 150 seats, 105 of which are Democratic.

New York is a key state for many crypto miners including Greenidge (GREE), Riot Blockchain (RIOT), TeraWulf (WULF) and many others. Based upon the volume of co-sponsors and previous successful votes, we believe it is increasingly probable that the legislation will have a successful vote. It remains to be seen whether this legislation will be enacted, but the probability appears to have increased, with nearly 1/3rd of the Assembly co-sponsoring and having previously passed the Senate. Based upon our experience with New York legislation & regulation we expect a challenging path for any generation source that is emitting. As evidence, in October 2021 NRG Energy's (NRG) Astoria repowering failed to secure the necessary New York Department of Environmental Conservation permits despite a commitment to the latest technology including hydrogen and battery storage support for the GE 7HA.03 turbines.

NI and OCC request extension for rate case testimony

NiSource's Columbia Gas of Ohio and the Ohio Consumers' Counsel (OCC) jointly filed a motion for an extension of the filing date for both intervenors' direct testimony and Columbia's supplemental testimony to May 13 (from May 6) citing the current press of regulatory activity as a cause for extending the deadline. Columbia and the OCC requested that the remainder of the procedural schedule remain unchanged and also asked for expedited treatment for the motion.

Heads up on timing. As a reminder, the Public Utility Commission of Ohio (PUCO) Staff filed their recommendation in the rate case recommending a disappointing revenue requirement range of $35M-$57M adjustment vs $221M ask (16%-26% of request). The ROE was fair, in our view, a baseline cost of common equity recommendation of 9.04% to 10.05% vs NI's ambitious ask of 10.95%. Staff's capital structure recommendation of a 50.60% equity layer was directly in line with NI's ask. This case has drawn out longer than we had expected as it was filed at the end of June 2021; however, it is not surprising given the protracted nature of regulatory proceedings for peers. We maintain our Buy on NI as we see upside potential stemming from the strategic review that could show a pathway for cutting costs and maintaining elevated growth over a longer period. We continue to watch the impact on the solar supply chain for NI's projects expected to be online in 2022-2023. Also watch for settlement discussions in this case in the coming month.

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US Electric Utilities & IPPs: 1Q22 'Premium' Preview: Priced to Own with a Penchant for Stability	Julien Dumoulin-Smith	19 April 2022
US Electric Utilities & IPPs: 1Q22 SMID-Cap Preview: More cautious on the margin...but who stands out	Julien Dumoulin-Smith	18 April 2022
Gas Utilities: LDC Preview: Where do we stand on the shrinking universe? Pos. but still selective	Julien Dumoulin-Smith	20 April 2022
US Alt Energy: 1Q22 YieldCo Preview: Yes, Higher Rates – But a Defensive Alternative to Cleantech	Julien Dumoulin-Smith	19 April 2022
US Electric Utilities & IPPs: Utility-scale solar: who is at risk from latest US investigation?	Julien Dumoulin-Smith	14 April 2022
AES: 1Q22 Preview: Core execution ever more critical as Fluence challenges persist	Julien Dumoulin-Smith	20 April 2022
NextEra Energy: 1Q22 Preview: Looking through short-term solar supply issues, outlook is bright	Julien Dumoulin-Smith	07 April 2022
Constellation Energy: How much (natural) gas is left in the tank? Still room to run, even ex-BBB	Paul Zimbardo	19 April 2022
Enphase Energy: 1Q22 Preview: Quarter looks clean but priced in. Mgmt. thoughts on 2022?	Julien Dumoulin-Smith	19 April 2022
Midstream/MLP Energy: 1Q22 preview: Focus turns from no growth to measured growth	Chase Mulvehill	19 April 2022

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

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AGR	AGR US	Avangrid	US$ 46.42	A-3-7
CMS	CMS US	CMS Energy	US$ 70.38	A-2-7
ETR	ETR US	Entergy Corp.	US$ 120.66	B-1-7
NI	NI US	NiSource Inc	US$ 30.20	A-1-7
XEL	XEL US	Xcel Energy	US$ 73.38	A-1-7

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Price objective basis & risk

Avangrid (AGR)
Our $45 PO is based on an 2024E SOTP. The utilities are valued on by applying discounts to the base sector P/E of 18.4x/17.6x for electric/gas due to below average growth and regulatory jurisdictions. Both electric and gas peer P/Es are grossed up +5% to reflect capital appreciation across the sector. The renewables are valued at approximately 11x EV/EBITDA,c consistent with peers while offshore wind is valued using discounted cash flows at a 12% discount rate. Future potential value creation from the renewable development 'DevCo' is provided as well. Lastly parent/HoldCo financing negatives are ascribed

Up/downside Risks to achievement of the PO and Rating are: 1) earned ROEs at the utilities, 2) utility capital expenditure forecasts, 3) regulatory/political/legislative outcomes, 4) equity needs, 5) offshore wind construction, 6) 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. 7) natural disasters, 8) commodity and interest rate fluctuations, and 9) management changes.

CMS Energy (CMS)
Our PO of $75 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 18.5x for the electric seg and of 17.4x 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 2022 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. We value Dearborn Industrial Generation (DIG) on a DCF basis given the plant is expected to be sold to Consumers at the end of 2025, with our valuation reflecting the remaining cash flows.

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.

Entergy (ETR)
Our $133 Price Objective (PO) is based on a sum-of-the-parts analysis. The 2024E electric utilities average P/E of 18.6x is grossed-up +5% to reflect capital appreciation across the sector. We apply in-line P/E multiples to the subsidiaries except for +2x Texas to reflect the constructive regulation environment and -1x New Orleans based upon historical contentious proceedings. We net out 50% of the parent HoldCo long-term debt and apply a P/E multiple to 50% of the interest expense.

Risks to achievement of the rating or PO are 1) changing rate-making mechanisms or unexpected regulatory outcomes, 2) earned return on equities by jurisdiction, 3) hurricanes and other weather events, 4) nuclear accidents, safety events, or other incidents, 5) interest rates fluctuations, 6) equity issuances relative to management's forecast and access to capital markets, 7) ability to deploy regulated capital expenditures, and 8) costs related to the exit from the competitive business.

NiSource Inc (NI)

Our $36 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 17.5x for gas and 18.4x for electric with a 2.0x premium for both the electric & gas utilities' strong growth rates and incremental renewable buildout, with capex potentially beginning in '24, but acknowledge industrial gen load migration 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.

Xcel Energy Inc (XEL)
Our PO is $82. 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 18.4x 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.

Analyst Certification

We, Julien Dumoulin-Smith and Paul Zimbardo, 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.

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
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE 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
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Dominion Energy	D	D US	Paul Zimbardo
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Ryan Greenwald
	Exelon	EXC	EXC US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	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
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM 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	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

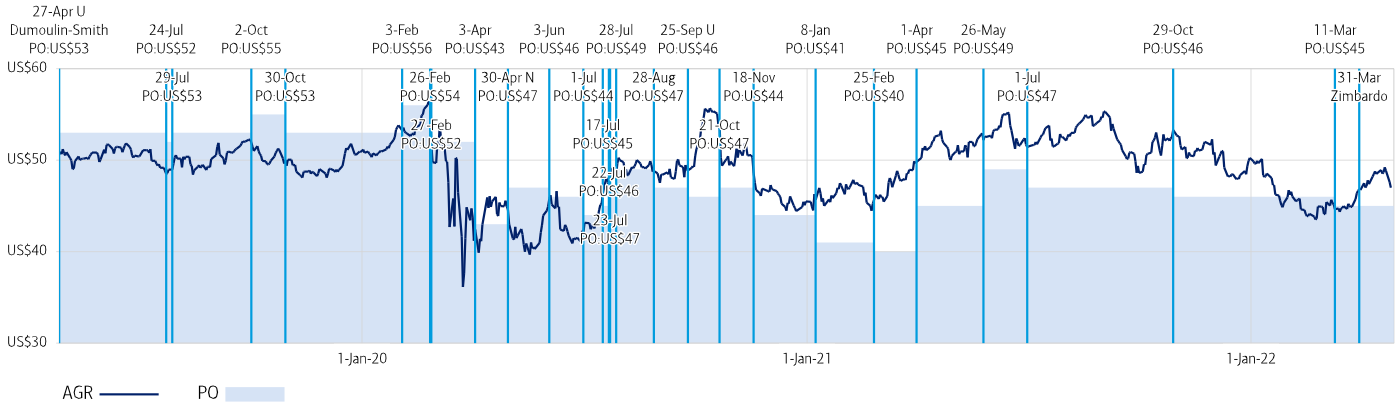
NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Ryan Greenwald
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC 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
	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
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
RSTR				
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

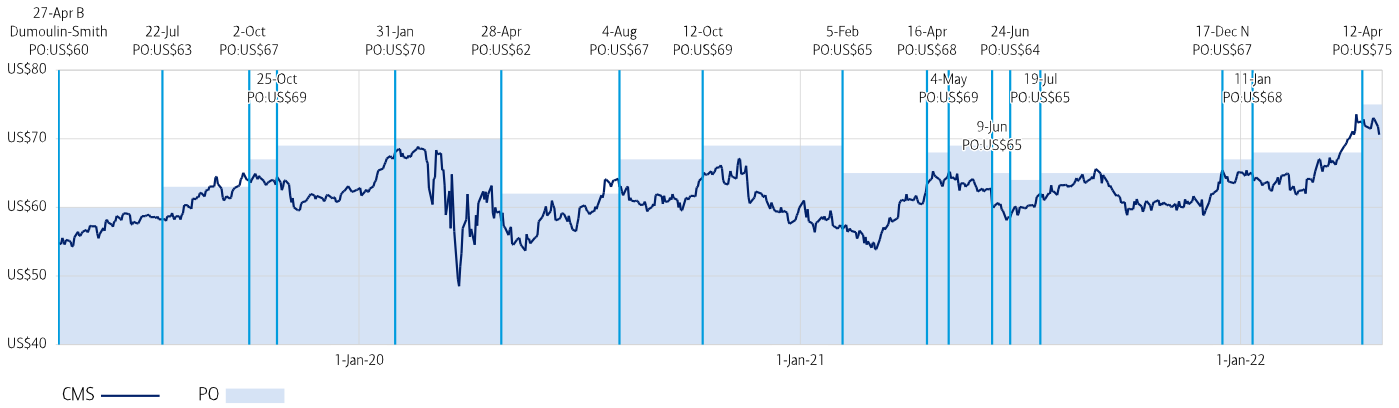
Avangrid (AGR) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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.

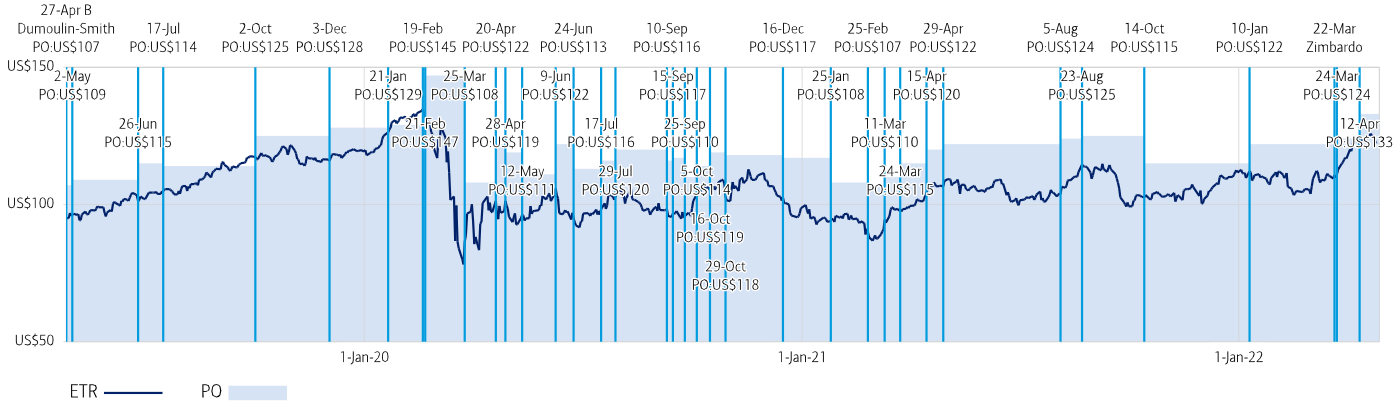
CMS Energy (CMS) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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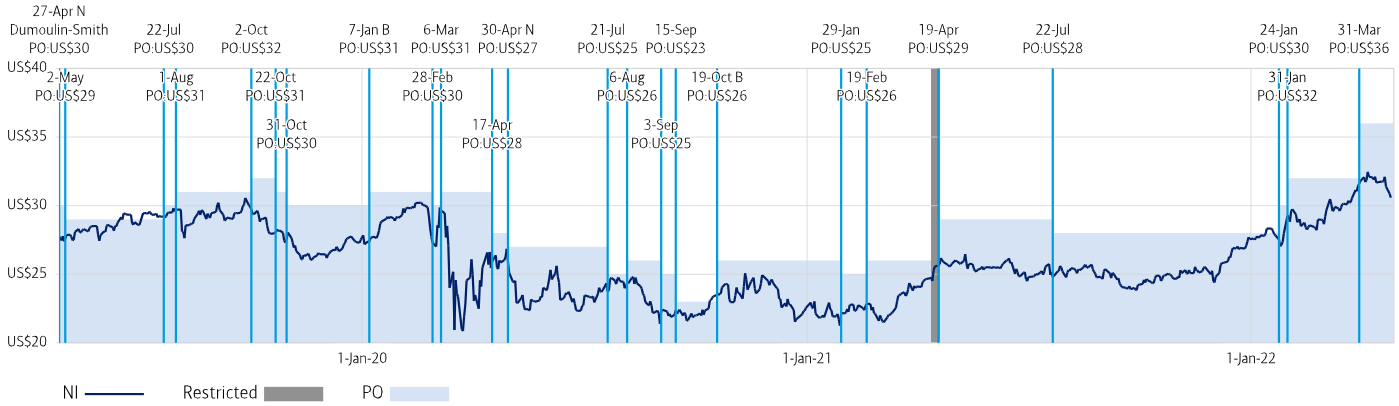
Entergy Corp. (ETR) Price Chart



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.

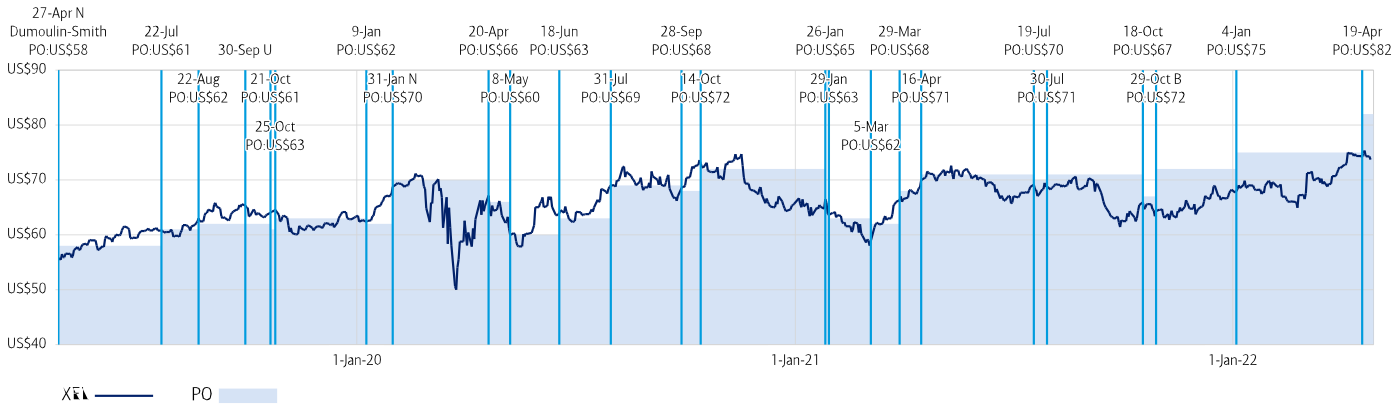
NiSource Inc (NI) Price Chart



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.

Xcel Energy (XEL) 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.

Equity Investment Rating Distribution: Energy Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	70	54.69%	Buy	56	80.00%
Hold	36	28.13%	Hold	28	77.78%
Sell	22	17.19%	Sell	11	50.00%

Equity Investment Rating Distribution: Utilities Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	76	50.00%	Buy	55	72.37%
Hold	36	23.68%	Hold	30	83.33%
Sell	40	26.32%	Sell	23	57.50%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1916	57.18%	Buy	1207	63.00%
Hold	705	21.04%	Hold	452	64.11%
Sell	730	21.78%	Sell	362	49.59%

[R1] 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.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2] 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.

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The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Avangrid, CMS Energy, Entergy, NiSource Inc, Xcel Energy Inc.
BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Avangrid, CMS Energy, Entergy, NiSource Inc, Xcel Energy Inc.
The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: Avangrid, CMS Energy, Entergy, NiSource Inc, Xcel Energy Inc.
BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: Avangrid, CMS Energy, Entergy, NiSource Inc, Xcel Energy Inc.
BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: Avangrid, CMS Energy, Entergy, NiSource Inc, Xcel Energy Inc.
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BofAS or one of its affiliates is willing to sell to, or buy from, clients the common equity of the issuer on a principal basis: Avangrid, CMS Energy, Entergy Corp., NiSource Inc, Xcel Energy.
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The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

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CEG: Call Feedback and Explaining The Weakness

13 May 2022

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Constellation Energy (CEG) declined -7% following its first earnings call, lagging the broad S&P 500 (minimally changed) and comparable independent power producer (IPP) peer Vistra -4%. We provided our initial thoughts on the earnings release (see full report) and follow-up with investor feedback. In conversations with over ten investors, the majority viewed the earnings update as neutral or constructive with the minority viewing it more cautiously, largely around hedging increasing faster than expected. There was a sense of frustration that a capital allocation update and long-term view of profitability will not be provided until late 2022/early 2023, a contrast to Vistra who recently provided a multi-year view of adjusted EBITDA. We acknowledge the investor's view in contrasting the two large power companies, particularly with Constellation having a larger percentage of visible gross margin due to state level programs. However in contrast to Vistra, CEG's open adjusted EBITDA is more volatile due to the nature of the nuclear portfolio with a largely fixed fuel and operating cost base that leads to the higher operating leverage than Vistra's predominately natural gas fired portfolio. Another common area of feedback was that investors strongly prefer share repurchases over one-time special dividends. *Overall while the CEG was more mixed than we had hoped coming into the event, we attribute the relative weakness to broader market factors rather than a failure by management to execute.*

We attribute the continued weakness primarily in VST and secondarily in CEG related to positioning around earnings. Based on our conversations into earnings both Vistra and Constellation were consensus long positions whereas NRG Energy (NRG) was viewed less favorably by investors, seemingly a source of funds. Despite Vistra delivering a better than expected update with stronger prospective adjusted EBITDA guidance than we anticipated management disclosing, Vistra underperformed NRG. *Since the end of April Vistra has now underperformed NRG by approximately 20%, reversing nearly all of the relative strength in the 2022 trade.* ***See Chart on Page 2.*** *This is despite significant increases in Vistra's underlying commodity mark-to-market profitability while NRG has a more muted outlook and structural need to net buy market power and gas in the long-term.*

We maintain Buy on both CEG and VST which we think each offer attractive risk-adjusted free cash flow (FCF) yields with upside to Consensus adjusted EBITDA estimates. We maintain Neutral on NRG which does not have the same level of upside as the company has diversified into retail businesses and we view shares as trading approximately at fair value.

See full note for more on Power, EIX Fire, AQN earnings and dividend, PNW management changes, New York rates (ED), and PA updates (WTRG & NI).

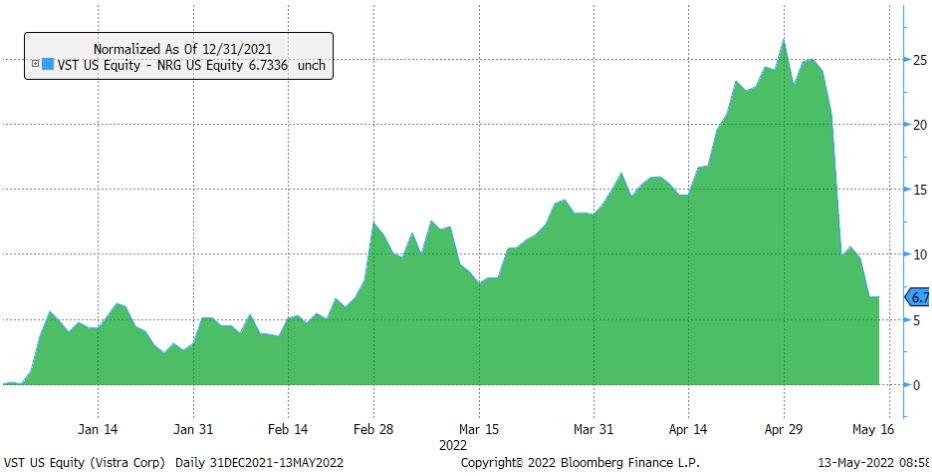
FCF: Free Cash Flow
SCE: Southern California Edison
APS: Arizona Public Service

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Power Outage: VST lags NRG around earnings

As depicted in Exhibit 1, Vistra has meaningfully underperformed NRG in May.

Exhibit 1: Vistra versus NRG Energy Relative Performance
Vistra is still outperforming NRG YTD but by a far lesser degree



Source: Bloomberg

BofA GLOBAL RESEARCH

EIX: Filed Incident Report for Coastal Fire

On May 11th Southern California Edison (SCE - Edison International [EIX] principal subsidiary) filed an electric safety incident report regarding the Coastal Fire (Incident 220511-15162). SCE indicated that it is investing the brush fire with the statement "Our information reflects circuit activity occurring close in time to the reported time of the fire" Per SCE as of the evening on May 11th multiple residential structures were destroyed. SCE has not provided a subsequent update but as of the evening on May 12th the Coastal Fire was 200 acres and 15% contained per CalFire with local media reports indicated that at least 24 homes were destroyed as well as ~900 under evacuation orders.

EIX was the worst performing utility on May 12th -5% versus the broad utilities group -1% and while this is a small fire at this point in time, investor unease is growing as we approach the heart of California wildfire season. We maintain Neutral on shares of EIX which is trading approximately at fair value

AQN: Dividend Growth Cut to 6% from 10%

Algonquin Power & Utilities (AQN) reported adjusted 1Q EPS of 21c, in line with Consensus and 5% above our estimate of 20c. Prepared filings had no mention of affirmation around full year EPS guidance of 72c-77c, but noted that management remains committed to delivering on the company's $12.4Bn capital plan from 2022 through 2026 to drive earnings and cash flows which they expect to support "compelling returns for shareholders." The company raised their dividend to $0.1808/quarter from $0.1706/quarter previously - cutting the growth rate to 6% from 10% the last several years.

On the 4Q21 call management emphasized that it is focused on a sustainable dividend and that "our stance really hasn't changed what we communicated previously" regarding dividend growth. The company targets a long 80-90% payout ratio. This follows the signaling from the new CEO in December 2021 at the Investor Day that growth would moderate based upon the discussion of sustainability.

The latest adjusted quarterly results continue to include lower quality adjustments with disclosures noting a $1.2Mn gain relating to the contingent consideration for Columbian solar assets sold to Atlantica in 2021. We perceive the widely anticipated dividend growth cut to 6% (from 10% previously) was about in line with expectations, albeit with the implied payout ratio relative to guidance still suggesting ~95% vs. a target of 80-90% longer term as discussed above. While the company has navigated regulatory items without particular contention of late, we remain more skeptical around core execution given track record. We reiterate our Underperform rating, with concerns around earnings quality and history of long term earnings expectation resets.

PNW: Mgmt. shuffle, CFO moves to APS president

Pinnacle West Capital (PNW) announced that current CFO Ted Geisler has been promoted to the position of President of its main utility subsidiary, Arizona Public Service (APS). Current PNW CEO Jeff Guldner will remain in the roles of chairman and CEO of APS. Replacing Geisler as CFO of PNW will be Andrew Cooper, who has served as treasurer since 2020, having previously held finance roles at Con Ed (ED) and working in the investment banking division at Barclays. We expect the separation of president and CEO roles at APS will be viewed relatively constructively from a governance standpoint while preserving continuity with the promotion of an APS/PNW veteran in Geisler.

On balance we view the move as an incremental positive for the company ahead of what is expected to be another challenging rate case process. Despite the small positive, this does not change our view of the fundamentals and we maintain Underperform on shares of PNW with a risk/reward skewed to the downside at current levels.

NY Utilities: Commission warns of "higher than normal" prices

The New York Public Service Commission (PSC) issued a statement warning ratepayers that the average Summer residential full service commodity rate is forecast to be +12% higher than the year-ago level. Drivers include the demand forecast driven by an economy that is recovering from Covid and by continued elevated natural gas prices. The PSC expects average supply prices to be at nearly decade highs, on par with levels last seen in 2014, reversing a favorable trend observed in recent years as commodities were broadly declining. The Commission also forecast a peak load across the state of 31,765 MW, compared with installed generating capacity of 37,537 MW, a comfortable ~18% reserve margin.

We view the proactive notification by the PSC as the latest cautious data point for New York utilities, particularly Consolidated Edison (ED) which filed a rate case for its NY City subsidiary earlier in the 2022. The PSC Staff testimony is expected on May 20 where we and most investors we have spoken with testimony expected to emphasize ways to control customer rate impacts as New York City's economy has not yet recovered to pre-covid levels. Higher energy supply costs could well prove a sustained headwind to the significant rate increase requested by ED, exasperated by the high level of bill arrears that still have yet to be recovered. Maintain Underperform on ED as the latest PSC notification suggests sustained focus on ratepayer bill impacts.

WTRG: PA approves 10% ROE for Aqua

Following the particularly cautious administrative law judge (ALJ) recommendation suggesting an 8.9% ROE as the "most reasonable," the Pennsylvania Public Utility Commission (PUC) issued an order on Thursday at their open meeting in which they approved an authorized ROE for WTRG's Aqua PA segment of **10% inclusive of a +25bp management incentive.**

The final decision from the Commission was much more constructive than feared, paving the way for a potential rerating in shares following the close to 20% selloff YTD (just slightly below peer AWK despite 70-30% water-gas business mix and the broader gas rerating). We ultimately expect management to reiterate their 5-7% long term EPS trajectory at upcoming AGA meetings following the positive regulatory outcome. Reiterate Buy given deep discount relative to water peers and upside catalysts from core execution and more water acquisitions after successful regulatory resolution in a critical state should remove the lingering overhang. See our latest here: Essential Utilities: Core quarterly execution ahead of critical rate case resolution later this week 10 May 2022

NI: PA PUC denies over-pressurization settlement

The Pennsylvania Public Utility Commission voted 3-0 to deny the settlement agreement on Columbia Gas of PA's (a NiSource [NI] subsidiary) 2018 over-pressurization event. The PUC directed the case back to the PUC's independent Bureau of Investigation and Enforcement (I&E) for further examination. The settlement would have required NI to pay a $535k civil penalty and make procedural and training improvements.

Head up. The originally proposed civil penalty of $535k is immaterial, but the increased focus on NI during a rate case could add noise to the process. NI has increased focused on safety since the 2019 Merrimack incident and has made a number of organizational and process changes. Despite a minor cautious data point, we maintain Buy given attractive valuation paired with upside from potential further efficiency measures as well as capex upside and an extension of the longer-term growth rate driven by generation spending.

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Title: Subtitle	Primary Author	Date Published
WEC Energy Group Inc: Peer-Best Execution at Modest Valuation: Upgrade to Buy	Julien Dumoulin-Smith	13 May 2022
Hawaiian Electric Industries: New York Luau: Takeaways from latest management meetings	Julien Dumoulin-Smith	13 May 2022
Southwest Gas Holdings: Framing the Upside/Downside Risk and Robust Strategic Review is Supportive; Buy	Julien Dumoulin-Smith	12 May 2022
US Electric Utilities & IPPs: PowerPoints: FLNC First Takes, D OSW Settlement, DUK OSW Lease Win, PEG	Julien Dumoulin-Smith	12 May 2022
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Constellation Energy Corp: Big 1Q Beat. 2022 'Only' Intact but Future Profitability Still Bright as Printing Green	Paul Zimbardo	12 May 2022
US Electric Utilities & IPPs: PowerPoints: Inflation, EVGO Miss, CEG, NWE, DUK/AGR Offshore, FTS, NRG, FTCI	Julien Dumoulin-Smith	11 May 2022
Public Service Enterprise Group: Raising ests further on Power, although volatility & ZECs create uncertainty	Julien Dumoulin-Smith	11 May 2022

Exhibit 2: Primary stocks mentioned in this report
Prices and ratings for primary stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
CEG	CEG US	Constellation Energy	US$ 53.47	C-1-7
VST	VST US	Vistra Energy	US$ 23.41	B-1-7
NRG	NRG US	NRG Energy	US$ 41.39	B-2-7
EIX	EIX US	Edison Intl	US$ 64.86	B-2-7
AQN	AQN US	Algonquin Power	US$ 13.4	B-3-8
YAQN	AQN CN	Algonquin Power	C$ 17.47	A-3-8
PNW	PNW US	Pinnacle West Capit	US$ 73.38	B-3-7
ED	ED US	Consolidated Edison	US$ 94.35	A-3-7
WTRG	WTRG US	Essential Utilities	US$ 43.74	B-1-7
NI	NI US	NiSource Inc	US$ 29.61	A-1-7

Source: BofA Global Research

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Price objective basis & risk

Algonquin Power & Utilities Corp (AQN / YAQN)

Our SOTP PO is $15.50 (C$19.53). We assign P/E multiples on 2024E (18.6x for electric, 17.7x for gas, and 26.1x for water, respectively) earnings of its regulated seg based on expected 2025 breakdown. 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 2x 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 converts in 2024.

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.

Consolidated Edison (ED)

Our $86 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group multiples 18.4x/17.5x for electric/gas respectively with a -2.0x 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.

Upside/Downside risks to achievement of the Price Objective and Rating are: 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, 8) ability to complete the Mountain Valley Pipeline, and 9) raw materials costs & supply chain delivery timelines.

Constellation Energy Corp (CEG)
Our $82 Price Objective is based on an 12.5% 2024E equity Free Cash Flow yield (FCF yield) on an unhedged/'open' basis. This aligns with approximately 9x EV/EBITDA legacy sum-of-the-parts approach, representing a favorable premium to fossil-heavy peers and supported by a detailed sum-of-the-parts companion analysis.

Risks to achievement of the Price Objective are: 1) changes in energy & capacity prices, 2) retail margins & market share, 3) operation and capital costs, 4) capital allocation decisions, 5) nuclear incidents or accidents, 6) legislative and regulatory changes, and 7) change environmental standards for nuclear assets.

Edison International (EIX)
Our $66 PO is based on sum of the parts analysis with a peer 17.5x (previously 17.0x) 2024 P/E grossed-up 5% for group growth. A -2x P/E discount is applied to the CPUC, as well as the Parent/Other segment, and -1x P/E discount to FERC jurisdictional utilities. The discount reflects below-average growth and regulatory considerations, albeit FERC risk profile is less challenging than the CPUC. 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

Essential Utilities (WTRG)
Our price objective is $50 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 23.6x and 17.2x. We apply a 1.0x premium to Peoples Gas given the organic growth opportunities, while applying a variety of premiums to its water subsidiaries: +2x to PA, +2x to IL, +2x to OH, +2x for TX, +2x for OH, and no premium for balance of biz. We net out parent drag with a blended multiple.

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

NiSource Inc (NI)
Our $35 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 16.9x for gas and 17.6x for electric with a 2.0x premium for both the electric & gas utilities' strong growth rates and incremental renewable buildout, with capex potentially beginning in '24-'26, but acknowledge industrial gen load migration risk. While there are near-term headwinds for solar, we are confident in mgmt. ability to manage and mitigate the impacts.

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.

NRG Energy (NRG)

Our $43 PO is based on a discounted 2023E sum-of-the-parts analysis. We apply a premium/discount to our 7.0x base EV/FCF multiple (based on long-term historical industry trends) to each segment based on our views of the specific asset type and region. We discount the Generation segment to 4.4x EV/EBITDA given ongoing power market pressures for merchant fossil assets. Within Generation, we apply a 7x disc to ERCOT coal given supply chain challenges. We apply a 6.6x multiple to Retail, at a premium to the base IPP multiple, given expectations for steady margin improvement with growth driven by cross-selling and product/service expansion efforts. We include $400mn securitization proceeds, reflected in YE-23 cash balance. We assume $2.1bn share repurchases by YE-23.

Upside risks to our PO: 1) increase in power market fundamentals that drives FCF higher, 2) outperformance on targeted synergies, and 3) expansion of retail margins and customer growth.

Downside risks to our PO: 1) deterioration in power market fundamentals that drives FCF lower, 2) underperformance on targeted synergies, and 3) contraction of retail margins and customer count declines.

Pinnacle West (PNW)
Our price objective of $69 is based on a peer utility P/E multiple of 18.2x on our 2024E EPS of $4.44 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.

Vistra Energy (VST)
Our $29 price objective is based on a 2023E SOTP valuation. We assign a discount/premium to the peer group EV/FCF multiple of 7.0x for each fuel within each geography, depending on our specific views for the asset type and market: We include the full $275mn of margin-enhancing initiatives as well as $200mn optimization benefits and the $275mn of synergies related to the DYN acquisition. We further capitalize our estimated income tax for the combined entity to reflect the higher tax burden than peers, and we include a $50mn NPV of TRA payments. We reflect Vistra Zero accretion at 12x EV/EBITDA, with '26 FCF discounted at 12% back to '23. We also reflect $500mn of ERCOT securitization proceeds (implied in net debt balance). Our average implied EV/FCF multiple for the overall business is 5.5x. We include impact from future bill credits from Uri storm & NPV of ERCOT uplifts, exclude Koch litigation.

Downside risks: 1) declining wholesale power & capacity prices, 2) competitive & regulatory change to retail businesses, principally in Texas, 3) operational issues pertaining to running power assets including Nuclear asset in Texas.

Upside risks: 1) VST may improve its retail margins and retain customers, 2) VST may beat its margin enhancements initiatives, 3) VST may see a decrease in the price of key

inputs such as natural gas and coal, and 4) VST may see an increase in wholesale power prices.

Analyst Certification

We, Julien Dumoulin-Smith, Paul Zimbardo and Ryan Greenwald, 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.

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
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE 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
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Dominion Energy	D	D US	Paul Zimbardo
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Ryan Greenwald
	Exelon	EXC	EXC US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	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
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM 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	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith

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

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Unitil Corporation	UTL	UTL 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
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Ryan Greenwald
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC 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
	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
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
RSTR				
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Energy Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	70	54.69%	Buy	56	80.00%
Hold	36	28.13%	Hold	28	77.78%
Sell	22	17.19%	Sell	11	50.00%

Equity Investment Rating Distribution: Utilities Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	76	50.00%	Buy	55	72.37%
Hold	36	23.68%	Hold	30	83.33%
Sell	40	26.32%	Sell	23	57.50%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1916	57.18%	Buy	1207	63.00%
Hold	705	21.04%	Hold	452	64.11%
Sell	730	21.78%	Sell	362	49.59%

[R1] 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.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2]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.

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US Utilities: NI Results & Thoughts from the buckeye state (AEP/FE) - NI guide reaffirm positive; Feedback on FE post the launch; AEP KY De-risking

MAY 4, 2022
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Document Link

- We provide quick updates on this mornings data points and discussions with investors regarding AEP and FE.

- **NI 1Q EPS:** Mgmt reaffirmed FY22 EPS and NI's LT EPS guidance of 7-9% through 2024E, despite warning of ~$2Bn of renewable related capital shifts for rate base eligible solar projects. Mgmt concisely laid out a plan for offsets including pulling forward additional tracked capex ($0.04-0.05), O&M cuts ($0.03-0.04) and financing cost benefits ($0.01-0.02). Renewable project capital in total is worth $0.20/sh (CSe), but NI is showing $0.09-0.10/sh of timing risk which assumes $1Bn of capital is still in service by 2023. We are looking for greater clarity on the call in regards

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to the timing of specific projects with slides noting 6-18 months of timing delays (admittedly quite wide). Messaging and confidence regarding execution on the first $1Bn of solar capex is what we'll be watching. Schaeffer unit retirements are delayed until the end of 2025 to ensure customer reliability; this is smart in wake of higher MISO supply costs. Financing slides are unchanged though we look for commentary on strategic initiatives on the call given management floating both buying and selling assets as part of the strategic review on the 4Q call. AD formally planned for this Fall.

- **AEP: Mitchell Operating Agreement approved in KY: Positive Step Forward:** Yesterday (May 3rd) the Kentucky PSC approved the Mitchell operating agreement. The commission also ruled that Mitchell plant won't be running past 2028 and its disposal price will be determined in a later date prior to 2028. Investors should expect sales transfer to be approved statutorily by Kentucky PSC today, if the commission doesn't rule. With KY state level approval behind us, we remain confident and continue to monitor milestones left to be cleared: filing for FERC approval regarding Mitchel Operating agreement right away; WVPSC approval; FERC 203 application order expected by June).

- **FE: Investors remain concerned on pension; limited visibility until YE:** We have been sourcing inbounds on FE post 1Q results where management attempted to be forthcoming with the street on potential headwinds to the current 6-8% EPS CAGR, flagging pension (10c) and RTO adder (5c) risk. FE has underperformed the UTY ~400bps since the 1Q print (10% on absolute basis) on this issue which we think is now overdone given limited visibility for investors to actually realize a lower EPS outlook. Pension impacts are as of 3/31/2022 (SPX -4.95%), though the bear case is that the impact has widened with the SPX now down -12.6% YTD, implying a ~20c impact on pension MtM simplistically assuming FE's pension is linearly correlated to the SPX. Our 2023E EPS is $3.58 vs. Street $3.57 and our estimates contemplate the removal of the RTO adder. Recall management has also reaffirmed it's 6-8% EPS CAGR and FY22 EPS guidance as of the

1Q call. In the meantime, management remains focused in working to identify offsets - we principally look towards cost cuts - and we stress this is more a 2023 guidance issue, which we don't see being communicated until 3Q/EEI the earliest. We have also been receiving inbounds related to the management review which is a requirement per the recent shareholder litigation settlement. We find the review to be fairly perfunctory and the settlement driven board changes are also positive for FE from a governance perspective. We maintain our Outperform rating on shares.

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May 15, 2022

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Solar Top of Mind - Q1 Earnings Scorecard

Utilities outperformed this past week. Regulated utilities were relatively flat, down -0.2%, while the S&P500 was -2.4% lower, down for the sixth straight week, which has not happened since 2011. Bearish themes have been fairly straightforward, particularly when it comes to the Fed-led global monetary policy shift. China Covid lockdowns are another meaningful macro overhang. Diversifieds and IPPs were the worst performing groups in our coverage, both down -2.8%. In terms of specific stocks, NI was the best performer, up 2.8%, while EIX was the worst, down -6.9%. The group, while trading close to 12-month pre-COVID recession levels, is now 11% below the valuation peak (pg.13). Comparing pre-recession peaks in our historical bond regression model analysis suggests modest (~3%) multiple expansion assuming yields stay flat (pg.15). Recession and geopolitical risks have increased the appeal for defensive characteristics of the group vs the market as evidenced by material outperformance YTD (pg. 2). As we stated in our **Recession read through for Utilities deep dive note** published in late march here, we continue to expect the group to outperform relatively in the near term, as the NTM P/E relative to S&P 500 is still ~8% (vs 11% last week) below prior pre-recession peak (pg.14).

Stock selection. We prefer value over quality: AEP (top pick), D, ETR, FE, EXC, NI, and SRE are Outperform-rated names within the regulated value bucket. Within diversified names, we view AES (top pick) as best risk/reward and are Outperform-rated on PEG. We are also Outperform-rated on AEE, CNP, DTE and XEL within the quality bucket.

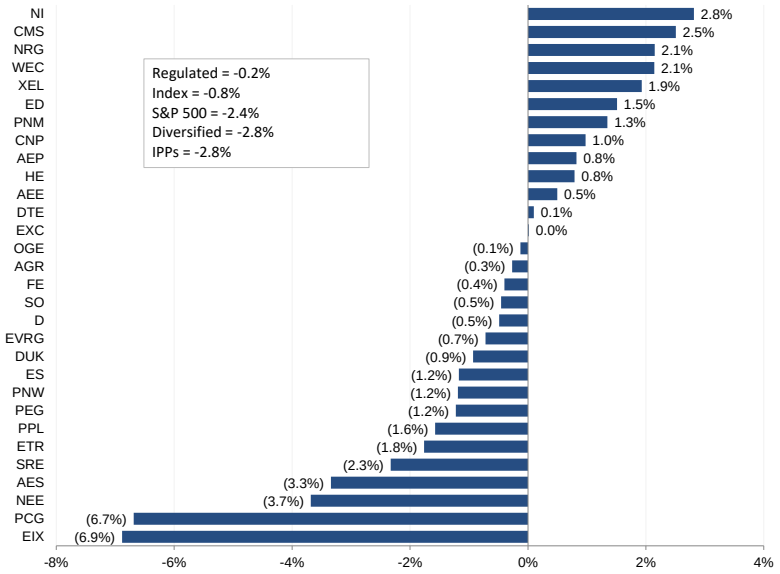
Our Evercore ISI economist Ed Hyman published a note last week highlighting that inflation is peaking but is still elevated. Ed stated that the +18.6% m/m surge in the CPI for airfares in April is a reminder that the transitory story still has problems. Nevertheless, the inflation peaking story is still intact. Ed says the global slowdown and dollar rally are drags on commodity prices, with the war probably steering Europe into recession and lockdowns in China driving car sales down -37%; at the same time, the dollar has rallied +15%. Ed says rents will continue to be a problem for inflation, with the CPI for rents increasing at a +5.9% m/m annual rate in April. He states that it is now clear that a vigorous discussion is developing about whether or not it is a good idea for +2% to be the Fed's target for inflation. Over the past four weeks, layoffs have been starting, with initial unemployment claims four-week average increasing a notable +17k to 188k. The economy is slowing but Ed does not expect a recession; however judging history, if a recession hits, unemployment will surge to 270k.

Weekly feature (Q1 Earnings Scorecard): With Q1 results ~75% (vs 85% in Q4 2021) of the utilities met or exceeded Q1 EPS expectations: 19 (or ~65%) companies beat estimates, three posted in-line results, with seven missing. All companies reaffirmed expectations for 2022 with the exception of WEC, which raised guidance modestly. Finally, of those with established long-term growth rates in our coverage universe, guidance was reiterated or unchanged, see pages 3-6. Solar panel tariff investigation has been a key discussion topic with most companies demonstrating flexibility with their projects/capex plans while reaffirming LT earnings growth aspiration, we show company specific commentary related to solar plans on pages 7-8. In a positive development earlier in the week (link) U.S. Commerce Secretary Gina Raimondo said potential tariffs on solar energy imports coming from certain Southeast Asian countries would be unlikely to hit the levels feared by some domestic project installers, if the industry faces any new tariffs at all.

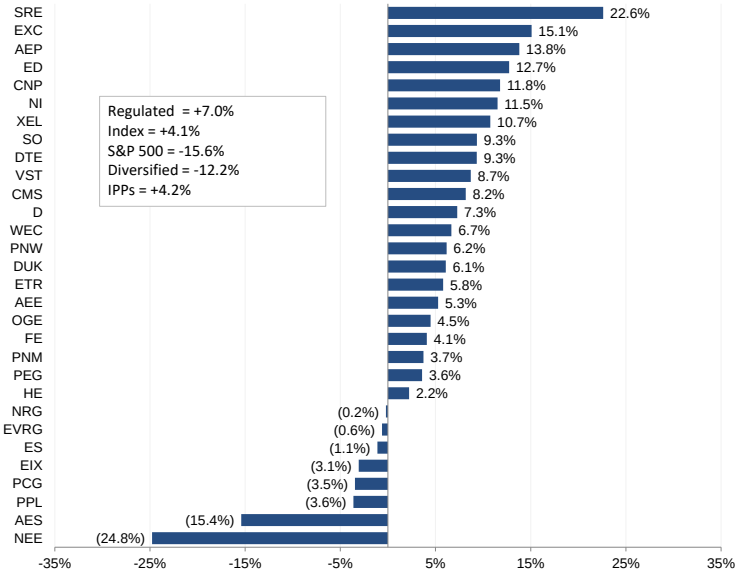
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Exhibit 1: Coverage Group Total Return Performance

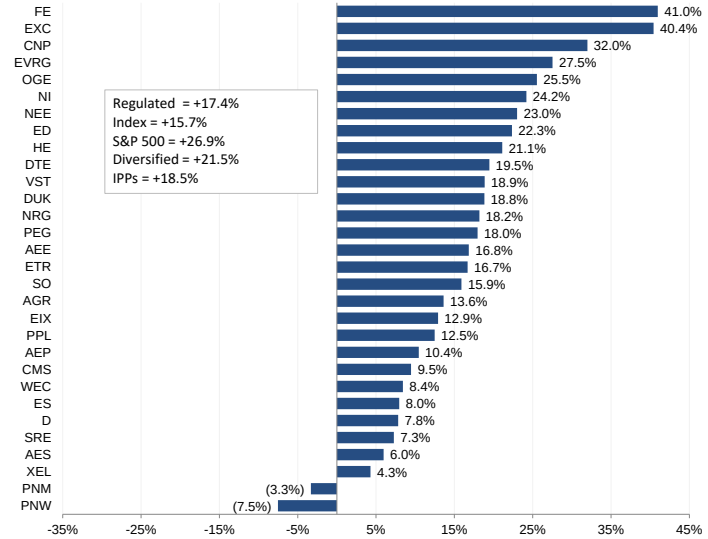
Prior Week



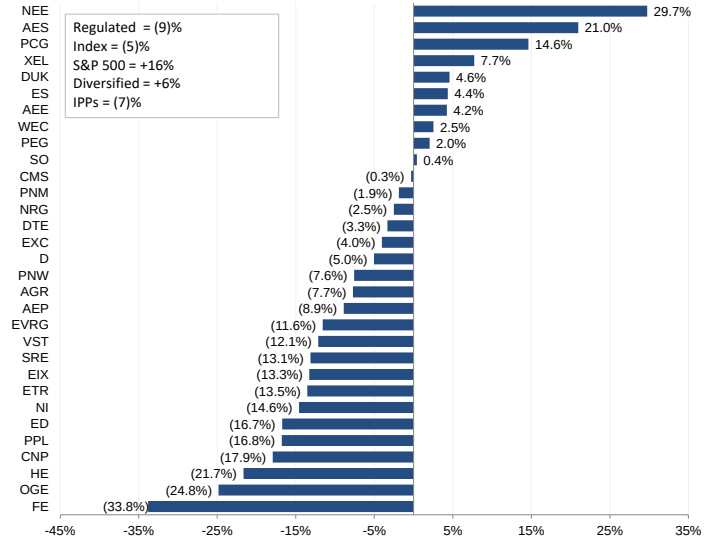
2022 YTD



2021



2020



Source: Evercore ISI, FactSet

Weekly Feature: First Quarter 2022 Earnings Highlights

- Below we rank our companies by relative stock price performance versus the UTY on each company's Q1 earnings day and list key highlights.

Ticker	Price Implication	Beat estimates	Missed estimates	In line with estimates	Raised 2022 guidance at midpoint	Reaffirmed 2022 guidance at midpoint	Reaffirmed long-term growth forecast	Other notable announcements
NRG	9.1%	✓				✓	✓	The company has previously positioned 2022 as a staging year for their targeted 15-20% growth in free cash flow per share from 2020 through 2025. They are executing on the $1B share buyback program for 2022 with $301M purchases executed to date since December 2021. management highlighted that they are almost entirely hedged in their retail business versus expected load in 2022-2023.
VST	4.1%		✓			✓	NA	Supported by robust power price outlook, Vistra is now over 50% hedged from 2023 to 2025 and expects to generate annual EBITDA in the range of $3.5bn - $3.7bn over that period.
ES	2.4%	✓				✓	✓	Initiated a strategic review of offshore wind investment portfolio with a potential sale of all or part of its 50% interest in offshore wind joint venture with Ørsted. Equity issuance of $1.2 billion under ATM Program expected to start in Q2 2022, and DRIP program continues with targeted $120 million per year. MA electric rate case filed in January 2022. Phil Lembo is retiring as CFO, and John Moreira, the company's SVP and Treasurer, has been elected as CFO, effective May 4, 2022.
AEP	1.8%	✓				✓	✓	Executed an agreement to sell a solar development site in Ohio and signed a term sheet to sell five additional wind and solar sites that are in development in the Midwest. Undisclosed proceeds. Preparing to market 1,600 MW portfolio of unregulated contracted renewables in the second half of 2022.
SO	1.7%	✓				✓	No update	1Q22 total retail load came in better-than-expected driven by residential and commercial. Vogtle unit 3 and 4 schedule and cost unchanged. Second quarter 2022 EPS guidance issued modestly below Street.
D	1.7%	✓				✓	✓	VA Clean Energy filing approved. Nuclear licenses renewal settlement reached. Final order on offshore wind from VA SCC expected in Q3 2022.
XEL	1.5%	✓				✓	✓	MN Electric and Gas rate cases ongoing with a final decision expected in Q2 2023. Colorado gas RC filed in Jan, with a decision expected in 2H 2022. The company expects to win $1-2 billion out of the $10.4 billion of projects to be awarded by MISO in the first tranche of Phase 1 spending in July 2022.
HE	1.4%	✓				✓	✓	At the bank, key items to focus on include a stronger interest rate outlook. HE continues to expect the utilities to grow EPS by 5% per year starting in 2022 through 2024, excluding any upside from PIMs. The new 2022-2024 capex program now totals $1,050-$1,300 million versus $1,020-1,330 million previously. The Company announced that CFO Greg Hazelton will be retiring, effective July 1st.
ED	0.8%			✓		✓	No update	The Company continues to pursue strategic alternatives for the CEBs that could be announced this year. The Company's updated utility "Long-Range Plan" identified $68 billion in investments over the next ten years. In light of the DOC solar investigation, Con Ed has not changed its renewable capex plan of $400MM per year (mostly solar) for 2022-2024 and said it has line of sight through 2023 and a good portion of 2024.
WEC	0.7%	✓			✓		✓	WI rate case filed on April 28, 2022 with order expected in Q4 2022. WEC initiated Q2 EPS guidance range of $0.80-$0.84.
PPL	0.7%	✓				NA	NA	Anticipate timely ruling on acquisition of Narragansett Electric from Judge Stern based on oral arguments. The company actively engaged in settlement discussions with RIAG and remain prepared to close promptly with National Grid.

Source: FactSet. Company reports, Evercore ISI

Weekly Feature: First Quarter 2022 Earnings Highlights (Contd)

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Ticker	Price Implication	Beat estimates	Missed estimates	In line with estimates	Raised 2022 guidance at midpoint	Reaffirmed 2022 guidance at midpoint	Reaffirmed long-term growth forecast	Other notable announcements
CNP	0.7%		✓			✓	✓	Capex plan raised modestly. Still no external equity in five year plan. Continues to target 14-15% (upper half) FFO to debt starting in 2022.
EIX	0.6%	✓				✓	✓	During the quarter, SCE resolved over $700MM of claims for 2017/2018 Wildfire/Mudslide Events and raised its best estimate of potential losses to $7.9B, up from $7.5B; now over 80% has been resolved or $6.6B of the estimated claims. SCE plans to make a cost recovery filing by late 2023.
PNW	0.6%	✓				✓	✓	Total O&M still projected to be flat and declining per MWh. Customer and load growth continue to be strong.
ETR	0.4%		✓			✓	✓	2022-2024 EPS outlooks maintained. 2022 EWC adjusted EBITDA guidance raised modestly.
EVRG	0.4%	✓				✓	✓	Missouri rate case next steps: intervenor testimony due June 8 & 22, rates effective December 6. IRP annual update in Missouri and Kansas both planned to be filed by July 1st. The Company continues to target at least one PPA buy-in (100-200MW) and potentially a repowering this year. In Evergy's IRP the next tranche (350 MW) of solar is not scheduled to come online until 2026, so the Company is less exposed to nearterm issues in the supply chain and DOC tariff proceeding.
DUK	0.3%		✓			✓	✓	The Company says it is well-positioned on all solar projects slated for 2022 across its regulated and commercial operations. As part of the North Carolina clean energy legislation, DUK will be filing a proposed Carbon Plan on May 16. The Company currently expects to file a DEP North Carolina rate case in 4Q22 and likely a DEC North Carolina rate case early next year. As for the Indiana IRP, a Commission Staff report is due this year and Duke will make CPCN filings by year-end 2022.
NI	0.3%		✓			✓	✓	NiSource's original plan called for $2 billion in renewable generation investments through 2023, but the Company is now targeting to complete half of the projects ($1 billion) by 2023 with the remaining $1 billion to be invested in 2024 and beyond. NI will now host its 2022 Analyst Day this fall instead of its original planned date of May 2022 to gain a clearer line of sight into the solar project timing and help it provide more details around the strategic review it is conducting.
OGE	0.2%	✓				✓	✓	OK rate case intervenors testimony was issued last week of April. The Company has said that it still plans to fully exit the majority of Energy Transfer this year.
EXC	0.1%			✓		✓	✓	Reaffirmed capex program, rate base outlook and long-term EPS growth forecast. FFO to debt targets unchanged with equity plan still no more than $1B through 2025.
DTE	-0.3%	✓				✓	✓	Electric rate case filed in January with a final decision expected in 2H 2022. Filing Updated IRP to be filed in October.
CMS	-0.8%	✓				✓	✓	IRP settlement reached on April 20 with order expected late June. Electric rate case filed on April 28 with final order in Q1 2023. Final order in gas rate case expected by October 2022.

Source: FactSet. Company reports, Evercore ISI

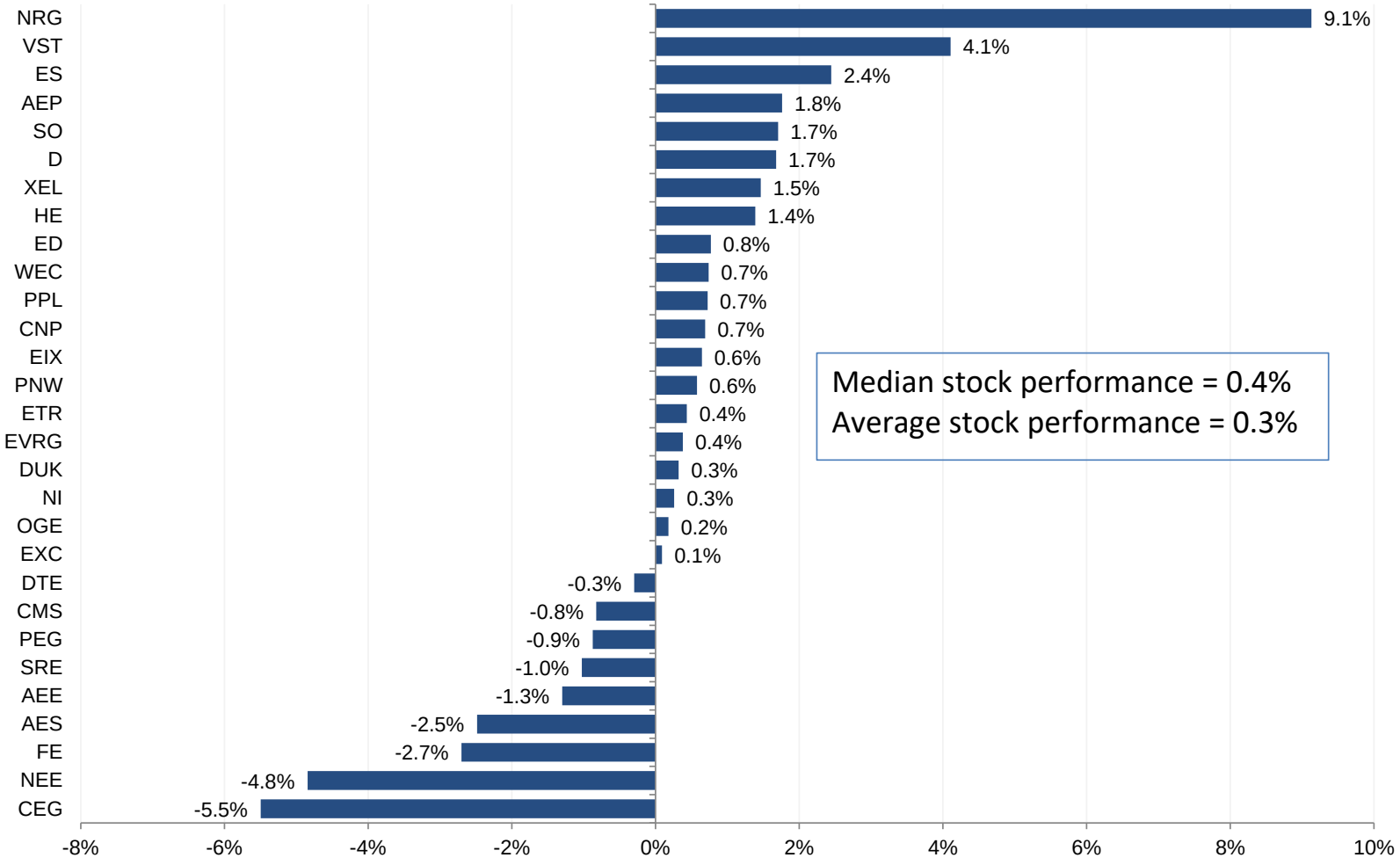
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Ticker	Price Implication	Beat estimates	Missed estimates	In line with estimates	Raised 2022 guidance at midpoint	Reaffirmed 2022 guidance at midpoint	Reaffirmed long-term growth forecast	Other notable announcements
PEG	-0.9%	✓				✓	✓	Settlement discussions currently taking place for Infrastructure Advancement Program filing ($848mm). Final decision expected in fall. Offshore wind transmission capex opportunity (>$1B over back half of the decade) – Decision expected in Q3 or Q4 this year. Ralph Izzo, chair, president and CEO, will retire from the company with his last day being December 31, 2022. The PSEG board elected Ralph LaRossa, COO, as president and CEO effective September 1, 2022.
SRE	-1.0%	✓				✓	✓	Sale of 10% stake in SIP still expected to close in 2Q22. Buybacks completed now $750mm, up from $500mm last quarter. Could do $750mm more through 2023. SDG&E + SoCalGas filed Cost of Capital applications for 2023 – 2025 in Apr-2022, CPUC decision on SDG&E's 2022 off-cycle application expected 2H-2022. Texas & CA general rate cases to be filed this month.
AEE	-1.3%			✓		✓	✓	Expect MISO approval of Tranche 1 projects ($10.4B total AEE historically has awarded ~30%) in late July 2022. Expect to file an update to the 2020 Integrated Resource Plan with MoPSC in June 2022. SB 745 passed General Assembly, will be sent to Governor for signature.
AES	-2.5%		✓			✓	✓	Moody's upgraded AES corporations credit rating to Investment Grade (Baa3 from Ba1) with a stable outlook. 1.1GW's of new PPA's signed in Q1 – they are targeting 4.5-5.5 GW's this year. Renewable energy agreements with Microsoft & Amazon was announced. In spite of supply chain issues impacting many sectors, AES says it has secured solar panels for all of its projects in the US this year and currently expect no delays in their planned commissionings.
FE	-2.7%		✓			✓	✓	Minority FET sale still on track to close in 2Q22.
NEE	-4.8%	✓				✓	✓	GAAP results much lower due to MVP charge. 1Q22 renewables origination rate faster than last quarter's (1,770 MW versus last quarter's 1,500 MW increase). An adverse outcome in the US Department of Commerce's investigation could severely impact the solar panel supply chain by causing prolonged (until 2025) tariff uncertainty for solar imports. NEE said that 2.1-2.8 GW of NextEra's solar and storage projects may get shifted from 2022 to 2023.
CEG	-5.5%	✓				✓	NA	Hedged percentages increased since Analyst Day. Gross margin guidance increased for 2022, maintained for 2023. Year-to-date, CEG accelerated repayment of nearly $2.5 billion in debt through May 12th. On February 16th, executed long-term agreements with Sheetz and Comcast supporting 350MW of renewables development through Constellation Offsite Renewables product On March 7th, announced sustainability partnership with Microsoft on the development of a 24/7/365 real-time carbon-free energy matching solution that will allow customers to fully achieve their zero emission goals
Count		19 out of 29	7 out of 29	3 out of 29	1 out of 29	27 out of 29	24 out of 29	

Source: FactSet. Company reports, Evercore ISI

Weekly Feature: Price Performance Relative to UTY on Earnings Day



Source: FactSet. Company reports, Evercore ISI

Weekly Feature: Company Remarks to Solar Investigation Issue

Regulated	Comments
AEP	The Company's plans for 1.1 GW of solar additions are targeted to be in service in 2024-2025, so it expects the supply chain constraints and the DOC investigation to be resolved such that timelines for those projects is not impacted.
CMS	Addressing solar supply chain challenges, CMS stated that they have flexibility in their plan as they plan to add 150-250 MW per year ($200-$250MM in capex or 8% of their annual capex plan) which they can backfill with other projects if faced with delays.
CNP	Company's next solar facility is not slated to come into service until 4Q23 and CNP said it is working with its developers and suppliers in light of the DOC investigation but remains committed to its long-term renewable generation transition; note the Company has only been anticipating less than $0.02 of earnings benefit in 2024 from the generation transition, and has pulled forward some other capital work into 2022 for the latter part of plan to reduce the risk.
D	Panels for 2022 are procured along with 60% of the 1.1GW solar target for 2023. Remaining 40% or $800MM solar investment in 2023 ($0.05 EPS or 1% of our 24E) could be faced with cost and supply challenges, but management reiterated confidence in managing around those challenges and hitting their target LT EPS growth rate. D stated that panels itself make up ~30% of total project cost, so even assuming a 50% tariff increase would translate into 15% higher costs, which represents $120MM higher capex for 2023 or less than 1% of their capex plan that year.
DTE	DTE stated that they have the panels in stock for their planned 500MW solar build out in 2022. ~300MW targeted for 2023 may get pushed to 2024 due to supply chain constraints and ongoing Department of Commerce investigation but management expects to mitigate earnings impact.
DUK	The Company says it is well-positioned on all solar projects slated for 2022 across its regulated and commercial operations. Looking to 2023 and beyond, the Company is monitoring the DOC investigations; on the regulated side, DUK expects no delays in 2023 and for Commercial Renewables it is targeting 800MWs of solar next year ($0.06 or 1% annual EPS contribution by our estimate) with line of sight on roughly half at this time. If delays persist, Duke said it may see a few projects shift from 2023 to 2024, resulting in the Commercial business delivering earnings more in line with 2022 (Guidance is $150MM this year). Duke said it is planning for a range of outcomes with solar and has a pipeline of capital agility levers to maintain its EPS growth target. As a reminder, its 2023 Commercial solar capex represents just ~1% of the total 5-year capex plan.
ED	In light of the DOC solar investigation, Con Ed has not changed its renewable capex plan of $400MM per year (mostly solar) for 2022-2024 and said it has line of sight through 2023 and a good portion of 2024 with most of the panels already in the US and contracts mostly in place except some PPAs not yet in place in 2024.
ETR	As it pertains to projected solar projects, roughly 280 MWs, including Walnut Blend (100MW) and West Memphis Solar (180MW), could face delays due to the DOC investigation and supply chain constraints; these solar projects combined are expected to contribute $0.07 of annual EPS or (~1.0% of our 24E), by our estimate.
EVRG	In Evergy's IRP, the next tranche (350 MW) of solar is not scheduled to come online until 2026, so the Company is less exposed to nearterm issues in the supply chain and DOC tariff proceeding.

Source: FactSet. Company reports, Evercore ISI

Weekly Feature: Company Remarks to Solar Investigation Issue (Contd)

NI	NiSource's 2022 capex plan remains unchanged at $2.4-2.7 billion as does its total 2021-2024 capex program at ~$10 billion with preliminary changes made to specific annual years due to expected solar project delays in light of the DOC investigation and a pull forward of tracked spending.
	NiSource's original plan called for $2 billion in renewable generation investments through 2023 ($0.20 or ~12% of our 24E), but the Company is now targeting to complete half of the projects ($1 billion) by 2023 with the remaining $1 billion to be invested in 2024 and beyond. To mitigate the lost earnings impact of the $1 billion in delayed investment ($0.10 EPS contribution), the Company is pulling forward $400-500 million of tracked investments into 2022-2023, which will contribute $0.05 of EPS. O&M savings and lower projected financing costs due to delayed investments will contribute another +$0.05 of EPS.
	NI will now host its 2022 Analyst Day this fall instead of its original planned date of May 2022, stating that the shift in timing will enable it to gain a clearer line of sight into the solar project timing and help it provide more details around the strategic review it is conducting, so that it can provide a definitive long-term plan beyond 2024.
OGE	The Company reiterated its five-year capex plan of $4.75 billion for 2022-2026 which is expected to drive 6.2% rate base CAGR over that time period. Note that this investment forecast does not include any upside from the IRP, so any lack of availability of solar panels in light of the DOC investigation would not impact long-term guidance.
VST	While addressing solar procurement challenges, management stated that their planned 2022 projects have already completed construction and they have procured panels for several of next in line solar projects.
WEC	WEC stated that they do not see the solar panel tariff investigation affecting their five-year capital plan and 6-7% earnings growth target in a material way. They have the ability to shift from Solar to Wind and have other investment opportunities to hit their targeted 7% asset base growth rate. The company has 1.1 GWs or $1.5B dedicated to solar + storage in their current five year plan through 2024 (We estimate $0.24 annual EPS contribution or 5% of our '24E).
XEL	Management stated that solar Capex is less than 3% of XEL's overall five-year Capex plan, and they have flexibility to delay the Sherco (480MW) and Western mustang (75MW) which are targeted to commence operation in 2024/2022 respectively and backfill the capex with other projects.
Diversified	
AES	Construction is on schedule for more than 2 GW of renewables projects expected to come online in 2022, with solar panels secured for all US projects. There may be lumpiness in the renewable additions as the DOC investigation is creating tariff uncertainty (for context AES' 1/3 of 10.3 GW backlog is US solar) near-term but long-term growth drivers remain intact.
NEE	NextEra has continued to deliver strongly in the midst of rising inflation and supply chain issues and maintained its development expectations for 2021-2024 of 22,675-30,000 MW, but noted that an adverse outcome in the US Department of Commerce's investigation could severely impact the solar panel supply chain by causing prolonged (until 2025) tariff uncertainty for solar imports from those countries. NEE said that 2.1-2.8 GW of NextEra's solar and storage projects may get shifted from 2022 to 2023.
	NEE stated that it is optimistic that the investigation will be resolved favorably and that no additional Antidumping and Countervailing Duties tariffs will be put in place. While some of NextEra's solar and storage projects may be adversely impacted by the disruption this decision is expected to cause, NEE said it will work closely with its suppliers and customers to assess the potential impacts of this investigation and remains confident in its ability to arrive at acceptable mitigation measure and to deliver on its financial objectives

Source: FactSet. Company reports, Evercore ISI

Regulated Utility Valuation Goes To ~18.4x '24 EPS

Regulated Utilities

Ticker	Company Name	5/13/22 Price	ISI Rating	Shares Out	Market Cap	2022 Div Yld	2022 Payout	ISI EPS Estimate 2022	2023	2024	P/E Multiple 2022	2023	2024	'20-'24 EPS Growth	Price to Book	Prem. to Group
CMS	CMS Energy Corp	$69.45	In Line	291	20,203	2.7%	65%	2.86	3.14	3.34	24.3x	22.1x	**20.8x**	5.7%	3.0x	13%
WEC	WEC Energy Group	$102.09	In Line	316	32,291	2.8%	66%	4.38	4.55	4.91	23.3x	22.4x	**20.8x**	6.7%	2.7x	13%
XEL	Xcel Energy Inc	$74.49	Outperform	534	39,796	2.9%	68%	3.19	3.39	3.60	23.3x	21.9x	**20.7x**	6.6%	2.4x	13%
AEE	Ameren Corp	$93.11	Outperform	266	24,784	2.5%	57%	4.05	4.35	4.65	23.0x	21.4x	**20.0x**	7.3%	2.2x	9%
DTE	DTE Energy Co	$129.81	Outperform	205	26,569	3.0%	65%	5.87	6.22	6.53	22.1x	20.9x	**19.9x**	-2.4%	2.5x	8%
CNP	CenterPoint Energy Inc	$31.03	Outperform	611	18,950	2.0%	46%	1.37	1.48	1.60	22.6x	21.0x	**19.4x**	1.8%	2.4x	6%
ES	Eversource Energy	$89.34	In Line	351	31,333	2.9%	62%	4.12	4.35	4.60	21.7x	20.5x	**19.4x**	6.0%	1.9x	6%
ED	Consolidated Edison Inc	$95.40	Underperform	363	34,629	3.3%	70%	4.50	4.75	5.00	21.2x	20.1x	**19.1x**	4.6%	1.6x	4%
EXC	Exelon Corp	$46.73	Outperform	987	46,107	3.4%	71%	2.25	2.41	2.57	20.8x	19.4x	**18.2x**	-5.5%	1.3x	-1%
OGE	OGE Energy Corp	$39.28	In Line	200	7,872	4.3%	74%	2.29	2.18	2.16	17.2x	18.0x	**18.1x**	1.0%	2.0x	-1%
HE	Hawaiian Electric Industries, Inc.	$42.07	In Line	111	4,663	3.3%	67%	2.10	2.21	2.32	20.0x	19.0x	**18.1x**	10.8%	1.8x	-1%
SO	Southern Company Inc	$73.65	In Line	1,095	80,629	3.7%	76%	3.55	3.85	4.10	20.7x	19.1x	**18.0x**	5.6%	2.2x	-2%
DUK	Duke Energy Corp	$109.30	In Line	778	85,063	3.6%	73%	5.45	5.75	6.15	20.1x	19.0x	**17.8x**	4.5%	1.7x	-3%
D	Dominion Resources Inc	$83.61	Outperform	817	68,348	3.2%	65%	4.15	4.43	4.70	20.1x	18.9x	**17.8x**	5.4%	2.3x	-3%
AEP	American Electric Power Co Inc	$99.69	Outperform	521	51,900	3.1%	61%	5.00	5.30	5.65	19.9x	18.8x	**17.6x**	6.3%	2.0x	-4%
NI	NiSource Inc	$30.32	Outperform	447	13,560	3.0%	63%	1.45	1.54	1.73	20.9x	19.7x	**17.5x**	7.0%	2.7x	-5%
EVRG	Evergy	$67.61	In Line	230	15,564	3.2%	61%	3.55	3.75	4.00	19.0x	18.0x	**16.9x**	6.6%	2.0x	-8%
SRE	Sempra Energy	$161.06	Outperform	324	52,170	2.9%	55%	8.50	8.95	9.65	18.9x	18.0x	**16.7x**	4.6%	1.9x	-9%
ETR	Entergy Corp	$117.17	Outperform	209	24,440	3.5%	65%	6.30	6.70	7.05	18.6x	17.5x	**16.6x**	5.6%	1.9x	-10%
PNW	Pinnacle West Capital Corp	$73.24	Underperform	123	8,993	4.8%	87%	4.00	4.20	4.50	18.3x	17.4x	**16.3x**	-2.1%	1.3x	-11%
FE	FirstEnergy Corp	$42.51	Outperform	552	23,469	3.8%	68%	2.40	2.53	2.67	17.7x	16.8x	**15.9x**	0.9%	2.6x	-13%
EIX	Edison International	$65.46	In Line	414	27,106	4.0%	58%	4.55	4.95	5.25	14.4x	13.2x	**12.5x**	3.1%	1.1x	-32%
PPL	PPL Corp	$28.77	In Line	775	22,288	5.8%	67%	2.50	2.60	2.70	11.5x	11.1x	**10.7x**	2.5%	1.5x	-42%
PCG	PG&E Corp	$11.72	Rating Suspended	529	6,200	0.0%	0%	4.30	4.65	4.95	2.7x	2.5x	**2.4x**	5.4%	0.4x	-87%
Regulated Group Average (Excludes PCG for Div Values)						**3.4%**	**65.6%**				**19.3x**	**18.2x**	**17.1x**	**4.1%**	**1.97x**	
Regulated Group Average (Excluding Stocks: PPL, EIX, and PCG)						3.2%	65.9%				20.7x	19.5x	18.4x	4.2%	2.10x	
Regulated Group Max (Excludes PCG for Div Values)						5.8%	87.1%				24.3x	22.4x	20.8x	10.8%	3.0x	
Regulated Group Min (Excludes PCG for Div Values)						2.0%	45.5%				2.7x	2.5x	2.4x	-5.5%	0.4x	

Diversified Utilities

Ticker	Company Name	5/13/22 Price	ISI Rating	Shares Out	Market Cap	2022 Div Yld	2022 Payout	ISI EPS Estimate 2022	2023	2024	P/E Multiple 2022	2023	2024	'20-'24 EPS Growth	Price to Book	Prem. to Group
NEE	NextEra Energy, Inc.	$69.80	In Line	2,008	140,176	2.4%	60%	2.85	3.05	3.30	24.5x	22.9x	**21.1x**	9.3%	3.3x	24%
PEG	Public Service Enterprise Group	$68.58	Outperform	504	34,564	3.1%	62%	3.45	3.65	3.85	19.9x	18.8x	**17.8x**	2.9%	2.2x	4%
AES	AES Corp	$20.24	Outperform	667	13,494	3.1%	39%	1.60	1.80	1.90	12.7x	11.3x	**10.7x**	7.2%	3.3x	-38%
Diversified Group Average						**2.9%**	**53%**				**19.0x**	**17.7x**	**16.5x**	**6.5%**	**2.9x**	
Diversified Group Max						3.1%	62%				24.5x	22.9x	21.1x	9.3%	3.3x	
Diversified Group Min						2.4%	39%				12.7x	11.3x	10.7x	2.9%	2.2x	

Updated as of 5/13/22

Source: FactSet, Evercore ISI Research

Utilities are trading above our Case 1. Post COVID valuations should diverge towards Case 2 longer term.

- Our historic base case ("case 1") assumed an orderly transition to higher interest rates, with authorized ROEs falling to 9.25% from 9.75%, and 10- year Treasury yields rising over the next several years, resulting at the end in a **2.50%** spread between the return on equity and the calculated cost of equity.
  - When you look at the current valuation of 18.4x '24, above our "case 1" scenario of 17.5x, as described above it implies moderation in authorized ROEs and gradual increase in treasury yields.
- The perceived "best in class" earnings compounders and COVID-19 immune names (WEC, NEE, ES, XEL, CMS) trade a multiple that discounts both a more or less status quo authorized ROE regime and a longer runway for sustained rate base growth. That is "case 3".
- In our "case 4" scenario we assume authorized ROEs moderate and interest rates rise more rapidly, resulting in a more meaningful near-term reduction in profitability, along with a steeper decline in rate base growth, which drives utilities back to a P/E multiple that is closer to long-term historic averages.
- We set our target prices on "market-agnostic" basis using an anchor P/E multiple of ~18x '24 EPS so investors can better see where we see good relative value. Near term we could see some pressure on multiples if spreads widen, long term we see multiples diverging back towards Case 2 as the economy recovers.

	Case 1	Case 2	Case 3	Case 4
DDM Model ROE and Cost of Equity Assumptions	Base Case	Rates Low Long Time	Rates Low Long Time	ROEs Fade Rates Rise
ROE (Year 1)	9.75%	9.75%	9.75%	9.75%
Annual ROE Change (+/-)	-0.10%	-0.10%	-0.10%	-0.10%
Final ROE	9.25%	9.25%	9.25%	9.25%
Years Until LT Cost of Equity Spread	5	5	5	5
Implied Annual Cost of Equity Change (+/-)	0.28%	0.21%	0.21%	0.33%
LT ROE / Cost of Equity Spread	2.50%	2.85%	2.85%	2.25%
LT Cost of Equity	6.75%	6.40%	6.40%	7.00%

	Case 1	Case 2	Case 3	Case 4
DDM Model Growth Assumptions	Base Case	Base Case	Higher Growth	Lower Growth
RB Growth (Year 1-5)	5.50%	5.50%	6.50%	4.00%
RB Growth (Year 6-10)	3.50%	3.50%	5.50%	2.00%
RB Growth (Year 11+ and Terminal)	2.50%	2.50%	3.00%	1.25%
Terminal Value (Yes/No)	Yes	Yes	Yes	Yes
35 Year Average Payout Ratio - Implied	71.2%	71.2%	67.5%	82.6%
'24 P/E Multiple	**17.5x**	**19.5x**	**22.0x**	**15.0x**

Source: Evercore ISI Research

Utilities Are 21% Expensive on '23 Yields Assuming Yields Remain Unchanged

Utility Valuation			10 YR	2.92%
5/13/22			Baa	5.04%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2022 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	2.18%	2.15%	30.3x	44.6%
	2.40%	2.31%	28.3x	35.0%
	2.62%	2.46%	26.5x	26.6%
	2.84%	2.61%	25.0x	19.2%
	3.06%	2.77%	23.6x	12.6%
	3.28%	2.92%	22.4x	6.7%
- 68% Confidence Interval	3.50%	3.07%	21.2x	1.4%
	3.72%	3.23%	20.2x	-3.4%
	3.94%	3.38%	19.3x	-7.8%
	4.16%	3.53%	18.5x	-11.8%
	4.38%	3.69%	17.7x	-15.4%
	4.60%	3.84%	17.0x	-18.8%
	4.82%	3.99%	16.4x	-21.9%
Predicted Valuation	5.04%	4.14%	15.8x	-24.8%
	5.26%	4.30%	15.2x	-27.5%
	5.48%	4.45%	14.7x	-30.0%
	5.70%	4.60%	14.2x	-32.3%
	5.92%	4.76%	13.7x	-34.5%
	6.14%	4.91%	13.3x	-36.5%
+ 68% Confidence Interval	6.36%	5.06%	12.9x	-38.4%
	6.58%	5.22%	12.5x	-40.2%
	6.80%	5.37%	12.2x	-42.0%
	7.02%	5.52%	11.8x	-43.6%
	7.24%	5.68%	11.5x	-45.1%
	7.46%	5.83%	11.2x	-46.5%
+ 95% Confidence Interval	7.68%	5.98%	10.9x	-47.9%

Utility Valuation			10 YR	2.92%
5/13/22			Baa	5.04%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2023 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	2.18%	2.15%	30.1x	52.3%
	2.40%	2.31%	28.1x	42.2%
	2.62%	2.46%	26.3x	33.4%
	2.84%	2.61%	24.8x	25.5%
	3.06%	2.77%	23.4x	18.6%
	3.28%	2.92%	22.2x	12.4%
- 68% Confidence Interval	3.50%	3.07%	21.1x	6.8%
Current Valuation	3.72%	3.23%	20.1x	1.7%
	3.94%	3.38%	19.2x	-2.9%
	4.16%	3.53%	18.3x	-7.1%
	4.38%	3.69%	17.6x	-11.0%
	4.60%	3.84%	16.9x	-14.5%
	4.82%	3.99%	16.2x	-17.8%
Predicted Valuation	5.04%	4.14%	15.6x	-20.8%
	5.26%	4.30%	15.1x	-23.6%
	5.48%	4.45%	14.6x	-26.3%
	5.70%	4.60%	14.1x	-28.7%
	5.92%	4.76%	13.6x	-31.0%
	6.14%	4.91%	13.2x	-33.2%
+ 68% Confidence Interval	6.36%	5.06%	12.8x	-35.2%
	6.58%	5.22%	12.4x	-37.1%
	6.80%	5.37%	12.1x	-38.9%
	7.02%	5.52%	11.7x	-40.6%
	7.24%	5.68%	11.4x	-42.2%
	7.46%	5.83%	11.1x	-43.7%
+ 95% Confidence Interval	7.68%	5.98%	10.8x	-45.1%

Regulated utilities now look ~24% expensive on current yields

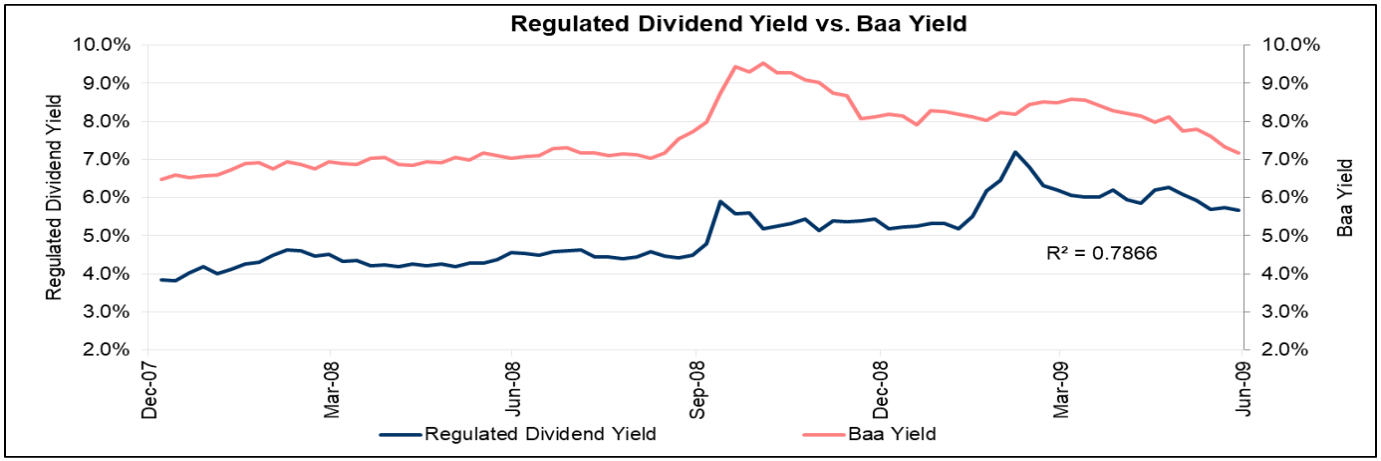
If rates stay unchanged for the next 12 months, regulated utilities now 21% expensive

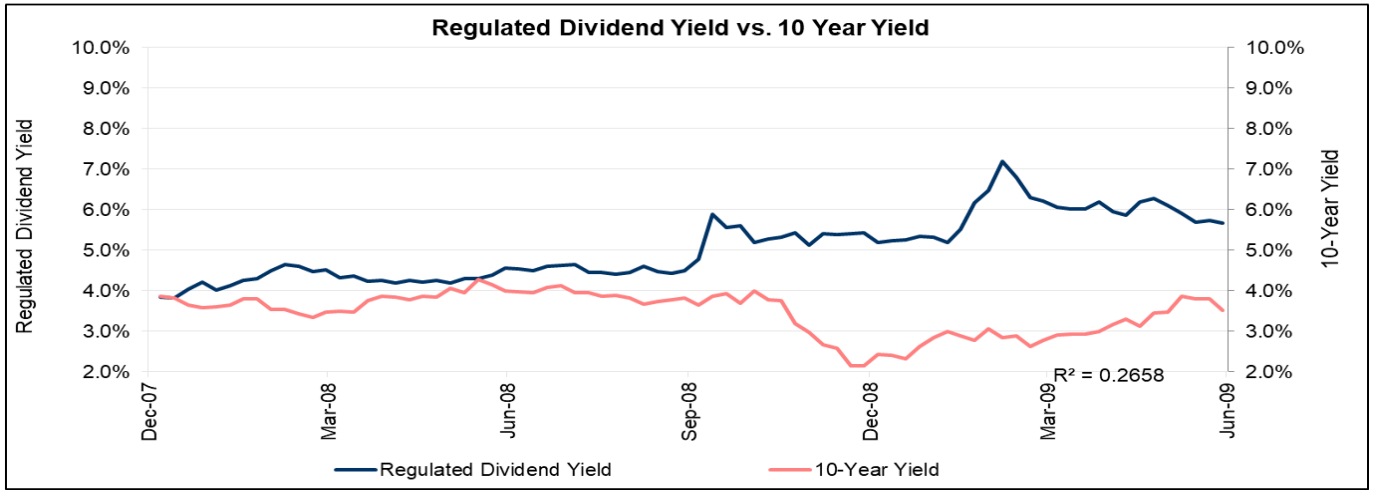
Updated as of 5/13/22

Source: FactSet, Evercore ISI Research

Regulated Dividend Yields vs. 10Y UST and Baa Yields During '08/'09 Financial Crisis

- During the last recession, correlation between regulated dividend yield and Moody's Baa Yield was at ~79% vs. ~27% correlation for dividend yield and 10yr Treasury Yield.

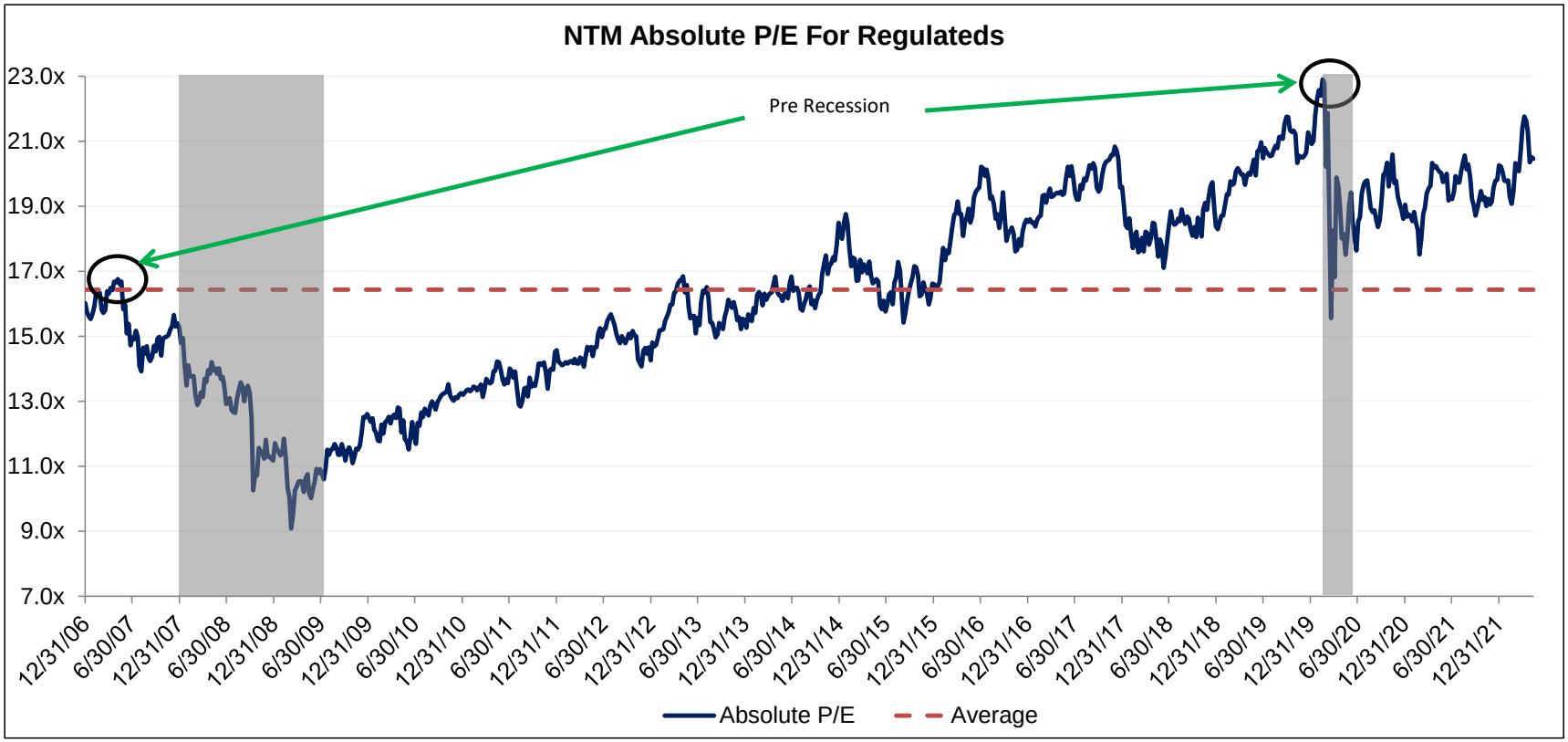




Source: FactSet, Evercore ISI Research

Absolute Valuation Close to Pre COVID recession levels, below peak

- Utes are trading close to 12-month pre COVID recession levels on an absolute basis and 11% below the valuation peak.
- On an absolute basis, NTM PE's for Utes averaged ~15x 12mths leading up to the 08/09 recession peaking at ~17x, below where the group is trading currently.
- In the COVID recession however, absolute P/E for Utes averaged ~21x 12mths prior and peaked at 23x, which would be 12% upside from current levels at ~20.5x.

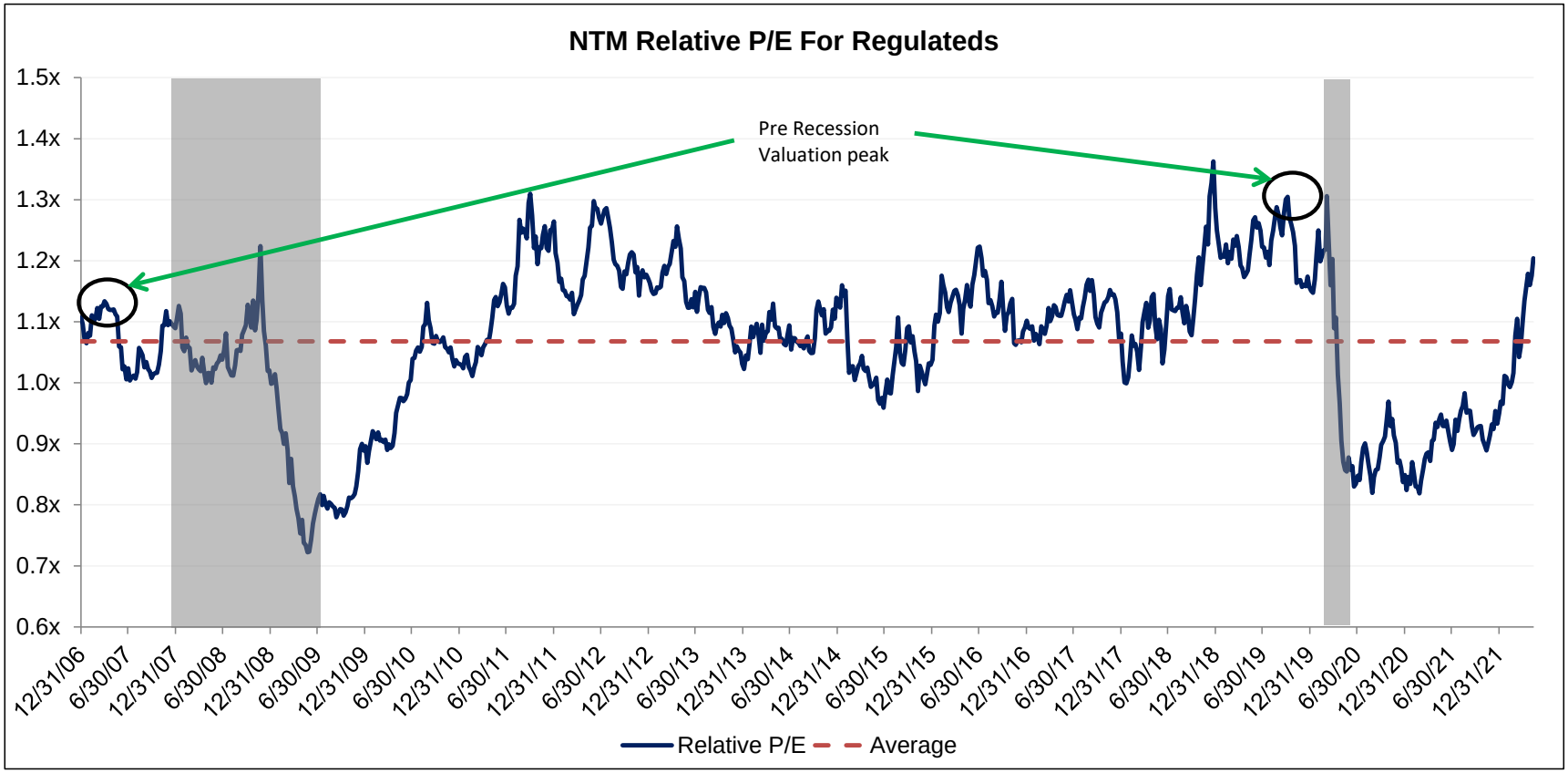


Updated as of 5/13/22

Source: FactSet, Evercore ISI Research

Group's NTM P/E relative to S&P 500 is below the peak experienced in prior recession

- NTM relative PEs for Utes averaged 1.07x 12mths leading up to the 08/09 recession peaking at 1.13x, below 1.20x where the group is trading currently
- In the COVID recession however relative P/E for Utes averaged 1.22x 12mth prior and peaked at 1.30x which would be ~8% upside from current levels at 1.20x assuming S&P500 stays flat.

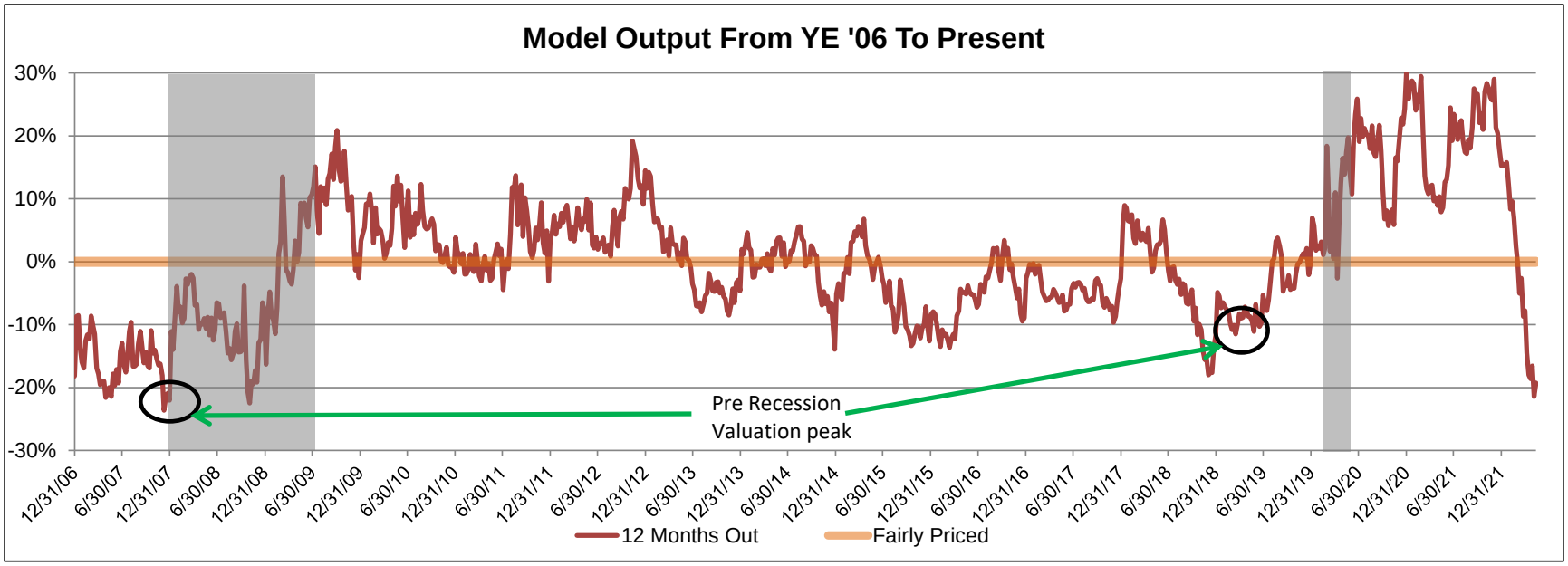


Updated as of 5/13/22

Source: FactSet, Evercore ISI Research

Bond regression model output below pre-recession peak

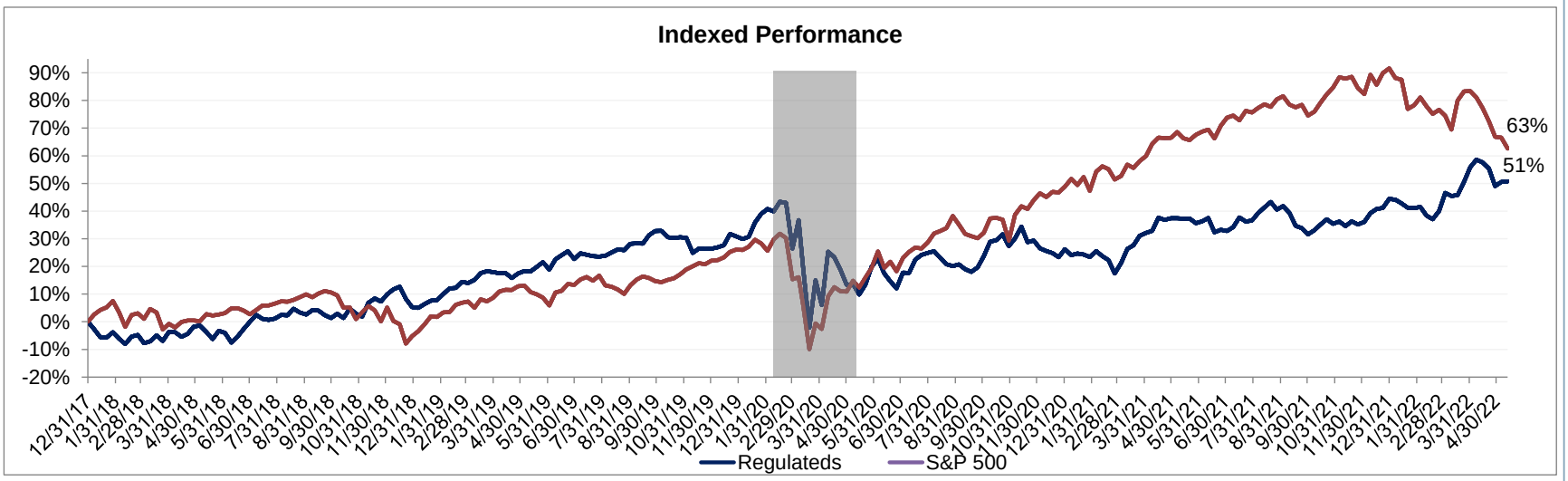
- The group was 16% expensive on average when compared to Moody's Baa yield in our bond regression model 12mths prior to the 08/09 recession with group valuation peaking at 24%.
- Utes were 4% expensive on average in our bond regression model 12mths leading up to the COVID recession peaking at 12%.
- Prior peak suggests ~3% multiple expansion (assuming yields stay flat) considering bond model readings in 08 recession

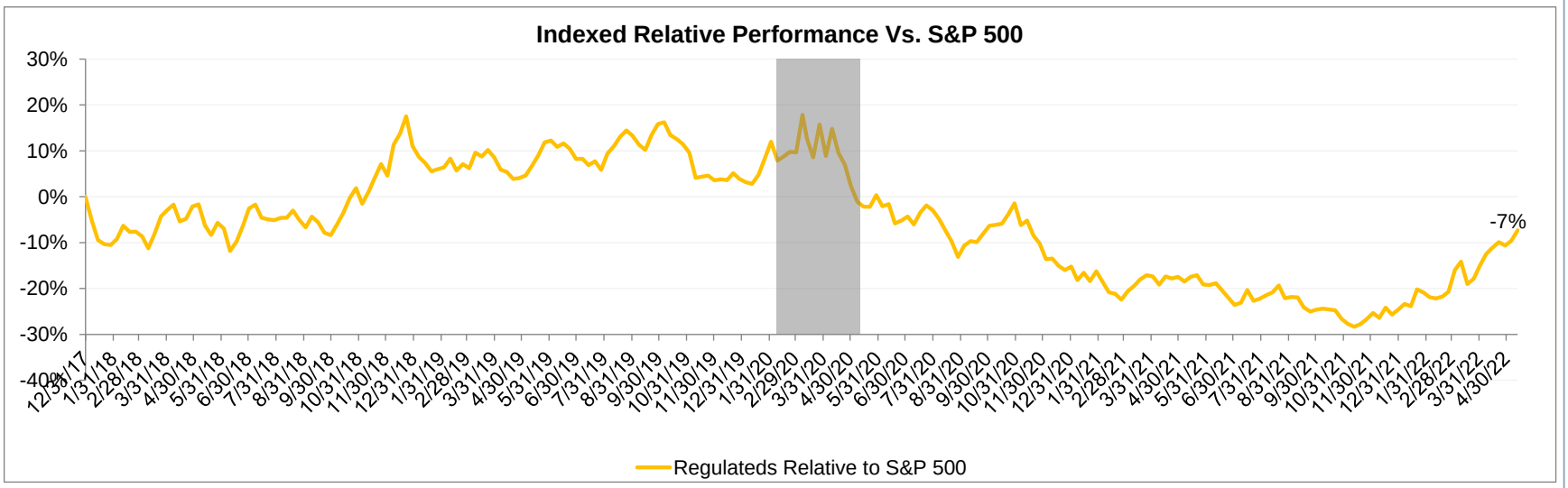


Updated as of 5/13/22

Source: FactSet, Evercore ISI Research

Utility Stock Price Performance vs. SP500 From YE '17 To Present



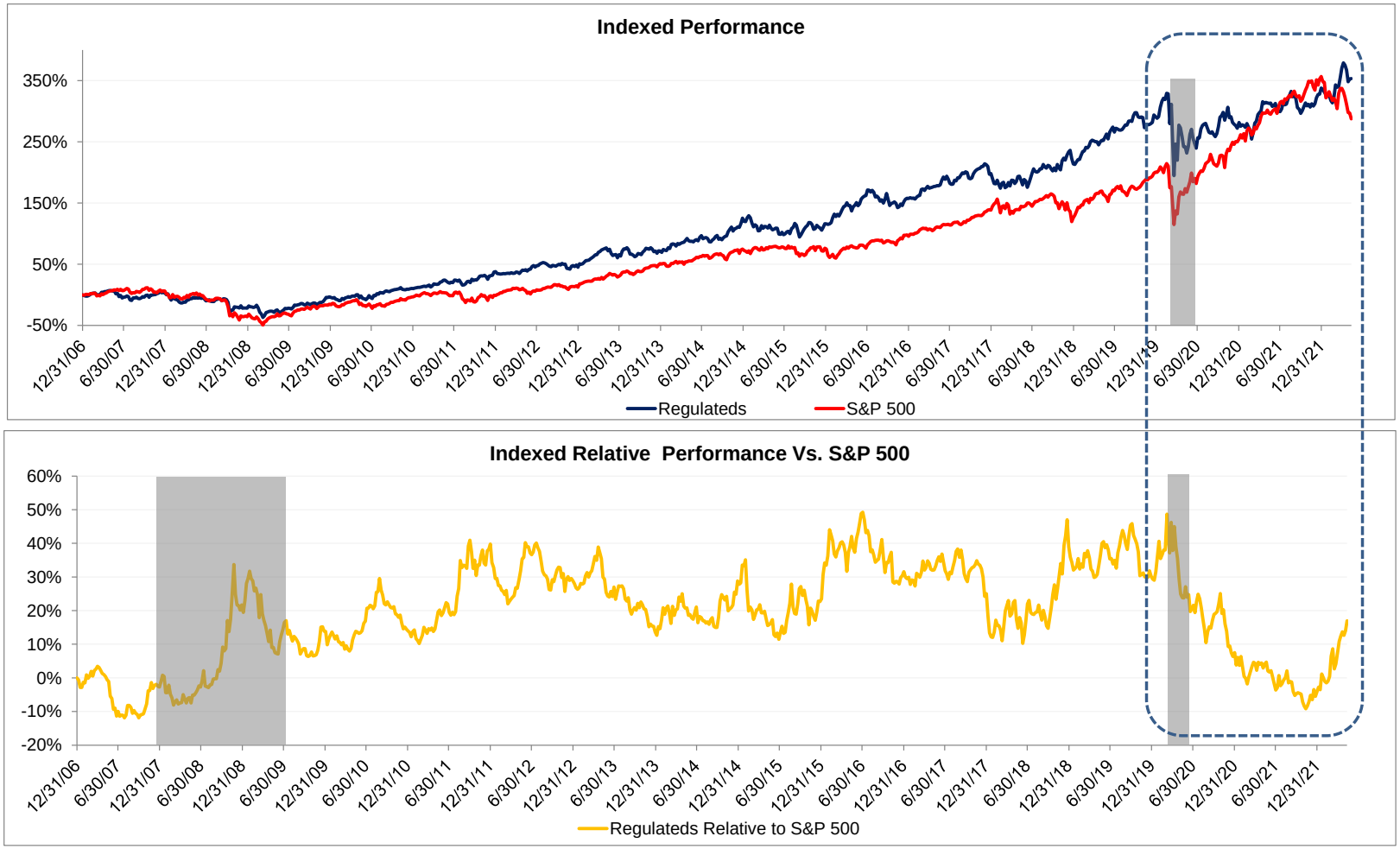


Updated as of 5/13/22, compounded return, 7 day intervals

Source: FactSet, Evercore ISI Research

History Lesson: Utility Stock Price Performance vs. SP500 From 2006 To Present

- This shows the performance of regulated utilities vs. the SP500 from YE '06, through the recessions, until present.
- Assuming compounding returns and dividends reinvested, utilities are up ~353% vs. ~288% for the SP500 from YE '06 to present.



Updated as of 5/13/22

Source: FactSet, Evercore ISI Research

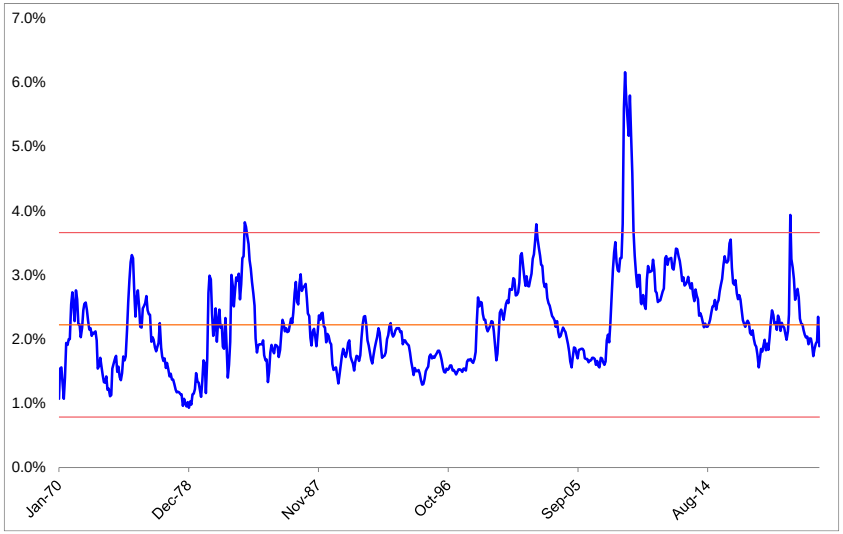
The Spread Between Corporates And Treasuries Modestly Below The Historical Average

- The spread between corporates and Treasuries has averaged 222bp since 1970.
- At the beginning of 2015 the 10-year was ~2.2% and corporates were 4.7%, a spread of 250bp.
- The wide spread between US Treasuries and corporates was the key factor that made utilities look fully priced in our bond model from October 2015 through early April 2016.
- Prior to COVID, that spread peaked last at 363bp on 2/16/16, with the 10-year yield at 1.74% and corporate bond yield average at 5.37%. On 3/20/20 during COVID, the spread peaked at ~450bp.
- On 12/31/18 the spread was 245bp and is currently at **212bp**.

Daily Moody's Baa / 10 Year Spread



Monthly Moody's BAA / 10 Year Spread

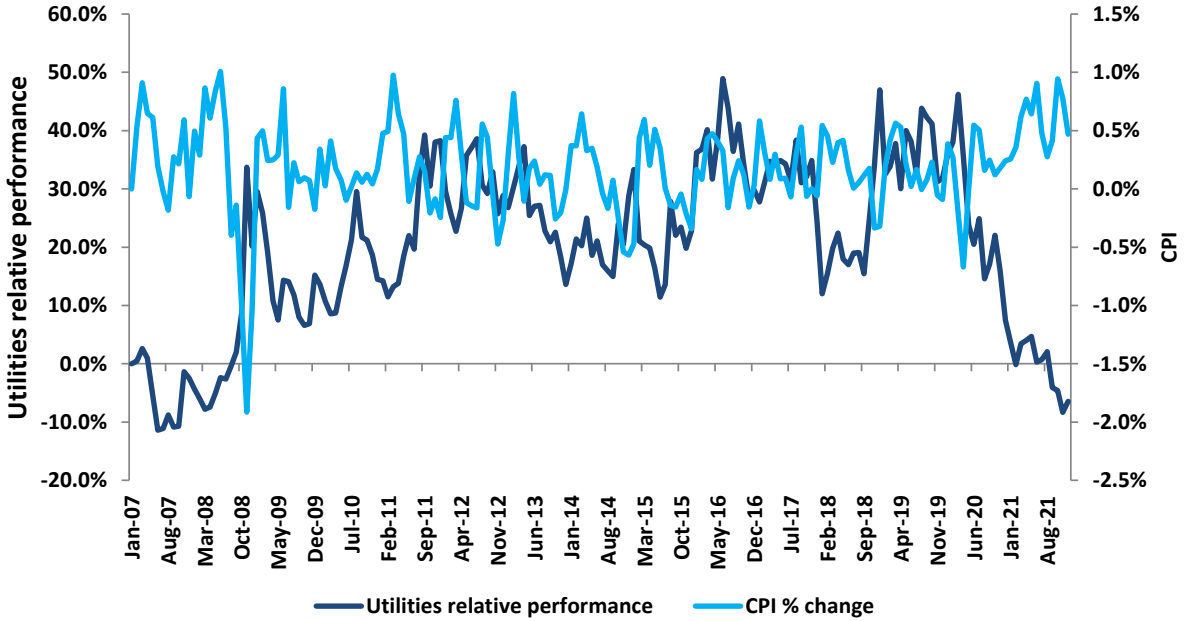


Updated as of 5/13/22

Source: FactSet, Evercore ISI Research

Utilities vs. Inflation

- We plot the utilities relative performance to S&P 500 vs change in consumer price index (CPI) going back to 2007.The top six inflationary periods in our analysis saw an average of 2.9% increase in CPI and a 4.6% average underperformance by utilities. Four of the top six inflationary periods saw meaningful underperformance by utilities but two (first half of 2008 and first half of 2011) saw outperformance.



Top 5 inflationary periods and 2H 2021				
	CPI % change	Uts Relative performance	Baa yield % change	10yr Treasury % Change
First half 2008	3.7%	2.0%	4.6%	12.8%
First half 2021	3.3%	-3.4%	14.8%	75.3%
First half 2007	2.9%	-11.4%	5.7%	5.9%
Second half 2021	2.9%	-7.2%	2.4%	0.0%
First half 2011	2.5%	7.7%	-3.3%	-17.9%
First half 2009	2.2%	-15.2%	-13.0%	15.1%
Average	**2.9%**	**-4.6%**	**1.9%**	**15.2%**

Updated as of 1/28/22

Source: FactSet, Evercore ISI Research

Weekly Economic Chart: Inflation is Peaking But is Still Elevated

- Our Evercore ISI economist Ed Hyman published a note last week highlighting that inflation is peaking but is still elevated. Ed stated that the +18.6% m/m surge is the CPI for airfares in April is a reminder that the transitory story still has problems. Nevertheless, the inflation peaking story is still intact. Ed says the global slowdown and dollar rally are drags on commodity prices, with the war probably steering Europe into recession and lockdowns in China driving car sales down -37%; at the same time, the dollar has rallied +15%. Ed says rents will continue to be a problem for inflation, with the CPI for rents increasing at a +5.9% m/m annual rate in April. He states that it is now clear that a vigorous discussion is developing about whether or not it is a good idea for +2% to be the Fed's target for inflation. Over the past four weeks, layoffs have been starting, with initial unemployment claims four-week average increasing a notable +17k to 188k. The economy is slowing but Ed does not expect a recession; however judging history, if a recession hits, unemployment will surge to 270k.



Source: Evercore ISI Research

TIMESTAMP

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Time of dissemination: May 15 2022 1:02 PM ET

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Current Ratings Definition

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Outperform- the total forecasted return is expected to be greater than the expected total return of the analyst's coverage sector.
In Line- the total forecasted return is expected to be in line with the expected total return of the analyst's coverage sector.
Underperform- the total forecasted return is expected to be less than the expected total return of the analyst's coverage sector.
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Rating Suspended- Evercore ISI has suspended the rating and target price for this stock because there is not sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, a rating or target price. The previous rating and target price, if any, are no longer in effect for this company and should not be relied upon.*

*Prior to October 10, 2015, the "Coverage Suspended" and "Rating Suspended" categories were included in the category "Suspended."

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Hold- the total forecasted return is expected to be greater than or equal to 0% and less than or equal to 10%

Sell -the total forecasted return is expected to be less than 0%

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Prior to October 10, 2014, the ratings system of ISI Group LLC and ISI UK which was based on a 12-month risk adjusted total return:

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.

Evercore Group:

Prior to October 10, 2014, the rating system of Evercore Group was based on a stock's expected total return relative to the analyst's coverage universe over the following 12 months. Stocks under coverage were divided into three categories:

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.
Underweight -the stock is expected to underperform the average total return of the analyst's coverage universe over the next 12 months.
Suspended- the company rating, target price and earnings estimates have been temporarily suspended.

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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%.
No Position- the stock is not included in the model portfolio.
Coverage Suspended- the rating and target price have been removed pursuant to Evercore ISI policy when Evercore is acting in an advisory capacity in a merger or strategic transaction involving this company, and in certain other circumstances; a stock in the model portfolio is removed.
Rating Suspended - Evercore ISI has suspended the rating and/or target price for this stock because there is not sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, a rating or target price. The previous rating and target price, if any, are no longer in effect for this company and should not be relied upon; a stock in the model portfolio is removed.

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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Coverage Universe			**Investment Banking Services I Past 12 Months**		
Ratings	**Count**	**Pct.**	**Ratings**	**Count**	**Pct.**
Buy	542	62	Buy	107	20
Hold	293	34	Hold	26	9
Sell	14	2	Sell	0	0
Coverage Suspended	13	1	Coverage Suspended	3	23
Rating Suspended	12	1	Rating Suspended	7	58

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Price Charts

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Highlights from Ohio Road Trip

On June 6-7th, we hosted investor meetings with executives of AEP, AES and NI in Columbus, Ohio. Utility leadership is encouraged by Biden's recent two-year solar panel import tariff exemption. Our diversified top pick AES (along with NEE and CWEN) positioned to benefit the most in our view. We also met with Ohio State Representative Bill Seitz on June 7th and come away with a more balanced (vs negative) view of the regulatory and legislative environment in the state, see inside for our key takeaways.

American Electric Power (AEP), Outperform rating, $107 price target

- **Kentucky asset sale:** On May 4th, the Kentucky commission approved Liberty's acquisition of Kentucky Power from AEP subject to certain modifications (see our note). The sale is pending approval from FERC, which AEP said it expects over this summer, most likely in July/August. This is a slight delay versus previous expectation of June as the company awaits a WV final ruling on Mitchell operating agreement which is expected imminently. AEP has said it will host an Analyst Day in late September or early October 2022.

- **Unregulated renewable strategic review**: AEP stated its process is well underway to sell all or a portion of its unregulated renewables business. The unregulated renewables segment is expected to contribute $0.13-0.17 EPS this year and proceeds from a potential sale are expected in the 2022-2023 timeframe to be used to reduce equity needs. AEP stated that it plans to present various options for divestitures to its Board in its July 2022 meeting and anticipates making announcements to the market after that. We estimate they could get $1.5-2.0B in cash proceeds at a 13-15x EV/EBITDA applied to $150MM of EBITDA less $375MM of debt; this could materially lower/eliminate AEP's $2.1Bn in equity needs through 2026.

- **Pension**: AEP said its pension is 106% funded as of 3/31/22 and expect immaterial impact to 2023 earnings based on YTD stock market performance.

- **Execution on plan:** AEP said it is on track to deliver its 2022 EPS guidance of $4.87-5.07/share and its long-term annual 6-7% EPS growth rate.

- **OH Regulatory environment.** In addressing investor concerns around regulatory and legislative environment in the state, AEP pointed to its past rate case settlement in Mar 2021 (which was subsequently approved by the commission in Nov 2021) where they got broad support from various stakeholders and were awarded $295m revenue increase based on a 9.7% ROE and 54.43% equity ratio. The authorized ROE agreed upon was well above the 9.27% midpoint recommended by Staff and also higher than the ~9.4% nationwide electric average at that time.

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- **Balance sheet:** AEP is confident in its long-term 14.0-15.0% Moody's FFO to debt target. The Company does not plan to issue equity in 2022 and anticipates issuing $100 million in 2023, $600 million of equity in 2024, and $700 million in each of the 2025 and 2026 years. As stated previously, we estimate they could get $1.5-2.0B in cash proceeds at a 13-15x EV/EBITDA applied to $150MM of EBITDA less $375MM of debt; this could materially lower/eliminate AEP's $2.1Bn in equity needs through 2026.

- **Ongoing rate cases**: AEP currently has SWEPCO Arkansas and Louisiana pending rate case. In Arkansas, the Company filed for a $56 million net revenue increase with a 10.35% ROE with an equity ratio of 51.3% on a rate base of $1.56 billion with a 4/30/21 test year; a final decision is expected in 2Q22. In Louisiana, AEP filed for a $73 million net revenue increase with a 10.35% ROE with a 50.8% equity ratio on a rate base of $2.1 billion with a 12/31/2019 test year.

AES Corporation (AES), Outperform rating, $25 price target

- **Solar tariff commentary**. AES said the White House decision to pause new tariffs on solar imports for two years provides clarity and gives the Company time to figure out how to get a more diverse supply (for context AES' 1/3 of 10.3 GW backlog is US solar). Construction is on schedule for more than 2 GW of renewables projects expected to come online in 2022, with solar panels secured for all US projects and AES said it is proactively looking to secure panels for 2023 and beyond while there is a pause on new tariffs.

- **Ohio rate case update**. On March 4th, Staff for the Public Utilities Commission of Ohio recommended that the Commission freeze DPL's (Company's OH regulated subsidiary) rates, representing a reversal post-hearings of its prior recommendation for a ~$65 million revenue increase from July 2021. The key driver of the Staff's change was an analytical investigation into DPL's costs, with the most notable item being DPL's $70MM Rate Stabilization Charge through 2024. We had been modeling $0.06-0.07 (or 3%) of EPS upside through 2024 for the rate case, an estimate that would be downside to our forecasts with a rate freeze before any cost mitigation that we see as manageable at the AES level despite a meaningful hit to the DPL utility. Recall in November 2020, AES filed for a $121MM revenue increase with a 10.5% ROE with a 53.87% equity ratio on a $796MM rate base with a May 2021 test year. The commission heard Oral arguments on the staff recommendation in May and a final commission ruling is expected in Q3 2022. AES also said it will be pursuing a legal route to settle the issue and will be filing a new ESP (Electric Security Plan) later this year.

- **Renewable PPAs**: AES signed 1.1 GW of new PPAs during the first quarter and continues to target 4.5-5.5 GWs this year. The 1.1 GW includes agreements with Amazon and Microsoft, where the company announced a 450 MW renewable agreement with Amazon, and a 20-year agreement to provide renewables to Microsoft data centers in California. The Company will source energy from a portfolio of 110 MW AC solar and 55 MW, 4-hour storage projects in the California Independent System Operator (CAISO) region. The company does not expect significant delays / supply chain disruptions that would materially impact its construction backlog given its scale advantages.

- **Asset sales**: AES currently has $500-700 million of asset sales proceeds in its plan for 2022 and has executed on about half of that amount so far.

- **Pension**: AES said its pension is over 100% funded, is heavily weighted to fixed income such that they don't expect a meaningful headwind in 2023.

NiSource (NI), Outperform rating, $32 price target

- **Strategic review**: NiSource said it is deep into its strategic review and will have more details on its process (with potential announcements) by its late Fall 2022 Analyst Day. New President & CEO Lloyd Yates has been saying that the Company will evaluate its full portfolio of assets. One of Yates' key priorities is to extend the Company's EPS CAGR outlook of 7-9% beyond 2024. The Company's comprehensive review across its asset base is focused on earned ROEs, regulatory mechanisms and relationships, legislative relationships, and investment opportunities.

- **Ohio rate case**: Settlement discussions are under way and a new hearing date has been set for July 13th (vs June 5th previously) for rates to become effective in 4Q22 now as opposed to 3Q22 previously. Note that NiSource's current 2022 EPS guidance assumes a mid-year rate increase (undisclosed amount) from this rate case. Recall in April, the company received a Staff recommendation with a revenue recommendation of $46 (average) million versus a $221 million request with the difference driven by ~$80 million disallowance of O&M expense, $50 million capital, and rest due to the delta between the ROE request of 10.9% versus Staff's range of 9-10%. The equity ratio request of ~51% was not disputed. NI currently has an allowed ROE of 10.4% and equity ratio of 51% in Ohio.

- **Solar commentary**: NiSource said the two-year exemption of solar panel tariffs for utilities presents a tailwind by providing clarity on supply chain; it offers the potential to accelerate projects. For now, the Company's 2022 capex plan remains

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unchanged at $2.4-2.7 billion as does its total 2021-2024 capex program at ~$10 billion. To mitigate the lost earnings impact of the $1 billion in expected delayed solar investment ($0.10 EPS contribution) disclosed on the Q1 call, the Company is pulling forward $400-500 million of tracked investments into 2022-2023, which will contribute $0.05 of EPS. O&M savings and lower projected financing costs due to delayed investments will contribute another +$0.05 of EPS.

- **Indiana IRP**: NiSource has said analysis is underway on investment opportunities resulting from the outcome of the 2021 Indiana IRP. The Company still estimates that investments of up to $750MM will be necessary to replace (to go into service in 2026-2028 timeframe) the retiring coal capacity associated with Michigan City Generating Station, as well as gas peaking units 16A and 16B at the Schafer Generating Station. NiSource said the NIPSCO portion of this investment will be better understood as bids in the RFP are further evaluated, we would expect additional details on the upcoming Analyst Day this fall.

- **Pension**: NiSource said it is overfunded and has moved its portfolio to roughly 70% fixed income. The market movements are expected to provide a little bit of a headwind, but NI stated that some of its pension expenses get recovered through deferral mechanisms.

Meeting with Ohio State Representative Bill Seitz (30th District of the Ohio House of Representatives)

- Our discussion with Bill Seitz focused primarily on three pending bills in the House, including HB389, HB450 and HB317.
- **HB389** would reinstate a modified energy efficiency program that was eliminated with HB6 developments. The bill applies only to residential customers who can opt out, and commercial customers who would like to opt in. Bill Seitz believes the bill could be addressed in the fall session post the mid-term elections.
- **HB450** encourages the development of rooftop solar, by creating opportunities for development of not greater than 10MW solar arrays to service places where it is currently difficult to deploy rooftop solar as well as distressed properties mostly in southeast Ohio. The bill seeks to spread out costs (and timing of impact) across various utilities' service territories, including those for AEP, AES, DUK and FE which include a net 11 cent per kWh subsidy to the developer.
- **HB317** is the most difficult bill to get over the finish line, in Bill Seitz's opinion. The bill would eliminate the Ohio Electric Security Plan (ESP) and provide more stringent requirements for a utility to avoid rate cases. Currently, the bill requires a rate case filing if, over a five-year period, two of the five earnings tests are failed. The potential revision to the bill would require a rate case every seven years.

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Company Changes			Rating			Target Price		Estimates Current Year		Estimates Next Year	
Symbol	Company	Price	Curr	Prev		Curr	Prev	Curr	Prev	Curr	Prev
AEP	American Electric Power	$101.95	- OPF	OPF	-	$107.00	$102.00	- $5.00	$5.00	- $5.30	$5.30
AES	The AES Corporation	$22.27	- OPF	OPF	-	$25.00	$30.00	- $1.60	$1.70	- $1.80	$1.80
NI	NiSource Inc	$31.42	- OPF	OPF	-	$32.00	$30.00	- $1.45	$1.45	- $1.54	$1.54

Source: Company Data, Evercore ISI Research

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Time of dissemination: June 08 2022 8:18 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 sector.
In Line- the total forecasted return is expected to be in line with the expected total return of the analyst's coverage sector.
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*Prior to October 10, 2015, the "Coverage Suspended" and "Rating Suspended" categories were included in the category "Suspended."

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Prior to October 10, 2014, the ratings system of ISI Group LLC and ISI UK which was based on a 12-month risk adjusted total return:

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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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.
Underweight -the stock is expected to underperform the average total return of the analyst's coverage universe over the next 12 months.
Suspended- the company rating, target price and earnings estimates have been temporarily suspended.

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Long- the stock is a positive holding in the model portfolio; the total forecasted return is expected to be greater than 0%.
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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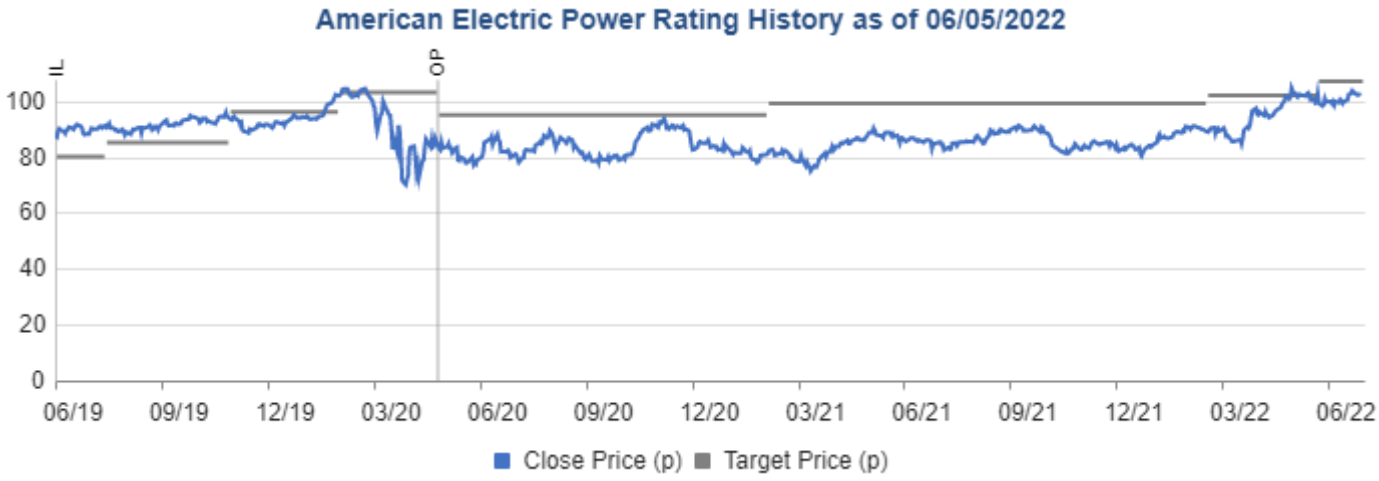
Evercore ISI rating (as of 06/08/2022)

Coverage Universe			**Investment Banking Services I Past 12 Months**		
Ratings	**Count**	**Pct.**	**Ratings**	**Count**	**Pct.**
Buy	528	62	Buy	91	17
Hold	291	34	Hold	30	10
Sell	13	2	Sell	0	0
Coverage Suspended	11	1	Coverage Suspended	3	27
Rating Suspended	8	1	Rating Suspended	5	63

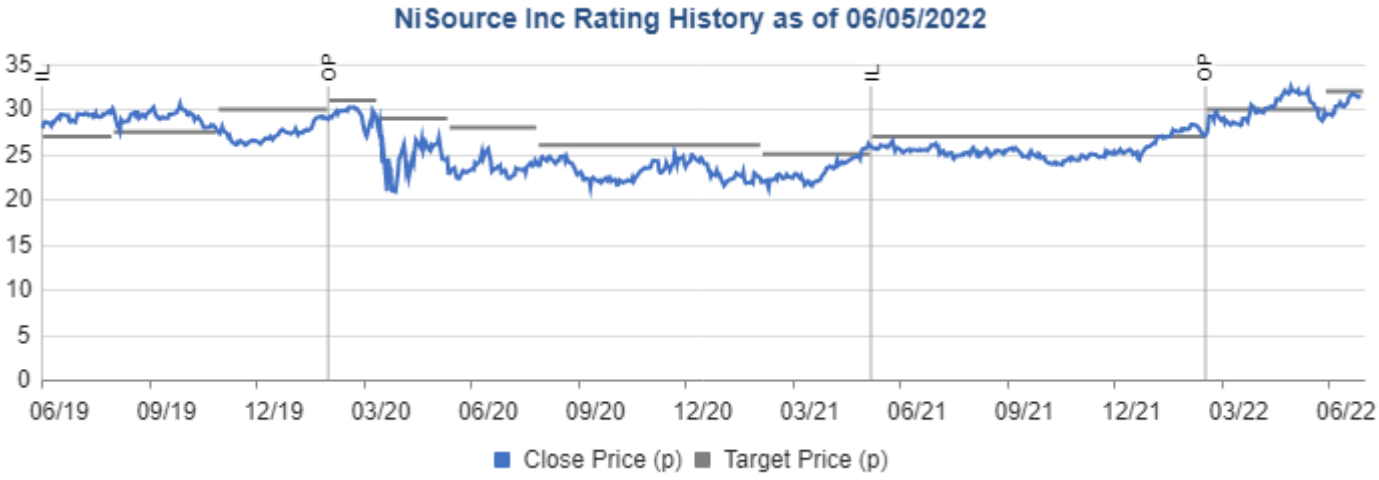
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Price Charts

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Ratings Key

B	Buy	OP	Outperform	L	Long	CS	Coverage Suspended
H	Hold	IL	In Line	NP	No Position	RS	Rating Suspended
S	Sell	UP	Underperform	S	Short		

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EVERCORE ISI

Energy | Power & Utilities

April 20, 2022

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Defense Wins Championships: Q1 Preview

Utes have had a strong showing in 2022 with our coverage universe up +10% (UTY +5%) vs S&P500 -8% YTD (pg. 34). Recession and geopolitical risks have increased the appeal for defensive characteristics of the group which are overshadowing the Macro and fundamental headwinds (inflation, elevated commodity prices, rising yields, supply chain constraints and more). We could see more of the same near term as we see more relative upside for Utes Vs S&P500 if we go into a recession in 2023. Utilities tend to trade at elevated absolute and relative valuations in 12 months leading up to a recession. The group's current absolute and relative valuation is below the peaks experienced in 12 months leading to the past two recessions. On an absolute basis, utilities are currently trading close to 12-month pre COVID recession levels and 5% below the valuation peak (pg. 36). The group's NTM P/E relative to S&P 500 is ~15% below prior recession peak (pg. 37). Comparing pre-recession peaks in our historical bond regression model output suggests up to ~10% multiple expansion assuming yields stay flat (pg. 38). For additional details see our Recession Read-throughs for Utilities deep dive note analyzing absolute and relative performance during past recessions here.

Q1 2022 Preview – We expect roughly half of companies to meet or exceed consensus first quarter estimates (see pg. 29), more importantly most should reaffirm FY 2022 EPS projections. Based on National Oceanic and Atmospheric Administration (NOAA) heating degree-days data, the weather in 1Q22 was 2% colder vs. last year but milder than normal (pg. 30). Our discussions with companies under the coverage universe suggest mixed bag (positive and negative) implications on quarterly results but not material enough to impact full year 2022 earnings expectations. We expect companies to continue to address inflation concerns, supply chain constraints and how they are mitigating risks to cost, and timeline of large projects. One key item that we will look for more color from utility leaders is the solar panel tariff circumvention investigation announced on March 28th. An adverse outcome from this investigation could be a material headwind for the sector. NEE, AES and CWEN in our coverage universe are most impacted (additional details in company specific section of the note). We are positive on AEE and DTE going into 1Q prints and cautious on ETR and NI.

Stock selection. We prefer value over quality: AEP (top pick), D, ETR, FE, EXC, NI, and SRE are Outperform-rated names within the regulated value bucket. Within diversified names, we view AES (top pick) as best risk/reward and are Outperform-rated on PEG. We are also Outperform-rated on AEE, CNP, DTE and XEL within the quality bucket.

Within, we include company-specific tear sheets with our / consensus first quarter 2022 EPS estimates along with discussions of key investor debates going into earnings.

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Outperform **TP $25**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q1 EPS Bridge:** We project year-over-year EPS to decrease by -$0.03 to $0.25/share primarily due to lower Fluence earnings (reduced ownership post IPO) and share count dilution, partially offset by higher ownership of Andes.

- **What to look for in the earnings report (Key debates/themes):**

  - **US to investigate solar panel tariff circumvention in Asia**. On March 28th, the US Department of Commerce announced it will investigate whether solar panels imported from Malaysia, Cambodia, Vietnam and Thailand evaded tariffs imposed in 2012 on solar cells and modules by Chinese companies. These four countries accounted for more than 85% of US solar panel imports during 4Q21. The Department of Commerce's decision was based on a February petition from California-based Auxin Solar alleging the companies were set up in those locales to evade the anti-dumping provisions. Domestic US production stands to gain from any actions while renewables providers including NextEra see the investigation as a potential problem for solar as well as a threat to US climate goals. The EEI also criticized the US Department of Commerce's decision, saying "the initiation of these inquiries will have a harmful and disruptive impact on the solar supply chain, resulting in increased costs, project delays and job losses. Ultimately, this will impede the nation's clean energy transition and increase costs for electricity customers." The US Department of Commerce will issue preliminary findings in 150 days with a final determination in up to one year as the entity asks for information from related companies. We will look for management commentary on implications for AES and their targeted 4.5-5.5GW of new renewable PPA's this year. For context, solar makes up roughly half of AES's 59GW development pipeline.

  - **Ohio Staff recommends rate freeze for DPL utility**. On March 4th, Staff for the Public Utilities Commission of Ohio recommended that the Commission freeze DPL's rates, representing a reversal post-hearings of its prior recommendation for a ~$65 million revenue increase from July 2021. The key driver of the Staff's change was an analytical investigation into DPL's costs, with the most notable item DPL's $70MM rate stabilization charge through 2024. We had been modeling $0.06-0.07 (or 3%) of EPS upside through 2024 for the rate case, an estimate that would be downside to our forecasts with a rate freeze before any cost mitigation that we see as manageable at the AES level despite a meaningful hit to the DPL utility. Recall in November 2020, AES filed for a $121MM revenue increase with a 10.5% ROE with a 53.87% equity ratio on a $796MM rate base with a May 2021 test year. Next steps include AES oral arguments in mid-May and a potential commission ruling in the second half of 2022. AES also said it will be pursuing a legal route to settle the issue and will be filing a new ESP (Electric Security Plan) later this year.

  - **Asset sales**: AES currently has $500-700 million of asset sales proceeds in its plan for 2022 and has executed on about half of that amount so far. It is likely too early to get additional updates on this on the 1Q22 conference call.

  - **Renewable PPAs**: This year, AES expects to sign 4.5-5.5 GW of new renewable PPAs. The company does not expect significant delays / supply chain disruptions that would materially impact its construction backlog.

- **Positioning into Qtr: Neutral**

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$1.44**	**$1.52**	**$0.25**	**$1.60**	**$1.80**	**$1.90**
Consensus			0.31	1.62	1.77	1.94
% diff.			*-20%*	*-1%*	*2%*	*-2%*

Source: Evercore ISI, FactSet as of 4/18/22

Outperform **TP $96**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q1 EPS Bridge:** We project year-over-year EPS to increase +$0.07 to $0.98/share. In terms of positive YoY drivers in Missouri, Ameren should benefit from new Missouri electric rates effective late February 2022, higher investments in infrastructure and wind generation eligible for PISA and RESRAM, higher energy efficiency incentive and favorable weather. These should be partially offset by higher O&M expense. In Ameren Transmission, the Company should see the benefit of higher average estimated rate base and the absence of the FERC order on historical recovery of materials and supplies inventories. In Illinois Electric, Ameren should see increased contribution from higher estimated rate base and 30-year Treasury rate. In Illinois Gas, AEE should benefit from new rates effective late January and higher QIP rider revenues, partially offset by higher O&M expense. At the parent, the Company will see some share dilution and higher interest expense.

- **What to look for in the earnings report (Key debates/themes):**

  - **Potential upside to 2022 EPS guidance**: Ameren has been assuming a 2.25% average 30-year Treasury rate in its 2022 EPS guidance of $3.95-4.15. Every 50bps change in the 30-year has a $0.04 annual EPS impact. Note for Q1 the average 30-year Treasury rate did come in at 2.25% so while they may lift guidance on the first quarter call, it is a tailwind for FY 2022 earnings expectations.
  - **Rush Island, MISO study and re-filing of Missouri IRP**: The MISO approval of projects in the Future 1 roadmap is expected in July-2022. In terms of Rush Island, Ameren recently filed for the MISO attachment Y to formally notify MISO of its plan to retire the plant; the District Court is under no deadline to issue a final report. The Missouri PSC Staff will also review AEE's plan to retire Rush Island, under no deadline as well though the Commission has asked them to file a preliminary report by April 15th with Ameren providing monthly updates regarding its plans. Ameren plans to file an updated Missouri IRP in mid-2022 ahead of the July 15th deadline in light of the accelerated retirement of Rush Island (to include securitization) and updated assumptions that take into account MISO's long-range transmission planning as well as potential federal legislative and regulatory developments.
  - **MISO capex potential**: Ameren said historically it has spent about 30% of the MISO total capex, which using the historical investment percentage would imply the Company could be awarded ~3 billion of the $10.4 billion of projects to be awarded by MISO in the Tranche 1 component of Phase 1 in July 2022. The total $30 million to be awarded in all of Phase 1 (we expect $9 billion for AEE) should be awarded over the next few years.
  - **Illinois energy legislation (SB 2408)**: Ameren has said it is pleased 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. The company is participating in state led workshops on establishment of performance metrics, we will look for an update on next steps/timeline.
  - **Proposed PISA legislation**: The current Missouri PISA legislation runs through 2023, but utilities can apply to the commission to continue to operate under it, and the commission can grant up to an additional 5 years through 2028. The legislation proposed in SB 756 / HB 1734 would extend / expand PISA, lower the current 3.0% CAGR to a 2.5% average annual cap, but it narrows it to apply to just the investments and activities related to PISA. The proposed law would also remove the sunset date. AEE likes the policy, says it has been having good dialogue with stakeholders and thinks it could pass; the legislative session ends in May.

- **Positioning into Qtr: Positive:** We are positive on AEE going into the quarter as we expect Q1 results to beat expectations. Furthermore we expect AEE to strike a bullish tone in delivering or exceeding their 2022 EPS guidance range driven by upside from 30-year Treasury yield as we discussed above. Proposed PISA legislation if passed into law (legislative session ends in May) would also be positive for AEE.

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$2.31**	**$3.84**	**$0.98**	**$4.05**	**$4.35**	**$4.65**
Consensus			0.95	4.05	4.35	4.64
% diff.			*5%*	*0%*	*0%*	*0%*

Source: Evercore ISI, FactSet as of 4/18/22

Outperform **TP $102**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q1 EPS Bridge:** We project year-over-year EPS to increase +$0.03 to $1.18/share. Positive YoY drivers include rate relief, higher retail load, the benefit of the TCOS and DCRF riders in Texas, lower O&M expense, lack of Winter Storm Uri impacts, and a small contribution from North Central Wind. On the negative side, we expect transmission true-ups, higher depreciation, interest expense and property taxes. We expect to see a negative impact from ChargePoint shares.

- **What to look for in the earnings report (Key debates/themes):**
  - **Reiteration of near- and long-term guidance:** We expect AEP reaffirm its 2022 EPS guidance of $4.87-5.07 that it increased with Q4 results by a slight $0.02 or +0.4% at the midpoint. We also anticipate the Company will reiterate its long-term annual 6-7% EPS growth rate that it "raised" with Q4 results, a forecast that is essentially unchanged from AEP's previously stated expectations for the top half of 5-7%.

  - **Balance sheet:** We expect AEP to reaffirm its 14.0-15.0% Moody's FFO to debt target that it increased with Q4 results from its prior 13.5-15.0% goal. The Company does not plan to issue equity in 2022 and anticipates issuing $100 million in 2023, $600 million of equity in 2024, and $700 million in each of the 2025 and 2026 years.

  - **Kentucky asset sale:** AEP remains confident in completing the sale in the second quarter 2022, pending regulatory approvals from the Kentucky commission and the FERC. The asset sale approval is also contingent on a new ownership and operating agreement for the Mitchell coal plant. The Kentucky commission has a statutory date to approve of May 4th and if it does not the transaction is automatically approved. AEP said it will host an Analyst Day after the transaction closes.

  - **Unregulated renewable strategic review**: With Q4 results, AEP stated that it had begun a process to sell all or a portion of its unregulated renewables business. The unregulated renewables segment is expected to contribute mid-teens EPS this year and proceeds from a potential sale are expected in the 2022-2023 timeframe to be used to reduce equity needs. As mentioned above, we estimate they could get $1.5-2.0B in cash proceeds at a 13-15x EV/EBITDA applied to $150MM of EBITDA less $375MM of debt; this could materially lower/eliminate AEP's $2.1Bn in equity needs through 2026.

  - **Ongoing rate cases**: AEP currently has SWEPCO Arkansas and Louisiana pending rate case. In Arkansas, the Company filed for a $56 million net revenue increase with a 10.35% ROE with an equity ratio of 51.3% on a rate base of $1.56 billion with a 4/30/21 test year; a final decision is expected in 2Q22. In Louisiana, AEP filed for a $73 million net revenue increase with a 10.35% ROE with a 50.8% equity ratio on a rate base of $2.1 billion with a 12/31/2019 test year.

- **Positioning into Qtr: Neutral**

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$4.44**	**$4.74**	**$1.18**	**$5.00**	**$5.30**	**$5.65**
Consensus			1.22	4.99	5.29	5.63
% diff.			*-3%*	*0%*	*0%*	*0%*

Source: Evercore ISI, FactSet as of 4/18/22

CenterPoint Energy

Outperform **TP $31**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q1 EPS Bridge:** We project year-over-year EPS (we are modeling just the utilities) to be flat at $0.47/share. Higher Indiana rates and increased Minnesota interim rates should contribute positively. We also expect positive contributions from higher sales volumes due to customer growth in both the electric and gas businesses. In terms of negative YoY drivers, we expect the primary ones to be loss of earnings from the Oklahoma and Arkansas gas LDC asset sales plus higher interest expense.

- **What to look for in the earnings report (Key debates/themes):**

  - **Energy Transfer unit full exit:** On March 28th, CenterPoint announced it has entirely exited its midstream interest with the sale of its Energy Transfer (ET) holdings, including its remaining 51 million ET common units and all its ET Series G preferred units. Including the previously announced transactions, CenterPoint monetized its ownership in ET common units at an approximate 20% premium on an aggregated basis to the ET common unit price when the merger between ET and Enable Midstream was announced on February 12, 2021. The company fully exited the stake within four months of merger close. The net proceeds will be used to pay down associated debt and taxes from the transaction. CNP had a stated goal of fully exiting ET units by year-end 2022, so this development is faster than that target. The Company remains focused on delivering 8% adjusted EPS growth annually through 2024 and the mid-to-high end of 6-8% annual growth through 2030.

  - **Minnesota gas rate case settlement:** On March 14th, CenterPoint announced that it has reached a settlement in its Minnesota rate case that was filed on November 1, 2021. The settlement terms include revenue increase of $48.5MM with an authorized ROE of 9.39% and 51% equity ratio. The settlement allows for full recovery of the integrity management capex and the first green hydrogen pilot. This compares to the proposed revenue increase of $67.1MM with an authorized ROE of 10.2% with a 51% equity ratio. The Commission will need to review and approve the settlement (expected later this year) before new rates can be implemented. Currently, interim rates are in place with a revenue requirement of $42MM. We estimate the Minnesota gas jurisdiction will represent ~8% of CNP's 2022-2024 annual EPS and the settlement if approved is in line with our expectations.

  - **Ten-year Texas Master Energy Plan**: In late January 2022, CenterPoint joined in a press conference with the mayor of Houston about the public launch of a Texas commitment for a ten-year Master Energy Plan. CenterPoint has said there are constructive discussions ongoing and more details are expected to be provided later this year. Any resulting capex would be incremental to CenterPoint's five-year $19.2 billion and ten-year $40+ billion capex programs.

  - **More potential gas asset sales**: CNP said it is not opposed to selling additional gas LDCs to recycle capital into a potentially higher spending program driven by resiliency investment.

  - **Minnesota Storm Uri costs**: Late last year, the MN commission carved out and approved the extension of February 2021 (Uri related) gas cost recovery ($379MM) from 27 months to 63 months as proposed in CNP's "Rate Stabilization Plan" with a prudency review ongoing.

  - **Indiana IRP:** CenterPoint said it continues to work with stakeholders in Indiana for the successful transition from coal generation (600 MW). They recently reduced the size of the initial solar project from 300MW to 200MW as a response to the recent materials cost increases and community feedback, and will be going back to the commission for approval of this modification later in early 2Q22. The Company has completed hearings on its proposed simple cycle gas plant (460MW) and anticipate the associated decision by 3Q22. Approval for proposed 335MW solar addition is anticipated by 2Q 2022. CNP projects full ownership of the gas plant and 50% ownership of incremental renewable generation needs in IN with next IRP to be filed in 2023

- **Positioning into Qtr: Neutral**

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$1.40**	**$1.64**	**$0.47**	**$1.37**	**$1.48**	**$1.60**
Consensus			0.49	1.37	1.48	1.60
% diff.			*-3%*	*0%*	*0%*	*0%*

Source: Evercore ISI, FactSet as of 4/18/22

In Line **TP $67**
Analyst: Durgesh Chopra / Sharon Wang

- **Q1 EPS Bridge:** We project EPS to increase $0.06 YoY to $1.15/share, an estimate that excludes EnerBank, which was sold to Regions Bank. Last year in 1Q21, the company saw $0.10 of unfavorable weather. This year in 1Q22, weather appears to be $0.02 favorable. We expect positive YoY benefits primarily from electric and gas rate increase, partially offset by increased property taxes, interest expense and D&A at the utility of $0.06, tree trimming of $0.01, enterprises drag of $0.02, as well as parent drag of $0.01.

- **What to look for in the earnings report (Key debates/themes):**
  - **IRP filing:** On Mar 7th, the ALJ issued a proposed decision on CMS' Integrated resource Plan (IRP) recommending that the Commission approve the company's request to retire Karn 3 and 4 oil plant units (1.1 GW) and Campbell 1 and 2 (0.6 GW) in 2023 and 2025 respectively. However, ALJ suggested the Commission should require CMS to provide additional analysis of Campbell 3 proposed retirement in 2025. The decision recommends that the Commission approve the company's request for $815 million costs associated with the purchase of the Covert Plant (1.2 GW) in 2023 but should deny $520 million cost approval for the purchase of the CMS plants, DIG & Peakers (1 GW), or cost recovery for the acquisition premium included in the purchase price if the purchase is approved. As it relates to company's request to depreciate the retired coal and oil units over their design life, beyond the date of their operation, and seek regulatory asset treatment for the units instead of securitization, ALJ recommended the Commission to defer consideration of the company's request for accounting approvals related to cost recovery for the retiring units to a special-purpose proceeding. IRP spending ($1.3B+) will continue to be an upside investment opportunity for CMS, which if approved could be layered in the fourth quarter of 2022. The decision is neutral in our view as it recommends adopting some of the CMS' proposals while denying purchase of DIG & Peakers plant and calls for a separate proceeding on cost recovery of proposed retirements. We have previously stated if approved (as filed by CMS) we see the plan as ~$0.14 or 4% EPS accretive to our 2024 EPS estimate of $3.34. We estimate it would be $0.22 EPS accretive (~6%) to the company's current 2025 plan translating into ~9% EPS CAGR (above the company targeted 6-8%) using 2022 EPS of $2.86 as the starting point. The initial order from the Michigan commission is expected on April 25th, 2022, if there is no settlement on IRP filing, and final order is estimated in Jun 2022.

  - **Electric rate case:** On December 22, 2021, a final order was issued by the Michigan Public Service Commission authorizing an increase to Consumers' electric base rates of $27 million effective January 1, 2022, based on a 9.9% ROE. Roughly $250MM in rate base disallowances comprised of solar project which are AFUDC eligible and ~$100MM in electric reliability and storm hardening grid resiliency spending. CMS will file its next electric case by the end of this month, and final order is expected in Q1 2023.

  - **Gas rate case:** On December 1, 2021, Consumers Energy filed a gas rate case with the Michigan Public Service Commission seeking an increase in its rates for the distribution of natural gas of $278 million. Staff position came out early April with rate increase of $175MM (versus $275 requested), ROE of 9.6%(vs. 9.9% requested), and equity layer of 51%(vs. 52% requested). Final decision is expected late September or early October 2022.

- **Positioning into Qtr: Neutral**

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$2.67**	**$2.65**	**$1.15**	**$2.86**	**$3.14**	**$3.34**
Consensus			1.10	2.87	3.13	3.40
% diff.			*5%*	*0%*	*0%*	*-2%*

Source: Evercore ISI and FactSet as of 4/18/22

Underperform **TP $81**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q1 EPS Bridge:** We project year-over-year EPS to increase by +$0.06 to $1.50/share. Positive YoY drivers primarily include new rates under the multi-year rate agreements in CECONY and O&R, and an improvement in bad debt expense given deferrals implemented. Also, a favorable ruling on the surcharge recovery should contribute positively. Negative YoY drivers include higher other O&M (e.g. health care) after lower amounts the same period last year, increased interest expense, shared dilution, plus increased depreciation and property taxes. Con Ed Transmission (CET) should be lower due to the removal of Mountain Valley Pipeline AFUDC income and loss of Stagecoach earnings.

- **What to look for in the earnings report (reminder that ED does not host a conference call):**

  - **CECONY electric and gas rate case:** On January 28th, Con Ed filed a CECONY electric and gas rate case that is a one-year 2023 proposal with 2024-2025 illustrations. ED requested a revenue increase of $1,199MM for electric and $503MM for gas in 2023, with illustrations for $853MM and $234MM in 2024 plus $608MM and $218MM for 2025, respectively. The request is based on a 10.0% ROE with a 50% equity ratio on a historical test year of 12-months ended September 30, 2021 for rates to be effective on January 1, 2023. Key components of the filing are: 1) true up of costs of pension and OPEBs, environmental remediation, and storms, 2) full reconciliation of property taxes, municipal infrastructure support costs, uncollectible, late payment fees, and long-term debt cost rate, 3) reconciliation for inflation to the extent that actual inflation exceeds the annual inflation rates of 3.4% assumed in the revenue requirement by 1.6% threshold, 4) reduction of certain gas asset service lives by 5 years in alignment with the gas transition that is expected to result from CLCPA implementation, 5) continuation of the revenue decoupling mechanism for electric and gas service, 6) continuation of provision for recovery of cost of purchased power, gas, and fuel, and 7) continuation of earnings opportunities from Earnings Adjustment Mechanisms for meeting energy efficiency goals and other potential incentives. Next steps include Staff and intervenor testimony on May 20th, rebuttal testimony on July 17th and then evidentiary hearings on July 6th.

  - **Incremental transmission projects**: In November 2020, Con Ed proposed transmission projects that are not currently included in its three-year capex program through 2024. The projects would total $4 billion in transmission cost and $1.3 billion in related distribution spending over ten years and are intended to enable NYS to meet its clean energy goals. There is no set timeline for a final decision on the proposed projects.

  - **CEB strategic alternatives**: With fourth quarter results, Con Ed announced that it is pursuing strategic alternatives for the CEBs that could be announced this year. We estimate a sale could fetch valuation of $3-4B equity value at 13-15x EV / 2022 EBITDA.

  - **Equity issuance plans**: ED's equity financing plan includes up to $850MM in 2022 and a combined $750MM in 2023-2024, on top of the DRIP.

  - **Proposal for NY Transco**: Con Ed has a pending filing with the NY Power Authority in collaboration with them for a transmission solution to bring offshore wind off Long Island. The amount of investment is not disclosed, with details expected in fourth quarter this year.

- **Positioning into Qtr: Neutral**

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$4.18**	**$4.39**	**$1.50**	**$4.50**	**$4.75**	**$5.00**
Consensus			1.49	4.50	4.80	5.07
% diff.			*1%*	*0%*	*-1%*	*-1%*

Source: Evercore ISI, FactSet as of 4/14/22



Outperform **TP $55**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q1 EPS Bridge:** We project full 1Q22 adjusted EBITDA of $638 million for Constellation (roughly 25% of our annual EBIDTA estimate), which spun off from Exelon on February 2, 2022.

- **What to look for in the earnings report (Key debates/themes):**
  - **Comprehensive update was provided at the January 2022 Analyst Day**. **We expect potentially minor changes or reaffirmation of those outlooks during CEG's first earnings call post EXC-separation completed on February 2nd.** At its 2022 Analyst Day, Constellation introduced 2022 adjusted EBITDA guidance of $2,350-2,750 million, roughly in line with our $2,515 million forecast at the midpoint but below investor expectations based on our dialogue. The Company announced plans to grow its absolute annual dividend, currently $180 million, by 10% annually from 2022-2024. Constellation's forecasts are supported by a strong investment grade balance sheet with a 2022 estimated debt to adjusted EBITDA of 2.0x with a large cushion in CFO pre-WC and FFO to debt credit metrics of 35% and 45% for Moody's and S&P, respectively, versus downgrade thresholds of ~22% and 25% for the respective Baa2 and BBB- ratings. The Company expects to generate 2022-2023 free cash flow of $1.8-2.2 billion to be utilized for unidentified growth capital and/or return of capital to shareholders in the form of buybacks and special dividends. The Company sees opportunities to deploy capex at double-digit IRR's in the area of nuclear plant acquisition, repowering existing fleet, producing clean hydrogen and growing their offering of sustainability products and services for their C&I customers. Constellation plans to provide more clarity on use of free cash flow in the second half of 2022.

  - **NRC reverses Peach Bottom nuclear plant license extension.** On February 24th, the US Nuclear Regulatory Commission (NRC) reversed its previous approval of a 20-year license extension for the Peach Bottom 2.7GW nuclear plant in southern Pennsylvania. The NRC concluded that its previous environmental review required by the National Environmental Policy Act (NEPA) was incomplete because it did not adequately address environmental impacts resulting from extending the units' licenses by 20 years. The NRC initially granted the license extension in March 2020, allowing Peach Bottom Unit 2 to operate until 2053 and Unit 3 until 2054, but the expiration dates have now been changed back to 2033 and 2034 until the NEPA analysis is completed. PEG owns 50% of the plant while CEG owns the remaining 50%. We estimate that both PEG and CEG's annual EBITDA contribution from the plant is in the $50-100 million range, which represents less than 2% of our 2024 EPS estimate of $3.85 for PEG and ~2.5% of our 2024 EBITDA estimate of $3,010 million for CEG. Since the plant is currently licensed to run until 2034 we don't expect any financial implications through that period from this decision. We ultimately think given the federal and local support for nuclear assets that this plant likely gets a license extension.

  - **Benefits of Illinois SB 2408**: Signed into law on September 15th, Constellation will keep the Byron and Dresden nuclear plants open. In addition, at the bill's 2023 baseline cost of $32.50 per MWh, we see a ~$300mm uplift (included in our forecast) in 2023 EBITDA from potential incremental revenue generated, assuming operating costs of $30 per MWh.

- **Positioning into Qtr: Neutral**
-

Adj. EBITDA	1Q22E	2022E	2023E	2024E
EVR ISI	**638**	**2,550**	**2,750**	**3,010**
Consensus	605	2,569	2,867	3,144
% diff.	*5%*	*-1%*	*-4%*	*-4%*

Source: Evercore ISI, FactSet as of 4/18/22

Outperform **TP $86**
Analyst: Durgesh Chopra / Sharon Wang

- **Q1 EPS Bridge:** We project year over year EPS increase of $0.08 to $1.17 driven by higher sales, regulated investment across D's platform, as well as interest expense help compared to same period last year, partially offset by one-time tax benefit in prior year, share dilution and a little bit O&M hurt. Degree-day data in first quarter was normal across D's service territory. Management said historically they narrow 2022 guidance on the third quarter earnings call.

- **What to look for in the earnings call (Key debates/themes):**
  - **Offshore Wind project:** Dominion filed for CPCN/Rider recovery with the VA commission in November 2021 associated with construction of the 2.6-GW offshore wind project. D estimates total project cost at around $10B, and the levelized cost of energy (LCOE) for the project at $87/MWh, within previous guidance range of $80 to $90/MWh and lower than prudency criteria of $125/MWh. The commission staff report filed on April 8th did not take a position on the prudence of the project. In certain scenarios analyzed by the staff, the levelized cost of energy for the project exceeds $125/MWh in 2027 dollars, and the overall cost could exceed $12.4B. The next step for company is to file rebuttal testimony on April 22, and there will be hearings in late May. A final order from the Commission will come out in the first week of August.
  - **Clean Energy filing approved:** On March 15th, the Virginia State Corporation Commission (SCC) approved Dominion's Clean Energy filing seeking approval of ~1,000MW solar and battery storage projects expected to go in service by 2023 (857 MW of new solar generation capacity and 103 MW of energy storage capacity), representing around $1.4B in capital investment. We estimate $0.09 or 2% annual EPS contribution from the investment included in our 2024 EPS estimate of $4.70. The Commission approval is also the fifth successful solar rider approval for Dominion.
  - **Nuclear licenses renewal:** In Virginia, rider for costs to renew the operating licenses of 4 nuclear units at North Anna and Surry was filed with capital investment of $3.9B through 2036, including $1.2B through 2024. The Nuclear Regulatory Commission (NRC) previously held that the Generic Environmental Impact Statement for License Renewal of Nuclear Plants (LR GEIS) is applicable to both initial and subsequent license renewals (SLR). However, on February 24, the current Commission found that the scope of the previous LR GEIS rulemaking was ambiguous as a legal matter. They recently approved the NRC Staff's recommendation to pursue a 24-month schedule for updating the agency's LR GEIS, which signifies an ambitious push forward to make the LR GEIS applicable to SLR applications. D was days away from getting SLR of North Anna, whose application and life cycle of was later, when the commission reversed the precedent, so they had to put it on pause. It will certainly take longer but management does not change their view of final approval. With couple of months delay now, instead of getting approval in March, the company expect final order of the nuclear life extension rider by the end of 2022 or 2023, versus mid-2022 previously. On the nuclear fuel side, the company said they are not heavily relying on Russian uranium and have structured their own contracts, so their plants would not be impacted.
  - **Solar supply:** D said their 22 solar projects are on track, and no issues so far with the recent anti-Circumvention investigations by the Department of Commerce. The company is working with manufacturers and vendors to increase their domestic manufacturing capabilities, and more available supply later this year will help with their future pipeline of projects.

- **Positioning into Qtr: Neutral**

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$3.54**	**$3.86**	**$1.17**	**$4.15**	**$4.43**	**$4.70**
Consensus			1.17	4.12	4.39	4.67
% diff.			*0%*	*1%*	*1%*	*1%*

Source: Evercore ISI, Capital IQ, Factset as of 4/18/22

Outperform **TP $128**
Analyst: Durgesh Chopra / Sharon Wang

- **Q1 EPS Bridge**: We project year-over-year EPS to increase $0.19 to $2.18/share. In terms of YoY drivers on electric side, DTE should benefit from a return to normal weather ($0.04), favorable weather this year ($0.03), amortization of voluntary refunds ($0.03), and accelerated amortization of income taxes regulatory liability ($0.1), offset by typical D&A, property tax, and interest expense (-$0.1). On the gas side, positive drivers include bad weather last year ($0.06), colder than normal this year ($0.05), rate increase ($0.07), partially offset by depreciation, property tax, and interest (-$0.03). As per the company guidance, DTE should see decreased contribution from Vantage (-$0.03), lower energy trading earnings (-$0.05), and benefit of corporate segment ($0.01).

- **What to look for in the earnings report (Key debates/themes):**
  - **Electric rate case:** In January 2022, DTE filed its first electric rate case since 2019, requesting revenue increase of $388mm with a 10.25% ROE on a rate base of $409mm, versus company's current ROE of 9.9%. DTE is expecting staffs position in late April or May, and Proposal for Decision in September. A final decision is still expected in October with a November effective date. This is a rate increase driven by capex offset by reduced O&M.

  - **Clean Vision Plan (IRP).** DTE is preparing to file an updated IRP in October this year (one year earlier than planned) which if approved could drive higher capex through the forecast period driven by 5-7GW renewables deployment. The company is evaluating cessation of coal use earlier than 2040. Some of the IRP investment could be incremental to current capex in the back end of five-year plan. DTE is still engaging different stakeholders in the process and have more public meetings coming up.

  - **Long-term growth**: DTE is expected to reaffirm its long-term 5-7% consolidated EPS growth target from 2021 original guidance through 2026, Supporting that growth is their unchanged five year capex plan of $19.5B. Management highlighted $35 billion electric capex runway through 2031 in Q4 call to support grid reliability and clean energy transformation, which could be biased higher supported by EV demand related tailwinds. DTE stated that they could see 5-10% increase in electric load over the next decade driven by accelerated EV adoption.

  - **Financing plan:** DTE's 3-year equity plan includes $1.3B of convertible equity units expected in 2022, $0-$100MM equity needs in 2023 and 2024 respectively.

- **Positioning into Qtr: Positive.** We are positive on DTE going into earnings as we expect the first quarter EPS to materially exceed Street expectations (as shown below) positioning them strongly to meet or exceed targeted FY 2022 earnings.

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$5.61**	**$5.99**	**$2.18**	**$5.87**	**$6.24**	**$6.56**
Consensus			1.98	5.93	6.25	6.68
% diff.			*10%*	*-1%*	*0%*	*-2%*

Source: Evercore ISI, Factset as of 4/18/22

In Line **TP $105**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q1 EPS Bridge:** We project year-over-year EPS to increase +$0.06 to $1.32/share. Weather was $0.02 unfavorable last year for electric and is expected to be a touch more mild this year than it was then. Positive drivers YoY should be the benefit of rate relief, riders, load growth, and lack of Winter Storm Uri impact. In terms of negative YoY drivers, we expect to see the impact of partial closure of the Indiana asset sale, higher O&M, increased depreciation and property taxes, a lower Commercial Renewables contribution after a particularly strong 2020, increased drag at the parent, share dilution, and lower market returns.

- **What to look for in the earnings report (Key debates/themes):**
  - **Upcoming North Carolina IRP and rate case:** Duke said it is going to file an updated IRP by May 16th to show resources and timing of actions taken to get to state's 70% carbon reduction by 2030. The Company also plans on filing for a multi-year rate plan covering 2023 and 2024 for both of its North Carolina utilities, with a filing date to be determined but potentially mid this year. Among other items, the rate case will focus on investments that will be needed for the carbon reduction plan. DUK expressed confidence in its ability to achieve a constructive outcome in its rate filing given multiple discussions it has had with various stakeholders during the IRP process.
  - **Indiana IRP filing:** In Indiana, following the filing of the IRP in December 2021, Duke issued a request for proposal for generation resources and expects to file CPCNs by year-end.
  - **South Carolina IRP:** Duke put forth a preferred scenario but the South Carolina commission has a preference for a resource plan that did not reduce carbon as much. DUK said it is looking to file to get both North Carolina and South Carolina commissioners to jointly consider the Carolinas generation fleet to get alignment.
  - **Ohio electric rate case**: Duke filed an Ohio electric rate case in October 2021 that the Company has highlighted as a straightforward case. There are rider caps in Ohio and this case is primarily to get all of that capex into rates. An order is not expected until the back half of 2022.
  - **2022 ESG Day planned:** Duke is planning on hosting another ESG day on October 4th.
  - **GIC transaction closure:** The second closing is still 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. Recall 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.

- **Positioning into Qtr: Neutral**:

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$5.12**	**$5.24**	**$1.32**	**$5.45**	**$5.75**	**$6.15**
Consensus			1.33	5.46	5.77	6.14
% diff.			*0%*	*0%*	*0%*	*0%*

Source: Evercore ISI, FactSet as of 4/18/22

Outperform **TP $121**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q1 EPS Bridge:** We project year-over-year EPS to decline -$0.16 to $1.31/share. Last year, weather was $0.11 favorable and it is expected to be favorable again this year. In terms of negative YoY drivers, we primarily anticipate seeing a reversal of the Arkansas netting adjustment provision, higher taxes other than income, and a higher effective tax rate. On the positive side, we expect rate relief and DCRF / TCRF riders to contribute positively.

- **What to look for in the earnings report (Key debates/themes):**
  - **Storm cost recovery:** Entergy Texas has received approval on both the 2020 storm cost determination and financing order, and recently received $290 million of securitization proceeds. In Louisiana, the Company received approval of a unanimous settlement to the 2020 storm proceeding, which includes support for an additional $1B as an early prepayment against Hurricane Ida recovery; the bonds will be priced and issued in the second quarter 2022. The remaining $1.7B of Ida storm costs with 95% in Louisiana and 5% in New Orleans are expected to be received by year-end 2022, pending the Louisiana commission's procedural schedule for the case.
  - **Key growth themes**: ETR has highlighted three major growth themes for the Company: 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 $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.
  - **Potential for incremental resiliency capex**: Entergy is evaluating resilience acceleration that could include the aforementioned $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. The Company said over the coming months it will map out what makes sense for its customers for this potential incremental resiliency investments through 2030 with a goal to share this information with its regulators initially through technical conferences this spring, and subsequently through filings targeted for late summer.
  - **Financing plans and potential asset sales**: ETR is considering a range of options for its remaining $700 million equity issuance plan through 2024, including ATMs, convertible preferreds, or block equity. 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.
  - **Options for New Orleans utility:** 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.
  - **2022 Analyst Day:** Entergy will host an Analyst Day on June 16th in NYC and provide an updated five-year outlook.

- **Positioning into Qtr: Negative.** ETR stock is the best performer in our coverage universe over the last month; we expect some of that to reverse over the coming weeks. In addition our 1Q22 bridge derives a $1.31 EPS estimate, which is 5% below consensus.

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$5.66**	**$6.02**	**$1.31**	**$6.30**	**$6.70**	**$7.05**
Consensus			1.38	6.32	6.72	7.12
% diff.			*-5%*	*0%*	*0%*	*-1%*

Source: Evercore ISI, FactSet as of 4/18/22

EVERSOURCE

In Line **TP $91**
Analyst: Durgesh Chopra / Sharon Wang

- **Q1 EPS Bridge:** We project year-over-year EPS to increase by $0.13 to $1.21, adding back Connecticut Storm charge in Q1 2021 ($0.07), rate increases at state utilities ($0.06), higher transmission rate base ($0.03), favorable weather ($0.01), and Capex tracker ($0.01), partially offset by higher depreciation and property taxes (-$0.04), as well as debt interest expense (-$0.01).

- **What to look for in the earnings report (Key debates/themes):**
  - **MA rate case filed.** It is a pretty light year for the company in terms of rate cases. ES has reached the end of its five-year stay out for NSTAR Electric Company in Massachusetts, and the company filed a rate case proposing rate increase of $89 million based on a total rate base of $4.3 billion, reflecting a ROE of 10.5 versus 10% previously. They are still in the discovery phase and have not gotten into hearings. Final order is expected on December 1, 2022 with new rates effective on January 1, 2023.
  - **Advanced Meter Infrastructure (AMI) proposal in MA.** Eversource is hoping to hear from PURA and the DPU on the AMI docket this year, and the company is getting ready to start execution of the program. If ES gets the green light in 2022 to move forward deployment of AMI for both Connecticut and Massachusetts, it is about $1 billion investment over the five-year period or $200 million a year (not in current capex plans through 2025). Final decisions for both MA and CT are expected by the end of 2022.
  - **Rate cases to be filed.** Aquarion CT has not had rate case in almost 10 years and their returns are well below allowed ROE. Its rate case will be filed later this year. Since Connecticut rate cases now take 11 months, decision is expected in the second half of 2023. Yankee Gas's last rate case in 2018, so they expect to file in late 2022 or 2023.
  - **Offshore wind projects:** Projected in-service dates for the three projects – late 2023 for South Fork Wind (130 MW), 2025 for Revolution Wind (704 MW), and late 2025 for Sunrise Wind (924 MW) – remained unchanged since company's last update in February. Despite higher costs due to global supply chain issues, the company has locked in around 80% of the total project costs. In terms of capital investment, ES projects to invest $900MM - $1B in 2022 and $3B - $3.6B in years 2023-2025 for their ownership share in the three projects. The company expects to achieve 11-13% return on these projects (including PTC's/other tax credits) which would add ~$150 million to net income or $0.40 EPS starting in 2026. The $0.40 EPS would be ~8% accretive to ES's implied 2026 regulated EPS of $5.29.
  - **New York Bight auction results**. On February 25th, the U.S. Bureau of Ocean Energy Management (BOEM) concluded the auction of an offshore wind lease sale totaling $4.37 billion for areas off the coast of NY and NJ. Five of the six winners were backed by European companies. Within our coverage universe, AGR and PEG submitted bids, which were not accepted while Eversource on their fourth quarter earnings call stated that their Eversource-Ørsted joint venture did not seek to be prequalified for the auction. While unsuccessful, we view this as prudent capital allocation by utility management teams, which already have an attractive risk-adjusted return investment opportunity within their regulated footprint. We will look for management commentary as to how the auction results impact (if any) their strategy of pursuing offshore and their plans for jointly owned acreage with Ørsted.
  - **Financing plan:** The Company expects to issue a total of $1.2B in equity under the ATM program over the next five years and raise $600MM in total or $120MM/year from DRIP program.

- **Positioning into Qtr: Neutral**

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$3.64**	**$3.86**	**$1.21**	**$4.12**	**$4.35**	**$4.60**
Consensus			1.20	4.10	4.37	4.64
% diff.			*1%*	*1%*	*0%*	*-1%*

Source: Evercore ISI, Factset as of 4/18/22

In Line **TP $68**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q1 EPS Bridge:** we project year-over-year EPS to decrease by -$0.02 to $0.52/share. Weather last year in 1Q21 was flat to normal and weather this year this expected to be the same. Key negative YoY factors to take into account are non-regulated business outperformance in 2021 and higher depreciation & amortization. In terms of positive YoY drivers, we primarily expect higher retail demand, increased transmission margin, lower O&M expense and the benefit of the merger bill credit expiration.

- **What to look for in the earnings report (Key debates/themes):**

  - **Missouri rate case filings**: On January 7th, Evergy filed rate cases for both Missouri Metro and Missouri West. Revenue requests for both cases includes infrastructure investment to improve reliability, enhance customer service and enable transition to cleaner resources, offset by customer savings and cost reductions. The Company said a key item to note for both cases is that customer savings and cost reductions offset the higher depreciation & amortization recovery (earnings neutral), which manages the customer bill impacts. Specifically, Evergy Missouri Metro filed for a ~$44 million revenue increase with a 10.0% ROE and 51.19% equity ratio on a rate base of $3,154 million with a 6/30/21 test year and proposed true-up dates of 5/31/22. That filing includes about ~$55 million of customer savings and cost reductions. Separately, Evergy Missouri West filed for a ~$28 million revenue increase with a 10.0% ROE and 51.81% equity ratio on a rate base of $2,485 million with a 6/30/21 test year and proposed true-up dates of 5/31/22. That filing includes about ~$57 million of customer savings and cost reductions. The rate case will also address Sibley recovery ($100MM rate base). For both rate cases, EVRG notably filed for a property tax tracker. Next steps include revenue requirement testimony on June 8th and rate design testimony on June 22nd. New rates from both cases are expected to be effective on December 6, 2022. Evergy's current base rates are based on black box outcomes that became effective in late 2018.

  - **Build Transfer Agreements and PPA buy-ins**: One of Evergy's 2022 priorities is to execute Build Transfer Agreement for Kansas solar project and execute Build Transfer Agreements for 800MW of 2024-2025 wind projects and at least one PPA buy-in (100-200MW). The Company has previously stated that is planning to execute on PPA buy-ins and that could provide incremental capex opportunities and earnings upside as PTCs expire with a total of 1.2 GW to expire in the 2022-2025 timeframe; we estimate up to ~$0.10 EPS upside (or ~3% of our 2024 estimate) assuming the MWs are rate based through rate cases and ~50% financed with equity.
  - **Proposed PISA legislation**: The current Missouri (Plant In Service Accounting) PISA legislation runs through 2023, but utilities can apply to the commission to continue to operate under it, and the commission can grant up to an additional five years through 2028. The new legislation proposed in SB 756 / HB 1734 would extend and expand PISA, lower the current 3.0% CAGR to a 2.5% average annual cap, but it narrows it to apply to just the investments and activities related to PISA. The proposed law would also remove the sunset date. EVRG likes the policy, says it has been having good dialogue with stakeholders and thinks it could pass, the legislative session in MO ends in May.

  - **Pre-determination filing update**: EVRG plans to file a new application once definitive agreements are reached with the solar developer. The elements of the plan are unchanged, and the Company still expects to see approval for the cessation of coal, retirement of Lawrence 4 and the addition of 190MW of solar. While this may impact the timing of the solar addition, it does not have a meaningful impact on EVRG's earnings expectations as the structure for new solar was expected to contribute <$0.01 to annual EPS in both 2024 and 2025.

- **Positioning into Qtr: Neutral.**

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2023E
EVR ISI	**$3.10**	**$3.54**	**$0.52**	**$3.55**	**$3.75**	**$4.00**
Consensus			0.56	3.54	3.78	4.04
% diff.			*-8%*	*0%*	*-1%*	*-1%*

Source: Evercore ISI, FactSet as of 4/18/22

Outperform **TP $47**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q1 EPS Bridge:** We project 1Q22 adjusted EPS of $0.60 for Exelon, which will be reported as a standalone utility given its separation from GenCo in February 2022. Weather was mild last year and it is expected to also be so this year. In terms of positive YoY drivers for the utility (which again was not separated last year), we expect higher rates, increased 30-year treasury rate, and a reversal of Winter Storm Uri impacts that occurred during the same period last. We see the primary negative driver for the quarter being higher interest expense at the parent.

- **What to look for in the earnings report (Key debates/themes):**
  - **Comprehensive update was provided at January 2022 Analyst Day**. **We expect potentially minor changes or reaffirmation of those outlooks during EXC's first earnings call post-GenCo separation completed on February 2nd.** At its 2022 Analyst Day, Exelon lowered 2022 EPS guidance by 2% at the midpoint to $2.18-2.32/share versus $2.15-2.45/share previously. On the positive side, Exelon is now guiding to 6-8% EPS growth from 2021-2025 versus 6-8% previously for 2020-2024, and assuming linear growth at the 7% midpoint this implies a projected 2024 estimate of $2.57/share, which is 3% higher than the previous estimated disclosure of $2.50/share midpoint. EXC also rolled forward and raised its four-year capex plan to $29 billion for 2022-2025 from $27 billion for 2021-2024, with the update including a modestly higher $6.60 billion of capital for 2021 versus the $6.55 billion planned previously. The increased long-term capex program is expected to drive 8.1% rate base CAGR for 2021-2025 versus 7.6% previously for 2020-2024. Exelon expects to finance this plan with $1 billion of equity for 2022-2025 versus $1 billion previously planned for 2021-2024. This financing plan is intended to target a 2022-2024 average FFO to debt of 13-14% for S&P's current BBB rating which has a downgrade threshold of 12%, and CFO (pre-WC) to debt of 13-14% for Moody's current Baa2 rating which has a downgrade threshold of 12%. Exelon projects to grow its dividend 6-8% through 2025, in line with operating EPS. Lastly, the Company said it is always evaluating its portfolio for M&A opportunities to enhance shareholder value.

  - **Benefits of Illinois SB 2408 for Exelon**: Starting in 2024, we also see a potential ~$0.15 annual EPS benefit under the new regulatory framework. We arrive at this incremental EPS, which would be ~6% of our outer-year 2024 utility EPS estimate of $2.57, assuming the Company receives ROEs at the current 2021 prevailing national average of ~9.45% or at recent Illinois gas rate case outcomes of ~9.65%, when compared to the existing formula rate plan through 2023 where ROEs are based on the 30-year treasury rate (we assume 2%) plus 580bps. We outlook the key regulatory framework changes on page 2 of this January 10th note.

  - **PECO gas rate case**: PECO just filed a gas rate case on March 31st, requesting a $82 million revenue increase with a 10.95% ROE and 53.41% equity layer on a rate base of $2.9 billion. PECO's current allowed ROE is 10.24% and its equity ratio is 53.38%. A final order in the rate case is expected by year-end for rates effective by year-end 2023.

- **Positioning into Qtr: Neutral.**

Adj. EPS	1Q22E	2022E	2023E	2024E
EVR ISI	**$0.60**	**$2.25**	**$2.41**	**$2.57**
Consensus	0.62	2.26	2.40	2.58
% diff.	*-3%*	*0%*	*0%*	*-1%*

Source: Evercore ISI, FactSet as of 4/18/22

FirstEnergy

Outperform **TP $46**
Analyst: Michael Lonegan / Durgesh Chopra

- **Q1 EPS Bridge:** We project year-over-year EPS to decrease -$0.06 to $0.63/share, which is in the upper half of company guidance of $0.55-0.65/share. Weather was unfavorable last year and is expected to be favorable this year. In terms of positive YoY divers, we expect the primary benefits to be higher rates from Ohio grid modernization, Pennsylvania and transmission rate base growth. In terms of negative YoY drivers, we expect there to be higher O&M, depreciation, interest expense and property taxes.

- **What to look for in the earnings report (Key debates/themes):**
  - **Quiet quarter:** First Energy updated its long-term outlooks in November 2021 following the FET transaction and equity raise, issuing long-term EPS, capex and rate base outlooks through 2025. We also do not anticipate an update to 2022 EPS guidance until the third quarter after the hot summer months. We expect the primary focus for the quarter to be further emphasis on compliance and ethics, updates on the progress of FE Forward and regulatory priorities, as well as execution of the financial plan already laid out.
  - **Ohio ongoing audits**: For the Rider DMR audit, comments are due to be filed April 19th. For the Political & Charitable Spending audit, a final report is due in December 2022. For the Corporate Separation audit, the hearing was recently delayed until August 2022. The DCR audit has been stayed until otherwise ordered by the Ohio commission.
  - **SEC and FERC investigations**: there has been no major update on these investigations related to the HB6 scandal but First Energy has been saying it is hopeful for a resolution in 2022. We believe fines are likely but smaller than the $230 million one issued by the DOJ.
  - **"FE Forward" progress**: First Energy's execution of FE Forward has been strong to date. In 2021, First Energy delivered $170 million of capex efficiencies, exceeding its target of $140 million. The Company also delivered $130 million of working capital efficiencies, exceeding its $100 million target. We expect an update on FE Forward progress for 2022 to date and a refresh or reaffirmation of its goals through 2025.
  - **Rate cases**: FE is preparing to file rate cases in Maryland and West Virginia in 2023, and likely New Jersey that same year, followed by Ohio in 2024.
  - **NJ regulatory update**: In New Jersey, the AMI program was approved earlier this year and First Energy is working through settlement discussions for the EV program.
  - **West Virginia regulatory update**: In West Virginia, the Company filed in the fourth quarter of 2021 for recovery of ELJ spending and 50 MW of solar investment, and is working through those proceedings.

- **Positioning into Qtr: Neutral**

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$2.39**	**$2.60**	**$0.63**	**$2.40**	**$2.53**	**$2.67**
Consensus			0.61	2.42	2.57	2.76
% diff.			*3%*	*-1%*	*-2%*	*-3%*

Source: Evercore ISI, FactSet as of 4/18/22

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

- **Q1 EPS Bridge:** We project year-over-year EPS to decrease -$0.14 to $0.45/share. Negative YoY drivers include potential lower bank earnings driven by a return to positive provisioning expense, impacts of higher interest expense, depreciation, property taxes and lower AFUDC. For the utilities, revenue will be impacted by a return (to customers) of some of the cost savings achieved to date, under the PBR framework. In terms of positive YoY drivers, almost all of the new PBR mechanisms are now in place. We expect lower utility non-pension O&M, as Hawaiian has been guiding to this year.

- **What to look for in the earnings report (Key debates/themes):**

  - **Utility EPS growth and regulatory lag**: Hawaiian has said it continues to expect the utilities to grow EPS by 5% per year starting in 2022 through 2024 excluding any upside from PIMs, which are expected to materially improve regulatory lag which has been a persistent problem for the Company. The utility earned a LTM ROE of 8.1% for 4Q21 versus an allowed ROE of 9.5%.
  - **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. Final statements of position were filed the week of April 4th and the next step in the process is a hearing later this month.
  - **American Savings Bank**: At the bank, Hawaiian said the 2022 net income drivers reflect: 1) the PPP fee income tapering off as remaining PPP loans are forgiven, 2) allowance for credit losses that reflect anticipated continued economic improvement and reserves for loan growth, 3) a rising interest rate environment (HE assumes four Fed increases in 2022) benefits net interest margin over time, and 4) moderate operating expense increases as ASB invests in digital transformation. We suspect the four Fed increase assumption could be conservative.
  - **Oil price impact on customer bills**: while HE has aggressive renewable and decarbonization targets to be net-zero by 2040, currently about 50% of its generation is derived from conventional oil-fired steam units.
  - **Hawaiian economy**: The strength of the Hawaiian economy has large implications for the bank; recall the utilities are decoupled. January 2022 tourism arrivals were 234% above January 2021. As of March 16th, roughly 77% of Hawaii's population is fully vaccinated, including 38% with boosters. Hawaii's Safe Travels program restrictions in the US transpacific travelers and Hawaii's indoor mask mandate expired on March 25th. The state's unemployment rate has continued to lower and Oahu single family home & condominium medians sales prices have continued to rise.
  - **Cost savings progress**: The Company is on track to achieve $33mm of customer savings over the 2021 through 2025 period through a combination of capital and 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 and one standalone storage ESPPA. The Stage 2 RFP has the potential to add 382 MW of solar and 2 GWh of storage by the end of 2023.

- **Positioning into Qtr: Neutral.**

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$1.81**	**$2.25**	**$0.45**	**$2.10**	**$2.21**	**$2.32**
Consensus			0.44	2.15	2.30	2.40
% diff.			*2%*	*-2%*	*-4%*	*-3%*

Source: Evercore ISI, FactSet as of 4/18/22

In Line **TP $90**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q1 EPS Bridge:** We expect year-over-year EPS to grow +$0.03 to $0.70/share. In terms of positive YoY drivers, we expect new rates at Florida Power & Light and Gulf Power to contribute positively and we also believe the utilities will utilize part of its depreciation reserve ($200mm limit for 2022 with a balance of $1.45B) to earn the top end of its 9.7-11.7% allowed ROE band on rate base growth of 8-9%. In the Energy Resources segment, we anticipate growth to be driven by new projects added. We expect lower interest expense at the parent due to refinancing's. For the quarter, there will be a reversal of Storm Uri impacts from the same period last year that benefited gas infrastructure and had a negative impact on existing generation and customer supply & trading.

- **What to look for in the earnings report (Key debates/themes):**
  - **Messaging from new CEO**: John Ketchum was named president and CEO, with Jim Robo to become executive chairman, effective March 1st. Ketchum has served as CFO of NextEra, president and CEO of NEER and President of NEP, holding each of these roles for roughly three years.
  - **Renewable origination**: NextEra originated at a slower but still strong 1,500 MW pace in 4Q21 as compared to the very strong 2,160 MW in the prior quarter. The Company has delivered strongly in the midst of rising inflation and supply chain issues, commissioning 3,800 MW of renewables and storage in 2021 for a total of >9,500 MW placed in service over the last two years.
  - **US to investigate solar panel tariff circumvention in Asia**. On March 28th, the US Department of Commerce announced it will investigate whether solar panels imported from Malaysia, Cambodia, Vietnam and Thailand evaded tariffs imposed in 2012 on solar cells and modules by Chinese companies. These four countries accounted for more than 85% of US solar panel imports during 4Q21. The Department of Commerce's decision was based on a February petition from California-based Auxin Solar alleging the companies were set up in those locales to evade the anti-dumping provisions. Domestic US production stands to gain from any actions while renewables providers including NextEra see the investigation as a potential problem for solar as well as a threat to US climate goals. The EEI also criticized the US Department of Commerce's decision saying "the initiation of these inquiries will have a harmful and disruptive impact on the solar supply chain, resulting in increased costs, project delays and job losses. Ultimately, this will impede the nation's clean energy transition and increase costs for electricity customers." The US Department of Commerce will issue preliminary findings in 150 days with a final determination in up to one year as the entity asks for information from related companies. NextEra stated that it is optimistic that the investigation will be resolved favorably and that no additional Antidumping and Countervailing Duties tariffs will be put in place. While some of NextEra Energy's solar and storage projects may be adversely impacted by the disruption this decision is expected to cause, NEE said it will work closely with its suppliers and customers to assess the potential impacts of this investigation and remains confident in its ability to arrive at acceptable mitigation measures. In conjunction with this development, the Company reaffirmed its long-term EPS growth forecast through 2025. For 2022, this equates to $2.75-2.85 and for 2023 through 2025, NextEra still expects to grow roughly 6-8% per year off the 2022 EPS guidance. Consistent with prior disclosure, NEE said it will be disappointed if does not deliver at or near the top end of its EPS expectation ranges in each of 2022, 2023, 2024 and 2025.
  - **Net metering bill**: Florida net metering bill HB 741 recently became law. It directs the PSC to change net metering requirements and have customers pay the full cost of electric service (beneficial to NEE) instead of that being subsidized by non-net metering customers, which utilities like NextEra have argued would amount to hundreds of millions of dollars.
  - **2022 Investor Day**: NextEra will host a 2022 Investor Day on June 14th in New York City. Expect forward projects on long-term EPS, capex and cost management, among other details.

- **Positioning into Qtr: Neutral.**

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$2.31**	**$2.55**	**$0.70**	**$2.85**	**$3.05**	**$3.30**
Consensus			0.68	2.81	3.04	3.26
% diff.			*3%*	*1%*	*0%*	*1%*

Source: Evercore ISI, FactSet as of 4/18/22

NiSource

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

- **Q1 EPS Bridge**: We project year-over-year EPS to increase +$0.04 to $0.80. Recall that NiSource adjusts weather out of its non-GAAP EPS results. We expect rate relief to be the primary driver of positive YoY benefits. In terms of negative YoY drivers, we expect higher O&M, increased depreciation & amortization, share dilution and lower non-controlling interest earnings.

- **What to look for in the earnings report (Key debates/themes):**

  - **Indiana IRP**: NiSource has said analysis is underway on investment opportunities resulting from the outcome of the 2021 Indiana IRP. The Company estimates that investments of up to $750 million will be necessary to replace (to go into service in 2026-2028 timeframe) the retiring coal capacity associated with Michigan City Generating Station, as well as gas peaking units 16A and 16B at the Schafer Generating Station. NiSource said the NIPSCO portion of this investment will be better understood as bids in the RFP are further evaluated, we would expect additional details on the upcoming analyst day later in the year.

  - **Strategic review**: New President & CEO Lloyd Yates stated that as part of the Company's strategic review NI will evaluate its portfolio of assets. We do not expect much of an update on the strategic review process on the 1Q22 call and believe it is likely to come in more detail at the summer 2022 Investor Day (vs previous expectation of investor day in May). One of Yates' key priorities is to extend the Company's EPS CAGR outlook of 7-9% beyond 2024

  - **Ohio rate case**: NiSource recently received a Staff recommendation last week with a revenue recommendation of $46 (average) million versus a $221 million request with the difference driven by the most by the disallowance of $70 million of O&M expense and the delta between the ROE request of 10.9% versus Staff's range of 9-10%. The equity ratio request of ~51% was not disputed. NI currently has an allowed ROE of 10.4% and equity ratio of 51% in Ohio.

  - **Indiana gas rate case**: NI recently reached a settlement agreement earlier in April for a $72 million revenue increase versus a request of $110 million. The Company also settled on an ROE of 9.8% versus a request of 10.5% with an unchanged equity ratio of 57%. The settlement in this case for authorized ROE and equity layer match NiSource's current make-up for Indiana gas.

  - **2022 Analyst Day**: the original May 2022 planned Analyst Day will be pushed to later this summer in light of the US investigation into solar panel tariff circumvention in Asia.

- **Positioning into Qtr: Negative**. We are expecting some reversal of material YTD outperformance (16% vs Utes 12%) over the next few weeks especially in light of a delayed Investor day (as discussed). We also think staffs position in their ongoing OH rate case is a negative development for the stock.

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$1.32**	**$1.37**	**$0.80**	**$1.45**	**$1.54**	**$1.73**
Consensus			0.80	1.45	1.55	1.73
% diff.			*0%*	*0%*	*-1%*	*0%*

Source: Evercore ISI, FactSet as of 4/18/22

In Line **TP $42**
Analyst: Durgesh Chopra

- **Q1 EBITDA Bridge:** We project NRG's 1Q22 EBITDA to be $500MM, $67MM lower than 1Q21 adjusted EBITDA of $567MM. Positive YOY drivers include Direct Energy acquisition synergies and higher PJM capacity revenues more than offset by coal supply related headwinds, Limestone Unit one outage and previously announced asset sales.

- **What to look for in the earnings report (Key debates/themes):**
  - **Power Prices.** We will look for management commentary around implications for their retail margins. NRG currently purchases power (over what they can produce from their generation assets) to service their retail contracts. They have hedges in place which limit downside risk from rising power prices.
  - **$1 Billion Share Repurchase Program.** In December 2021, NRG completed the previously announced 4.8GW asset sale and introduced $1 billion share repurchase program through 2022. This is part of their $2.7B buyback plan through 2025 announced at their Analyst Day last year. As of the fourth quarter call, they had executed ~$120MM in share repurchases.
  - **Texas securitization proceeds**. NRG expects $600MM in proceeds around mid-year 2022.
  - **Limestone Unit 1 Outage**. On the second-quarter earnings call last year, NRG reported a forced outage at their 890MW limestone Unit 1 coal plant in TX until year-end which was subsequently extended to April 2022 ($50MM EBITDA hit in 2022 included in guidance and our estimates). We will look for an update on the call as the plant is scheduled to be back online this month**.**
  - **2022 capital allocation plan.** Including Storm Uri proceeds of ~$600MM, the company projects $1.9B in cash to be generated in 2022. $1.3B is allocated towards remaining share buybacks and dividends. They have committed to $170MM in investments and another $100MM to increase minimal cash balance, leaving $310MM yet to be assigned

- **Positioning into Qtr: Neutral**

Adjusted EBITDA

Adj. EBITDA	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$2,004**	**$2,423**	**$500**	**$2,200**	**$2,300**	**$2,350**
Consensus			575	2,184	2,317	2,390
% diff.			*-13%*	*1%*	*-1%*	*-2%*

Source: Evercore ISI, FactSet as of 4/18/22

In Line **TP $39**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q1 EPS Bridge:** We project year-over-year utility (plus parent) EPS to increase +$0.10 to $0.16/share. Weather was $0.03 favorable last year and we expect it to be $0.02 favorable this year. The primary positive YoY drivers include a reversal of Storm Uri impacts from last year, load growth and contributions from the Oklahoma Grid Enhancement mechanism. In terms of negative YoY drivers, we expect higher depreciation and property taxes, increased O&M, higher interest expense, and lower formula rates in Arkansas. Note our full-year 2022-2023 EPS estimates of $2.29 and $2.18, respectively, include an ET contribution, while our 1Q22 forecast does not. We assume all ET ownership is sold by year-end 2023.

- **What to look for in the earnings report (Key debates/themes):**

  - **Oklahoma rate case**: OGE spoke to a recently-filed rate case that is primarily filed for recovery of $1.2 billion of investments, the expansion of the current Grid Enhancement Mechanism and the introduction of a Performance Based Rate Plan (PBR). Specifically, OGE requested a revenue increase of $163.5 million an allowed ROE of 10.2%, equity ratio of 53.37% on a rate base of $6.2 billion with a test year ended September 30, 2021, pro-forma period through March 31, 2022. The single largest category is the impact to depreciation expense, driven by the increase in net plant, as well as a proposed increase in depreciation rates. OGE requested a PBR with a five-year initial term and structure like those approved for Oklahoma gas utilities to provide a streamlined process for annual reviews of OG&E's costs and overall performance. If approved, the PBR will replace most of OG&E's riders after the first annual PBR review in 2023. Notably, OGE also requested an extension and expansion of the Grid Enhancement Mechanism through 2024 (or 2023 if the PBR is approved). The Company is expanding the mechanism to include weather hardening categories, identified after the October 2020 ice storm. In Oklahoma OGE is permitted to implement interim rates, subject to refund, 180 days after the case is filed. Therefore, the Company could implement interim rates July 1, 2022. If this case follows the same cadence of our last two cases, OGE said it would expect: responsive testimony in late-April, OG&E rebuttal in mid-May, settlement discussions in mid-May, hearing in June, and interim rates, if no order, by July 1st. The Company said it plans to file frequent, small rate cases going forward.
  - **Energy Transfer unit planned exit**: OGE has been saying it plans to sell the "majority" of its ET units this year, with a full planned exit in the near future.
  - **IRP**: OGE has issued the RFPs, received the bids back in March, then make selections likely in June that will be layered into the capex program. The Company is targeting 100% ownership of the replacement power with a plan to add 100-150 MW per year to smooth the customer bill impact. Any investment would be incremental to the current capex plan.
  - **Securitization of Winter Storm Uri costs**: in December, the Oklahoma commission approved securitization of $740 million of the $750 million Winter Storm Uri costs will be recovered over a 28-year period and result in 2% annual customer bill increases. OGE is still awaiting a securitization ruling from the state's Supreme Court at any time and proceeds are expected in the first half of the year.
  - **Arkansas formula rate extension filing**: In Arkansas, OGE has a pending FRP extension request for a five-year extension. The Company's initial FRP term ends when then the 12-months ending March 31, 2023 is complete. The FRP extension period will end March 31, 2028. OGE is also requesting a 10 basis point increase to the target ROE, from the current target ROE of 9.5% to 9.6%. A couple of weeks ago the Commission issued an order approving the extension but has still not ruled on the ROE or capital structure, for which a decision is expected by May 15th on that.

- **Positioning into Qtr: Neutral.**

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$2.08**	**$2.36**	**$0.16**	**$2.29**	**$2.18**	**$2.16**
Consensus			0.17	2.06	2.12	2.22
% diff.			*-4%*	*11%*	*3%*	*-3%*

Source: Evercore ISI, FactSet as of 4/18/22. Note our full-year 2022-2023 EPS estimates include an ET contribution, while our 1Q22 does not. We assume all ET ownership is sold by year-end 2023.

PINNACLE WEST CAPITAL CORPORATION

Underperform **TP $68**
Analyst: Michael Lonegan / Durgesh Chopra

- **Q1 EPS Bridge:** We project year-over-year EPS to decrease -0.27 to $0.05/share. Note that Q1 is typically a small contributor to full-year earnings for PNW given that the vast majority typically comes in the hot Arizona summer months. Weather was favorable last year in 1Q21 and is expected to be relatively normal this year over the course of the quarter as you can see from the weather data on the Company's PNW website. In terms of negative YoY drivers, we see lower rates, increased D&A, higher property taxes, increased interest expense, a reversal of a 2021 income tax benefit, and lower pension contribution. In terms of positive YoY drivers, we expect sales / customer growth, lower O&M, plus modestly positive contributions from the LFCR and TCA riders.

- **What to look for in the earnings report (Key debates/themes):**

  - **Quiet quarter given bulk of earnings comes in hotter Arizona months**: the first quarter typically contributes a small portion of consolidated earnings for Pinnacle West given that the second and especially third quarters during the hotter months in Arizona are the critical ones, as they are for many electric utilities though even more so for PNW. For example, in 2020-2021, the first quarter represented just ~6% of Pinnacle West's full-year consolidated EPS. Given the small expected contribution from the first quarter, we expect PNW to reaffirm its guidance.

  - **Next rate case**: PNW will file another rate case in mid-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. The Company may be looking for a rate case stay-out option.

  - **Reset story**: We expect the Company to continue to pitch a 2022 reset story for its stock after what it deems a unique rate case outcome. After a decline in 2022E, EPS is forecasted to grow 5-7% CAGR through 2026 off 2022 levels, which we note is very dependent on the next rate case. 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. In November following the rate case outcome, Pinnacle West was downgraded by Moody's to Baa1 from its prior A3 rating and the company remains on a Negative outlook.

  - **Sales growth**: the economy and its outlook has remained very strong in Arizona. Pinnacle West reported very strong +4.2% weather-normalized electric sales growth with fourth quarter results. The Company expects +1.5-2.5% weather-normalized sales growth this year and +3.5-4.5% annually for 2022-2024.
  - **O&M management**: 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.
  - **Arizona rate case appeal**: PNW has an outstanding appeal for a prudency determination made on SCRs as well as reduction of ROE as penalty. The deadline for opening briefs was pushed back to April 27th. Once Pinnacle West files the opening briefs, the Commission will have an opportunity to file a response, then PNW will have an opportunity to file a reply to their response. Oral arguments are usually set after all briefing is done, but it is not expected to happen for a while, most likely towards the end of this year or early next year.
  - **Recent conversations with ACC commissioners**: Pinnacle West has been saying it has been engaged in constructive conversations with the Arizona commissioners covering a range of topics including: the financial impacts of the decision in the last rate case, reflected in the actions taken by the credit agencies, the reset in EPS guidance. The Company also said it spoke about the sizable amount of capital needed to keep up with Arizona's growth, the tight capacity market in the region amid commissioner concerns about overbuilding, the benefit of renewables for keeping rates low and in accordance with achieving the state's goals, the coal community transitions, and environmental justice, among other items.

- **Positioning into Qtr: Neutral.**

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**4.87**	**5.47**	**0.05**	**4.00**	**4.20**	**4.50**
Consensus			0.05	4.01	4.18	4.47
% diff.			*-2%*	*0%*	*0%*	*1%*

Source: Evercore ISI, FactSet as of 4/18/22

Outperform **TP $71**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q1 EPS Bridge:** We project year-over-year adjusted EPS to decrease by -0.15 to $1.13/share. In terms of negative YoY drivers, at the utility we expect lower transmission earnings from the FERC settlement, higher D&A and loss of earnings from the fossil sale net of the remaining Power contribution. In terms of the primary positive YoY drivers, we expect rider revenue, a higher gas margin, increased pension contribution, lower O&M, and a tax benefit.

- **What to look for in the earnings report (Key debates/themes):**

  - **Infrastructure Advancement Program:** A decision in PEG's four-year $848 million Infrastructure Advancement Program (included in current capex pan) filing submitted in November 2021 is expected in the fall of 2022.

  - **Offshore wind transmission:** PSEG submitted nine bids in September 2021. All four stakeholder meetings have now been held. A PJM recommendation on technical ability could come soon. A final NJ commission decision is expected in the third quarter or fourth quarter 2022. PEG has highlighted that offshore wind transmission could be >$1B investment opportunity over the back half of the decade. We estimate this would represent ~$0.10 annual EPS upside or 2% of the Company's consolidated 2025 guidance using a 6% CAGR (versus 5-7% guidance) through the forecast period.

  - **Balance sheet capacity**: the primary focus of the $3.5 billion balance sheet capacity is first reinvesting in utilities, then offshore contracted wind-related investment, then supporting the dividend and repurchasing shares. We also estimate that this balance sheet capacity (if deployed) could provide ~$0.35 potential 2025 EPS upside or 9% of the consolidated guidance using that same 6% CAGR through the forecast period.

  - **Federal legislation benefits for nuclear:** PEG spoke to the significant benefits it would potentially receive from nuclear PTCs given its large fleet.

  - **Share repurchases:** On March 14th, PEG entered into a Master Confirmation and Supplemental Confirmation with Goldman Sachs to start an accelerated share repurchase (ASR agreement) of $250MM of shares of its outstanding common stock. The share repurchases pursuant to the agreement will be completed under PEG's current share repurchase authorization. PEG will receive initial delivery of 3MM shares of common stock on March 16th, or 80% of the total shares initially underlying the agreement, based on the closing price of the common stock of $65.72 on March 11th. The total number of shares that PEG will repurchase under the agreement will be based on the VWAP of the common stock during the term of the agreement, less a discount, and subject to potential adjustments pursuant to the terms and conditions. As of 4Q21, PEG had already completed $250MM of its $500MM announced share buyback.

  - **Leadership succession:** PSEG announced that Ralph Izzo, chair, president and CEO, will retire from the company with his last day being December 31, 2022. As part of a planned leadership succession process, the PSEG board elected Ralph LaRossa, COO, as president and CEO effective September 1, 2022. Izzo will serve as executive chair of the board effective September 1 until his retirement. He will continue to lead the board and work closely with LaRossa, who will assume the additional responsibilities of chair on January 1, 2023.

- **Positioning into Qtr: Neutral**

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$3.43**	**$3.65**	**$1.13**	**$3.45**	**$3.65**	**$3.85**
Consensus			1.11	3.47	3.71	3.95
% diff.			*2%*	*-1%*	*-2%*	*-2%*

Source: Evercore ISI, FactSet as of 4/18/22



Outperform **TP $171**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q1 EPS Bridge:** We project year-over-year EPS to decrease -$0.27 to $2.68/share. We expect weather to be modestly favorable this year. At SDG&E, we expect an increase from a step-up in FERC rate base and at SoCal gas flat results. We assume 20% seasonality for Q1 as applied to the Oncor annual guidance and adjust Mexico for it's pro rata share. For LNG, we assume ratable earnings based on annual guidance. At the parent, we model additional interest drag and lower dividends from the preferred series B conversion offset. Lastly, we apply a lower share count from the buybacks.

- **What to look for in the earnings report (Key debates/themes):**
  - **Sempra announced two memoranda of understanding (MOU) agreements with TotalEnergies.** The first MOU is for Vista Pacífico LNG where TotalEnergies could potentially contract for approximately one-third of the long-term export production of the facility under development on Mexico's West Coast and be a minority equity investor in the project. The second MOU provides a framework for collaboration on North American renewable energy projects including potential for SRE to own 30% equity interest in TotalEnergies' proposed offshore wind project off the coast of California and TotalEnergies potential acquisition of 30% equity in certain Sempra's renewable and energy storage projects in North Mexico. We view this as a positive development for SRE bolstering their LNG growth profile. Vista Pacífico LNG project is expected to be a mid-scale facility (~2-2.5 Mtpa) under development on Mexico's West Coast. We estimate ~$2b in total investment which assuming low double digit targeted returns at historic 70% ownership would translate into ~$200m in annual EBITDA contribution upon in-service. Given the interest and momentum around LNG we could see Sempra FID the project next year for a 2026 targeted completion. We are also encouraged by collaboration on other renewable energy projects but would expect SRE (as they have) to be disciplined capital allocators when considering risk/reward on offshore investments vs. growing their existing regulated and infrastructure platform.

  - **Oncor rate case to be filed in June 2022**: Sempra plans to file in June 2022 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 that two-thirds of the capex program is dedicated towards customer growth, we would expect the rate increase ask to be small and not controversial.

  - **Rate cases planned for next year**: Sempra plans to file rate cases in California at its SoCal Gas and SDG&E utilities.

  - **Off-cycle cost of capital application:** SDG&E filed an off-cycle cost of capital application with the California commission, requesting a decision in the first half of 2022. 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. SDG&E also plans to file a 2023-2025 cost of capital filing ($0.05-0.10 EPS including in guidance range) this month.

  - **SRE announced a heads of agreement with TotalEnergies, Mitsui, Mitsubishi, and NYK for Cameron LNG Phase 2**. On April 4th, Sempra Infrastructure Partners (SIP) announced it entered into a heads of agreement (HOA) with TotalEnergies, Mitsui, Mitsubishi, and NYK for the development of the Cameron LNG Phase 2 export project in Louisiana. The HOA provides the commercial framework for the expansion of the Cameron LNG facility by adding a fourth LNG train and increasing the production capacity of the three operating trains through debottlenecking activities. The HOA also contemplates the allocation to SIP of 50.2% of the projected fourth train production capacity and 25% of projected debottlenecking capacity under tolling agreements, with the remaining capacity allocated equally to the existing Cameron LNG Phase 1 customers. Sempra Infrastructure plans to sell the LNG corresponding to its capacity under long-term sale and purchase agreements prior to taking a final investment decision. SIP also announced that Cameron LNG awarded two Front-End Engineering Design (FEED) contracts to Bechtel Energy and a JV between JGC America and Zachry Industrial. At the conclusion of this competitive FEED process, one contractor will be selected to be the engineering, procurement and construction contractor for the project. The proposed Cameron LNG Phase 2 project is expected to include a single LNG train with a maximum production capacity of 6.75Mtpa of LNG (~$4b capex generating ~$600m annual EBITDA by our estimate), as well as debottlenecking of the existing three LNG trains. The project is expected to include certain design enhancements resulting in a more cost-effective and efficient facility, while also reducing overall emissions. The HOA is a preliminary non-binding arrangement, and the development of the Cameron LNG Phase 2 project remains subject to reaching definitive agreements, securing all necessary permits, and reaching a final investment decision by each of the Cameron LNG partners.

- **Positioning into Qtr: Neutral:**

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$8.03**	**$8.43**	**$2.68**	**$8.50**	**$8.95**	**$9.65**
Consensus			2.75	8.49	8.94	9.54
% diff.			*-3%*	*0%*	*0%*	*1%*

Source: Evercore ISI, FactSet as of 4/18/22

Southern Company

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

- **Q1 EPS Bridge:** We project year-over-year EPS to decrease -$0.11 to $0.87/share. Weather was $0.03 unfavorable last year and we expect similar this year. For additional negative YoY drivers, we expect the company to see higher O&M, increased interest expense, higher depreciation & amortization, increased taxes other than income, and lower Southern Power earnings from a one-time reversal of a gain of sale on wind turbines from last year. In terms of positive YoY drivers, SO should primarily benefit from rate increases and sales growth.

- **What to look for in the earnings report (Key debates/themes):**
  - **Vogtle**: in February and March 2022, the ITTACs were completed more quickly than targeted, with 30 completed in February and 20 in March versus the goal of six and three, respectively. Southern is expecting to complete 12 in April. Expect an update on the conference call for a reforecast (lower) of May-July ITTAC completion targets. VCM testimony was made on April 13th and unit 3 is expected to be commercially operational in December 2022-March 2023, consistent with Southern's most recent expectations for in-service dates of 4Q22 or 1Q23. As stated in the testimony, unit four is expected to be in service in September 2023-December 2023, also consistent with SO's most recent expectations for 3Q23 or 4Q23 in-service dates. Georgia Power's share of the total capital cost remains $10.4 billion. A Vogtle schedule extension beyond Nov. 2021 and 2022 required an affirmative vote which passed in March from the owners to proceed with the project.

  - **Georgia rate case**: will likely be filed in late June 2022 with a July 1st deadline. Expect a final decision in December 2022 after the November election with the current existing commissioners to make the final decision before newly elected terms become effective in January 2023.

  - **Georgia IRP**: filed on January 31st. Staff and intervenor testimony is scheduled for May 6th with hearings on May 24-275th and a final decision expected on July 21st.

  - **Potential asset sales**: no plans to divest any assets right now but could evaluate portfolio if further cost over-runs with Vogtle.

- **Positioning into Qtr: Neutral:**

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$3.25**	**$3.41**	**$0.87**	**$3.55**	**$3.85**	**$4.10**
Consensus			0.90	3.55	3.81	4.14
% diff.			*-3%*	*0%*	*1%*	*-1%*

Source: Evercore ISI, FactSet as of 4/18/22



Outperform **TP $27**
Analyst: Durgesh Chopra

- **Q1 EBITDA Bridge:** We project VST's Q1 EBITDA to be $750MM which is ~25% of our FY 2022 EBITDA estimate of $3,200MM. VST's Q1 contribution (pre-Uri) has historically been in the 20-25% range.

- **What to look for in the earnings report (Key debates/themes):**
  - **Power Prices**. We expect VST to strike a bullish tone as they benefit from higher forward price curves. Given they are ~95% hedged in 2022 the likely uplift would be in 2023 and beyond EBITDA projections.
  - **$2B Share Buyback through 2022.** In the third quarter last year, Vistra announced the pricing of 1MM shares of 8% fixed-Rate Redeemable Preferred Stock at $1,000 per share. VST intends to use $1B in proceeds towards recently adopted $2B share repurchase program starting Nov 2021 through Dec 2022. As of the fourth quarter earnings call VST had completed $764MM in share repurchases.
  - **Texas securitization proceeds.** Vistra could receive up to $500MM in proceeds around mid-year 2022.
  - **Moss landing outage.** Late on February 13, the early detection safety system activated in the Moss 100 building (100MW battery storage site in CA).There are no injuries to personnel and the company stated that an investigation is underway. Internal analysis suggest that the water-based suppression system released water that contacted some batteries. VST stated that there is early evidence that water hoses leaked and that some batteries shorted, creating smoke in the building, similar to what was observed with the September incident at Moss 300 (300MW battery storage site in CA). The company has taken the 100MW site offline and is paused restart activities at Moss 300 which has been offline since Sep 2021. They will pursue insurance claims and warranties to the extent available. We project <$50MM (~1% of our 2022E of $3.2B) annual EBITDA contribution from the two sites and as such don't anticipate material financial implications. Recall that in January VST announced it would expand Moss Landing, adding a new 350-MW/1,400-MWh battery energy storage system (BESS) at the site. We will look for an update on remedial action and timeline to bring the two sites back online.
  - **VST Zero**. Vistra expects it will grow its Vistra Zero portfolio to more than 5 GWs by year-end 2026 with the ~$5 billion in development capital funded by project debt and other financings ($3.5B), Vistra Zero project cash flow($0.5B), and $1B preferred stock offering proceeds. Vistra Zero, which is expected to grow to a $450-500 million Adj. EBITDA, highly contracted business in five years.
- **Positioning into Qtr: Neutral:**

Adjusted EBITDA

Adj. EBITDA	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$3,766**	**$1,941**	**$750**	**$3,200**	**$3,250**	**$3,300**
Consensus			728	3,113	3,258	3,259
% diff.			*3%*	*3%*	*0%*	*1%*



In Line **TP $97**
Analyst: Durgesh Chopra / Sharon Wang

- **Q1 EPS Bridge:** We project year-over-year EPS to increase $0.08 to $1.69 in Q1 2022. Positive drivers include return to normal weather ($0.03), favorable weather this year ($0.05), which was 6.6% colder than Q1 2021, Jayhawk project ($0.01), amortization of the Transmission escrow, earnings sharing mechanism for Wisconsin Public Service and WEPCO ($0.07), North Shore Gas rate increase ($0.02), and Michigan Gas rate increase ($0.01). Offsetting those are headwind with fuel (-$0.02), higher D&A expense (-$0.05), and tax expense (-$0.04). WEC is not expected to adjust the current guidance in this call.

  What to look for in the earnings report (Key debates/themes):
  - **WI rate case filing.** WEC will file forward test year 2023-2024 base rate case by 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 is straightforward and will be largely about renewable and resilience capital and recovery of capital projects that the commission has already approved.
  - **QIP (Qualified Infrastructure Plan) Rider:** Earlier in February, there was legislation introduced in IL to eliminate the QIP rider. Management pointed to several attempts in the past to end the rider recovery currently in place through 2023, but does not expect any material action as a result. The company said this program is important for the citizens of Chicago, and receives tremendous labor support. Having not seen the light of day, the rider currently supports $280-300MM on average in investment or ~$0.05 (or 1%) annual EPS contribution for WEC.
  - **Financing plan:** WEC do not foresee issuing equity to fund their unchanged five-year capex plan of $17.7 billion

- **Positioning into Qtr: Neutral**

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$3.79**	**$4.11**	**$1.69**	**$4.27**	**$4.55**	**$4.91**
Consensus			1.63	4.30	4.57	4.87
% diff.			*4%*	*-1%*	*-1%*	*1%*

Source: Evercore ISI, FactSet as of 4/18/22

Outperform **TP $75**
Analyst: Durgesh Chopra / Sharon Wang

- **Q1 EPS Bridge:** We project year-over-year EPS to decrease $0.02 to $0.65/share, excluding one-time trading margin last year ($-0.04). Positive YoY drivers include favorable weather, higher electric and natural gas sales volumes, capital riders, as well as new rates in Minnesota, North Dakota, Wisconsin, and New Mexico. In terms of negative drivers, Colorado coal plant outage in January 2022 will be a drag. O&M should be up 1-2% versus the same period last year. Higher depreciation, interest expense, and property taxes should also contribute negatively. The company typically does not adjust guidance in the first quarter call.

- **What to look for in the earnings report (Key debates/themes):**
  - **Regulatory timeline:** Minnesota three-year electric rate case and Minnesota gas rate case are ongoing, with interim rates approved in December 2021 and final decision expected in Q2 2023. Intervener testimony of both cases will come out later in the fall. The company also filed Colorado gas RC in January, with a decision expected in 2H 2022 and rates effective in November 2022. In September 2021, XEL filed an ND gas case requesting the rate increase of ~$7 million. Interim rates of ~$7 was approved in October 2021, and decision is expected in early fall 2022.
  - **Settlement approved in PSCo Colorado electric rate case.** In March 2022, commission without modification approved the settlement for Colorado electric rate case. The settlement terms include a net electric rate increase of $177 million with a ROE of 9.3% and an equity ratio of 55.69%. New rates will be effective April 1, 2022. The rate increase is in line with our projections, and we estimate the PSCo electric business contribution is roughly ~30% of XEL's 2024 annual EPS.
  - **Settlement approved in SPS New Mexico electric rate case**. In February 2022, the settlement in SPS New Mexico electric rate case was approved with rates effective by month end, which include net base rate increase of ~$177 million, ROE of 9.3%, equity ratio of 55.69%, and a current 2021 test year.
  - **Settlement of Colorado transmission approved**: The Colorado Pathway settlement was approved by the Commission in March 2022, which represents $1.7 billion in transmission backbone investment in Colorado, including $1.3 billion ($700mm incremental to current base plan) in 2021-2025 and $400mm in 2026-2027. The investment would enable 5,500 MW of renewable generation, through 560 miles of 345 kV lines with three new and four expanded substations.
  - **Minnesota Resource Plan approved**: XEL received approval for Minnesota IRP in February 2021. Key items include coal plants King (511 MW) to retire in 2028, Sherco 3 (517 MW) to retire in 2030, 1100 MW of gas combustion turbine plants, building additional transmission lines from the site of retiring coal units, an increased amount of renewables, and nuclear Monticello's extension to 2040.
  - **Colorado Resource Plan:** The Plan was filed in March 2021 with settlement reached in November and anticipated decision in Q2 2022 now (end of April or May). It will address remaining coal unit retirements of Comanche 3 (500 MW) by 2034 with reduced operations beginning in 2025, Pawnee (505 MW) conversion to gas by 2026, and Hayden 1&2 (233 MW) retirements in 2028 / 2027, respectively. Targets will be consistent with the company's goal to reduce carbon emissions by 80% by 2030 and coal exit by 2034. CPUC wants to consider a 2029 retirement for Comanche 3 as part of the resource plan, which would accelerate PSCo's full coal exit to 2029. In terms of $1.5 - $2.5 billion incremental capex opportunities in the capex plan, XEL said they are not going to have a commission decision until 2023 due to the RFP process after the resource plan decision, which will likely be layered into the plan in late 2022 to 2023.
  - **MISO project:** MISO transmission capex award could bolster LT earnings profile (2025+). Potential for up to $5-$6 billion investment, which could result in ~$0.25 annual EPS upside or 7% of our 24E. $10.4 billion of projects to be awarded by MISO in the Tranche 1 component of Phase 1 in July 2022. The total $30 million to be awarded in all of Phase 1 should be awarded over the next few years
  - **Colorado comprehensive settlement of storm impact:** In October 2021, XEL filed a settlement to recover Colorado storm Uri costs of $550MM. Commission decision is anticipated in 2022 H1.
- **Positioning into Qtr: Neutral.**

Adj. EPS	2020A	2021A	1Q22E	2022E	2023E	2024E
EVR ISI	**$2.79**	**$2.96**	**$0.65**	**$3.19**	**$3.39**	**$3.60**
Consensus			0.70	3.17	3.40	3.63
% diff.			*-7%*	*1%*	*0%*	*-1%*

Source: Evercore ISI, FactSet as of 4/18/22

Q1 Estimates vs. Consensus and Positioning for Quarter

Q1'22 EPS Estimates vs. Consensus

Ticker	Evercore ISI	Consensus	% Diff	Positioning for Q1	
AES	0.25	0.31	-20.4%	Neutral	
AEE	0.98	0.95	3.1%	Positive	✓
AEP	1.18	1.22	-3.2%	Neutral	
CMS	1.15	1.10	4.9%	Neutral	
CNP	0.47	0.49	-3.1%	Neutral	
D	1.17	1.17	-0.2%	Neutral	
DTE	2.18	1.98	10.1%	Positive	✓
DUK	1.32	1.33	-0.8%	Neutral	
ED	1.50	1.49	0.6%	Neutral	
ES	1.21	1.20	0.8%	Neutral	
ETR	1.31	1.38	-5.2%	Negative	✓
EVRG	0.52	0.56	-7.9%	Neutral	
EXC	0.60	0.62	-3.3%	Neutral	
FE	0.63	0.61	2.9%	Neutral	
HE	0.45	0.44	1.5%	Neutral	
NEE	0.70	0.68	2.9%	Neutral	
NI	0.80	0.80	0.3%	Negative	✓
OGE	0.16	0.17	-3.8%	Neutral	
PEG	1.13	1.11	1.8%	Neutral	
PNW	0.05	0.05	-1.9%	Neutral	
SO	0.87	0.90	-3.5%	Neutral	
SRE	2.68	2.75	-2.5%	Neutral	
WEC	1.69	1.63	4.0%	Neutral	
XEL	0.65	0.70	-7.1%	Neutral	
Average			**-1.2%**		

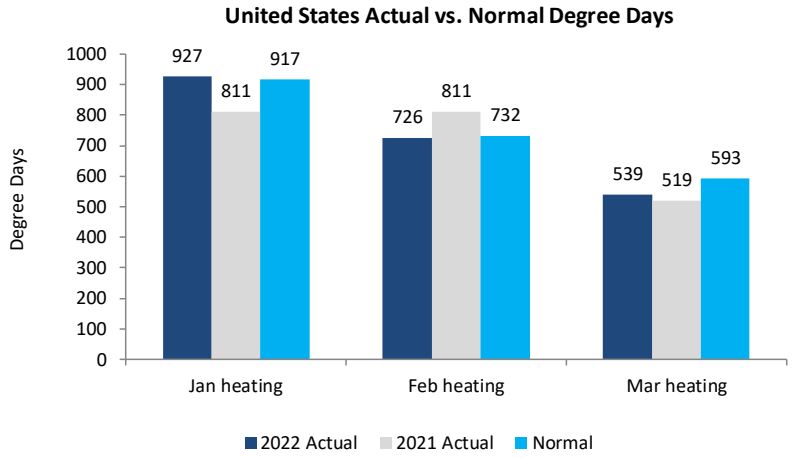
Q1'22 EBITDA Estimates vs. Consensus ($mm)

Ticker	Evercore ISI	Consensus	% Diff	Positioning for Q1
CEG	638	605	5.5%	Neutral
NRG	500	575	-13.0%	Neutral
VST	750	728	3.0%	Neutral
Average			**-5.0%**	

Source: Everocre ISI, FactSet. Consensus as of 04/18/22

US weather in 1Q 2022 was modestly colder versus last year but milder than normal.

- Based on National Oceanic and Atmospheric Administration (NOAA) heating degree-days data, the weather in 1Q22 was 2% colder vs. last year on average across US, despite warmer Pacific region, flat South Atlantic and Mountain regions. The weather was rather mild vs. normal except for Central and Mountain regions. Our discussion with companies under the coverage universe suggest mixed bag (positive and negative) implications on quarterly results but not material enough to impact full year 2022 earnings expectations.



Region	Q1 2022	Q1 2021	Norm	% change vs. year-ago	% change vs. norm
New England	3,091	2,944	3,179	5%	-3%
Middle Atlantic	2,882	2,749	2,968	5%	-3%
NE Central	3,209	3,050	3,227	5%	-1%
NW Central	3,455	3,209	3,326	8%	4%
South Atlantic	1,369	1,369	1,523	0%	-10%
SE Central	1,817	1,755	1,895	4%	-4%
SW Central	1,333	1,286	1,270	4%	5%
Mountain	2,359	2,356	2,321	0%	2%
Pacific	1,316	1,492	1,419	-12%	-7%
U.S.	2,192	2,141	2,242	2%	-2%

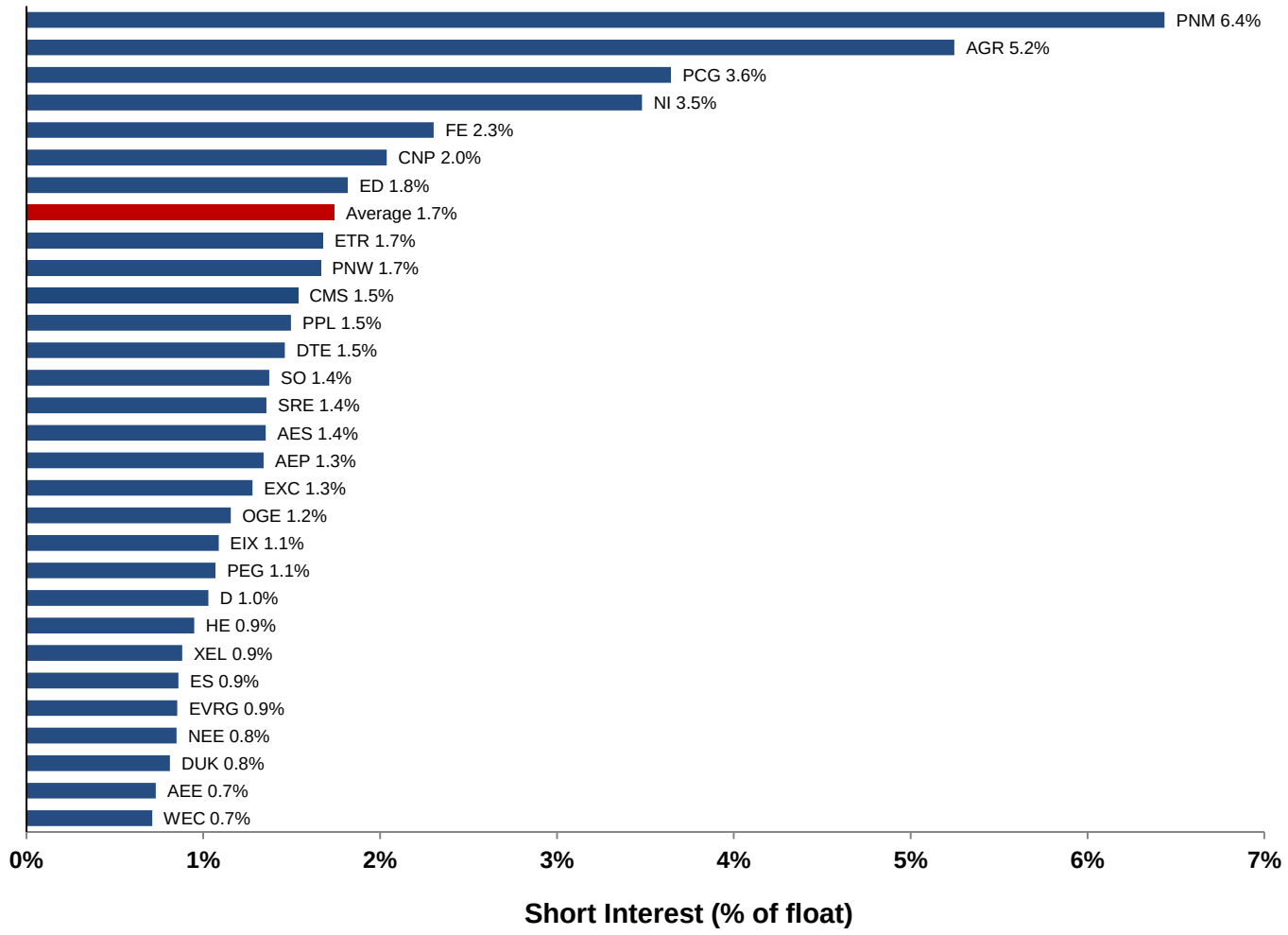
Region	Jan heating 2022 actual	Jan heating 2021 actual	Jan heating norm	% change vs. year-ago	% change vs. norm
New England	1,299	1,110	1,246	17%	4%
Middle Atlantic	1,224	1,033	1,158	18%	6%
NE Central	1,356	1,133	1,302	20%	4%
NW Central	1,418	1,176	1,390	21%	2%
South Atlantic	654	579	643	13%	2%
SE Central	838	718	820	17%	2%
SW Central	561	503	593	12%	-5%
Mountain	905	886	951	2%	-5%
Pacific	507	523	564	-3%	-10%
United States	**927**	**811**	**917**	**14%**	**1%**

Region	Feb heating 2022 actual	Feb heating 2021 actual	Feb heating norm	% change vs. year-ago	% change vs. norm
New England	955	1,004	1,020	-5%	-6%
Middle Atlantic	920	996	983	-8%	-6%
NE Central	1,067	1,232	1,061	-13%	1%
NW Central	1,182	1,362	1,078	-13%	10%
South Atlantic	420	492	507	-15%	-17%
SE Central	597	712	623	-16%	-4%
SW Central	500	586	414	-15%	21%
Mountain	825	803	737	3%	12%
Pacific	439	466	439	-6%	0%
United States	**726**	**811**	**732**	**-10%**	**-1%**

Region	Mar heating 2022 actual	Mar heating 2021 actual	Mar heating norm	% change vs. year-ago	% change vs. norm
New England	837	830	913	1%	-8%
Middle Atlantic	738	720	827	2%	-11%
NE Central	786	685	864	15%	-9%
NW Central	855	671	858	27%	0%
South Atlantic	295	298	373	-1%	-21%
SE Central	382	325	452	18%	-15%
SW Central	272	197	263	38%	3%
Mountain	629	667	633	-6%	-1%
Pacific	370	503	416	-26%	-11%
United States	**539**	**519**	**593**	**4%**	**-9%**

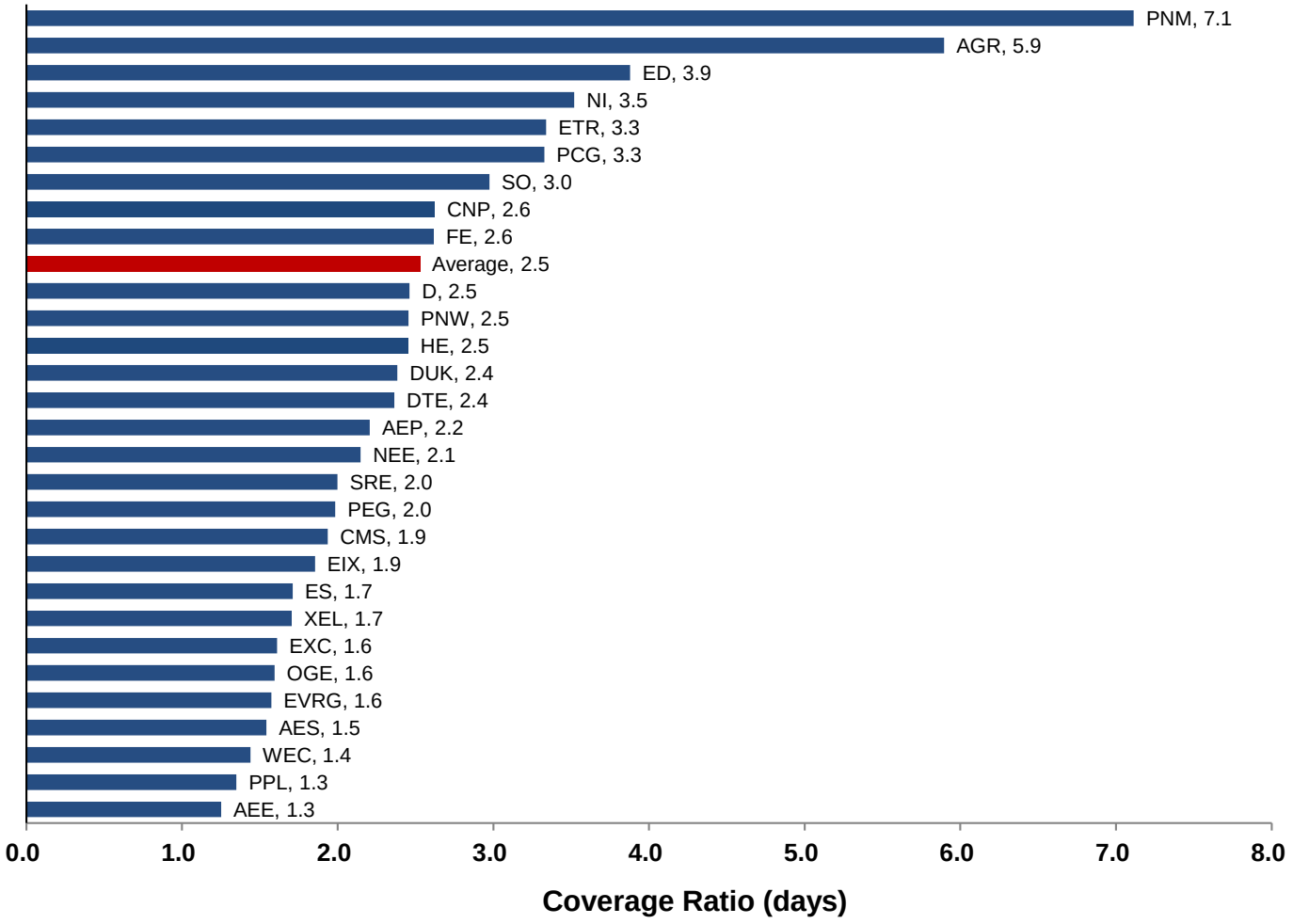
Source: NOAA, Evercore ISI Research

Short Interest as Percentage of Float



Source: FactSet as of 04/18/22

Coverage Ratio (Days)



Source: FactSet as of 04/18/22

Regulated Utility Valuation Goes To ~19.4x '23 EPS

Regulated Utilities

Ticker	Company Name	4/18/22 Price	ISI Rating	Shares Out	Market Cap	2022 Div Yld	2022 Payout	ISI EPS Estimate 2022	2023	2024	P/E Multiple 2022	2023	2024	'20-'24 EPS Growth	Price to Book	Prem. to Group
NEE	NextEra Energy, Inc.	$81.71	In Line	2,008	164,095	2.1%	60%	2.85	3.05	3.30	28.7x	26.8x	**24.7x**	9.3%	3.8x	28%
CMS	CMS Energy Corp	$71.44	In Line	291	20,782	2.6%	65%	2.86	3.14	3.34	25.0x	22.7x	**21.4x**	5.7%	3.1x	10%
WEC	WEC Energy Group	$102.84	In Line	316	32,528	2.8%	67%	4.27	4.55	4.91	24.1x	22.6x	**21.0x**	6.7%	2.7x	8%
DTE	DTE Energy Co	$137.17	Outperform	205	28,075	2.8%	65%	5.87	6.24	6.56	23.4x	22.0x	**20.9x**	-2.2%	2.6x	8%
AEE	Ameren Corp	$96.08	Outperform	266	25,575	2.4%	57%	4.00	4.30	4.60	24.0x	22.3x	**20.9x**	7.1%	2.2x	8%
XEL	Xcel Energy Inc	$74.20	Outperform	534	39,641	2.9%	68%	3.19	3.39	3.60	23.3x	21.9x	**20.6x**	6.6%	2.4x	6%
CNP	CenterPoint Energy Inc	$32.28	Outperform	611	19,713	1.9%	46%	1.37	1.48	1.60	23.5x	21.9x	**20.2x**	1.8%	2.5x	4%
ES	Eversource Energy	$91.67	In Line	351	32,150	2.8%	62%	4.12	4.35	4.60	22.2x	21.1x	**19.9x**	6.0%	2.0x	3%
ED	Consolidated Edison Inc	$96.94	Underperform	363	35,188	3.2%	71%	4.40	4.70	4.90	22.0x	20.6x	**19.8x**	4.0%	1.6x	2%
OGE	OGE Energy Corp	$41.71	In Line	200	8,359	4.0%	74%	2.28	2.18	2.16	18.3x	19.1x	**19.3x**	1.0%	2.1x	-1%
DUK	Duke Energy Corp	$114.24	In Line	778	88,908	3.5%	73%	5.45	5.75	6.15	21.0x	19.9x	**18.6x**	4.5%	1.7x	-4%
NI	NiSource Inc	$31.74	Outperform	447	14,195	2.9%	64%	1.44	1.53	1.71	22.1x	20.8x	**18.5x**	6.7%	2.8x	-4%
SO	Southern Company Inc	$75.83	In Line	1,095	83,016	3.6%	75%	3.60	3.85	4.10	21.1x	19.7x	**18.5x**	6.2%	2.3x	-5%
D	Dominion Resources Inc	$86.83	Outperform	817	70,980	3.1%	65%	4.15	4.43	4.70	20.9x	19.6x	**18.5x**	5.4%	2.4x	-5%
SRE	Sempra Energy	$171.12	Outperform	324	55,429	2.7%	55%	8.50	8.95	9.40	20.1x	19.1x	**18.2x**	3.9%	2.0x	-6%
AEP	American Electric Power Co Inc	$101.66	Outperform	521	52,926	3.0%	61%	5.00	5.30	5.65	20.3x	19.2x	**18.0x**	6.3%	2.0x	-7%
FE	FirstEnergy Corp	$47.29	Outperform	552	26,108	3.4%	68%	2.40	2.53	2.67	19.7x	18.7x	**17.7x**	0.9%	2.9x	-9%
EVRG	Evergy	$70.86	In Line	230	16,312	3.1%	62%	3.50	3.75	4.00	20.3x	18.9x	**17.7x**	6.6%	2.1x	-9%
ETR	Entergy Corp	$124.44	Outperform	209	25,957	3.3%	65%	6.30	6.70	7.05	19.8x	18.6x	**17.6x**	5.6%	2.0x	-9%
HE	Hawaiian Electric Industries, Inc.	$43.53	In Line	111	4,825	3.2%	62%	2.24	2.36	2.47	19.4x	18.4x	**17.6x**	12.6%	1.8x	-9%
PNW	Pinnacle West Capital Corp	$77.14	Underperform	123	9,472	4.5%	87%	4.00	4.20	4.50	19.3x	18.4x	**17.1x**	-2.1%	1.4x	-12%
EIX	Edison International	$71.75	In Line	414	29,711	3.7%	57%	4.65	4.95	5.25	15.4x	14.5x	**13.7x**	3.1%	1.2x	-29%
PCG	PG&E Corp	$12.18	Rating Suspende	529	6,443	0.0%	0%	4.30	4.65	4.95	2.8x	2.6x	**2.5x**	5.4%	0.4x	-87%
Regulated Group Average (Excludes PCG for Div Values)						**3.2%**	**65.1%**				**20.3x**	**19.2x**	**18.1x**	**4.7%**	**2.15x**	
Regulated Group Average (Excluding Stocks: PPL, EIX, and PCG)						3.0%	65.4%				21.8x	20.6x	19.4x	4.9%	2.31x	
Regulated Group Max (Excludes PCG for Div Values)						5.7%	87.1%				28.7x	26.8x	24.7x	12.6%	3.8x	
Regulated Group Min (Excludes PCG for Div Values)						1.9%	45.5%				2.8x	2.6x	2.5x	-2.2%	0.4x	

Diversified Utilities

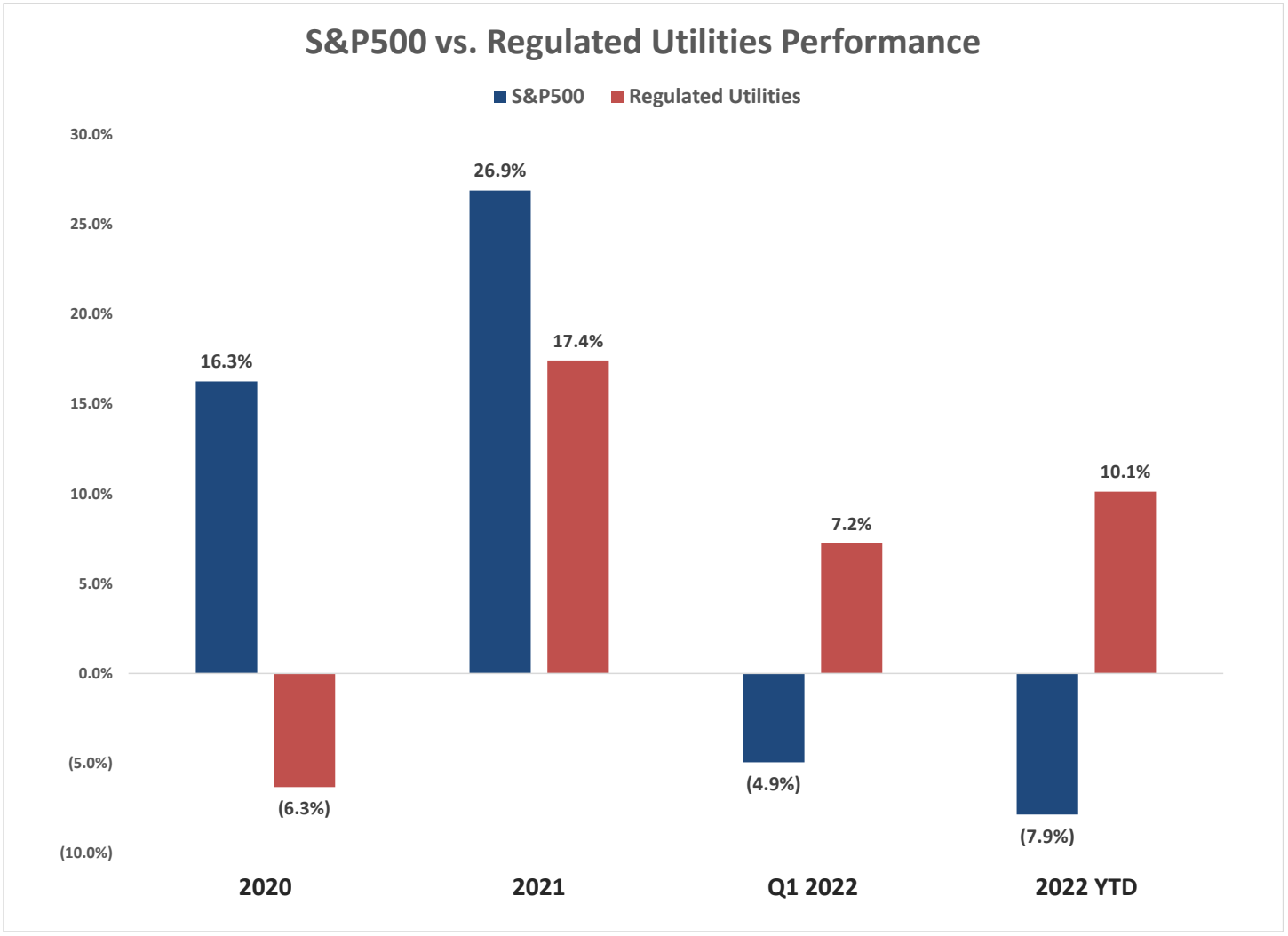
Ticker	Company Name	4/18/22 Price	ISI Rating	Shares Out	Market Cap	2022 Div Yld	2022 Payout	ISI EPS Estimate 2022	2023	2024	P/E Multiple 2022	2023	2024	'20-'24 EPS Growth	Price to Book	Prem. to Group
EXC	Exelon Corp	$49.23	Outperform	987	48,574	3.3%	71%	2.25	2.41	2.57	21.9x	20.4x	**19.2x**	-5.5%	1.4x	7%
PEG	Public Service Enterprise Group	$72.43	Outperform	504	36,505	2.9%	62%	3.45	3.65	3.85	21.0x	19.8x	**18.8x**	2.9%	2.3x	5%
AES	AES Corp	$24.10	Outperform	667	16,067	2.6%	38%	1.65	1.80	1.90	14.6x	13.4x	**12.7x**	7.2%	4.0x	-29%
Diversified Group Average						**2.9%**	**57%**				**19.2x**	**17.9x**	**16.9x**	**1.6%**	**2.6x**	
Diversified Group Max						3.3%	71%				21.9x	20.4x	19.2x	7.2%	4.0x	
Diversified Group Min						2.6%	38%				14.6x	13.4x	12.7x	-5.5%	1.4x	

Updated as of 4/18/22

Source: FactSet, Evercore ISI Research

EVERCORE ISI

Utes Underperformed in 2021. Strong Momentum from Q1 22' continuing YTD 22'



Updated as of 4/18/22

Source: FactSet, Evercore ISI Research

Utilities Are 19% Expensive on '23 Yields Assuming Yields Remain Unchanged

Utility Valuation			10 YR	2.87%
4/18/22			Baa	4.76%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2022 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	1.90%	1.96%	33.5x	55.2%
	2.12%	2.11%	31.0x	44.0%
	2.34%	2.27%	28.9x	34.3%
	2.56%	2.42%	27.1x	25.8%
	2.78%	2.57%	25.5x	18.3%
	3.00%	2.73%	24.1x	11.6%
- 68% Confidence Interval	3.22%	2.88%	22.8x	5.7%
Current Valuation	3.44%	3.03%	21.6x	0.4%
	3.66%	3.18%	20.6x	-4.5%
	3.88%	3.34%	19.7x	-8.8%
	4.10%	3.49%	18.8x	-12.8%
	4.32%	3.64%	18.0x	-16.5%
	4.54%	3.80%	17.3x	-19.9%
Predicted Valuation	4.76%	3.95%	16.6x	-23.0%
	4.98%	4.10%	16.0x	-25.8%
	5.20%	4.26%	15.4x	-28.5%
	5.42%	4.41%	14.9x	-31.0%
	5.64%	4.56%	14.4x	-33.3%
	5.86%	4.72%	13.9x	-35.5%
+ 68% Confidence Interval	6.08%	4.87%	13.5x	-37.5%
	6.30%	5.02%	13.1x	-39.4%
	6.52%	5.17%	12.7x	-41.2%
	6.74%	5.33%	12.3x	-42.9%
	6.96%	5.48%	12.0x	-44.5%
	7.18%	5.63%	11.6x	-46.0%
+ 95% Confidence Interval	7.40%	5.79%	11.3x	-47.4%

Regulated utilities now look 23% expensive on current yields

Utility Valuation			10 YR	2.87%
4/18/22			Baa	4.76%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2023 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	1.90%	1.96%	33.1x	63.2%
	2.12%	2.11%	30.7x	51.4%
	2.34%	2.27%	28.7x	41.2%
	2.56%	2.42%	26.8x	32.2%
	2.78%	2.57%	25.2x	24.4%
	3.00%	2.73%	23.8x	17.4%
- 68% Confidence Interval	3.22%	2.88%	22.6x	11.1%
	3.44%	3.03%	21.4x	5.5%
Current Valuation	3.66%	3.18%	20.4x	0.4%
	3.88%	3.34%	19.5x	-4.2%
	4.10%	3.49%	18.6x	-8.4%
	4.32%	3.64%	17.8x	-12.2%
	4.54%	3.80%	17.1x	-15.8%
Predicted Valuation	4.76%	3.95%	16.4x	-19.0%
	4.98%	4.10%	15.8x	-22.0%
	5.20%	4.26%	15.3x	-24.8%
	5.42%	4.41%	14.7x	-27.4%
	5.64%	4.56%	14.2x	-29.9%
	5.86%	4.72%	13.8x	-32.2%
+ 68% Confidence Interval	6.08%	4.87%	13.3x	-34.3%
	6.30%	5.02%	12.9x	-36.3%
	6.52%	5.17%	12.6x	-38.2%
	6.74%	5.33%	12.2x	-40.0%
	6.96%	5.48%	11.9x	-41.6%
	7.18%	5.63%	11.5x	-43.2%
+ 95% Confidence Interval	7.40%	5.79%	11.2x	-44.7%

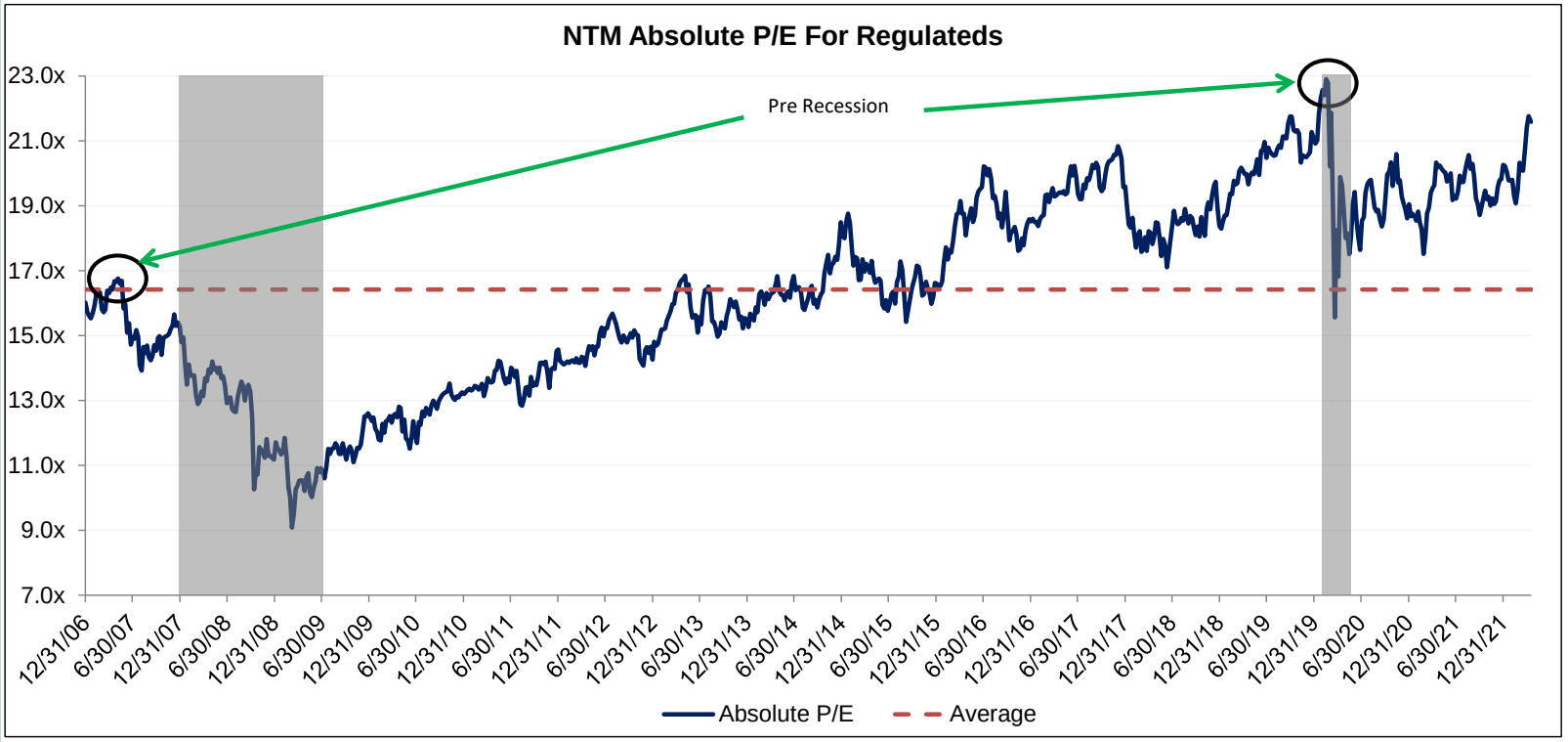
If rates stay unchanged for the next 12 months, regulated utilities now look ~19% expensive

Updated as of 4/18/22

Source: FactSet, Evercore ISI Research

Absolute Valuation Close to Pre COVID recession levels, below peak

- Utes are trading close to 12-month pre COVID recession levels on an absolute basis and 5% below the valuation peak.
- On an absolute basis, NTM PE's for Utes averaged ~15x 12mths leading up to the 08/09 recession peaking at ~17x, below where the group is trading currently.
- In the COVID recession however, absolute P/E for Utes averaged ~21x 12mths prior and peaked at 23x, which would be 5% upside from current levels at ~22x.

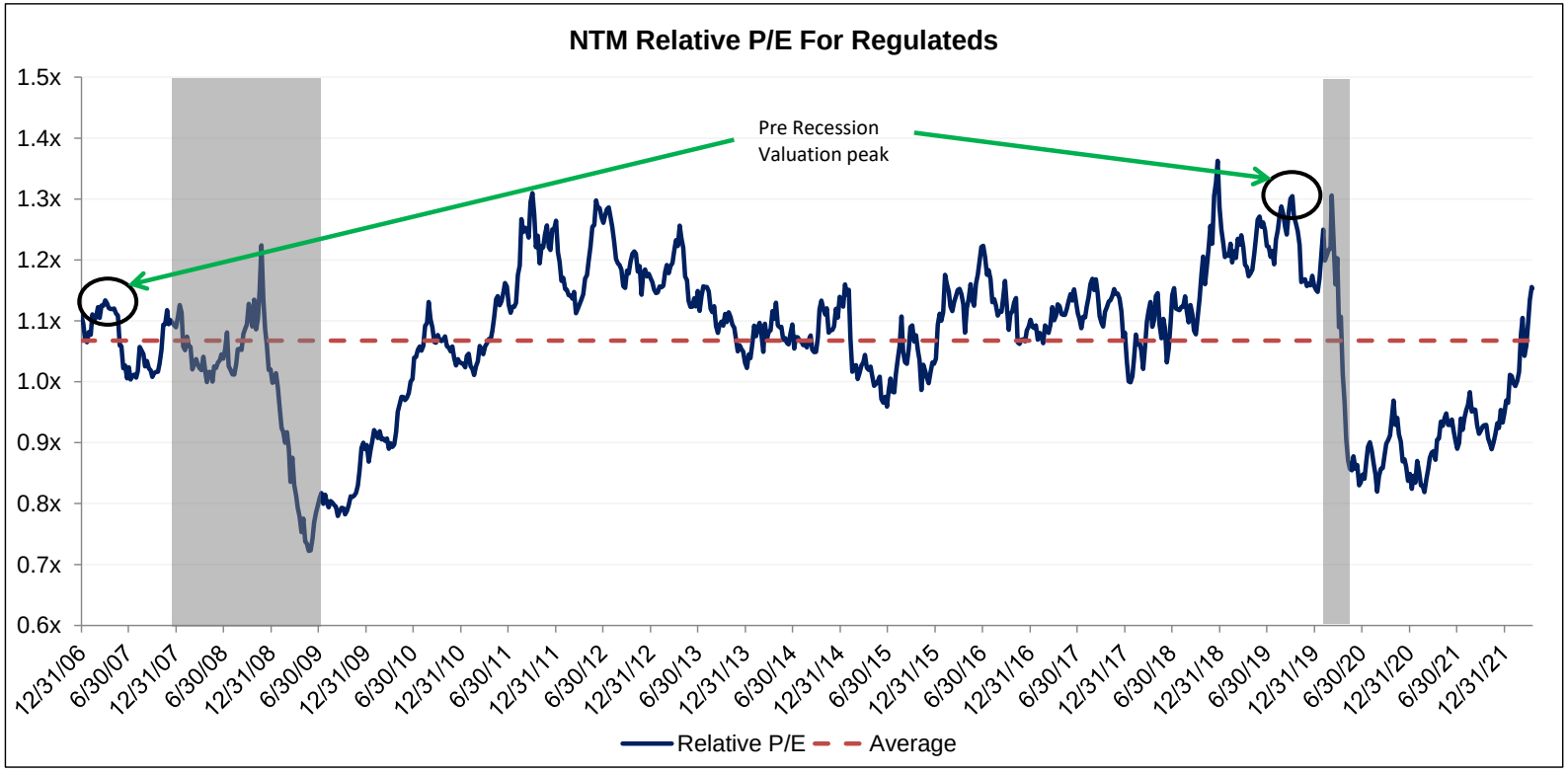


Updated as of 4/18/22

Source: FactSet, Evercore ISI Research

Group's NTM P/E relative to S&P 500 is below the peak experienced in prior recession

- NTM relative PEs for Utes averaged 1.07x 12mths leading up to the 08/09 recession peaking at 1.13x, below 1.15x where the group is trading currently
- In the COVID recession however relative P/E for Utes averaged 1.22x 12mth prior and peaked at 1.30x which would be ~15% upside from current levels at 1.15x assuming S&P500 stays flat.

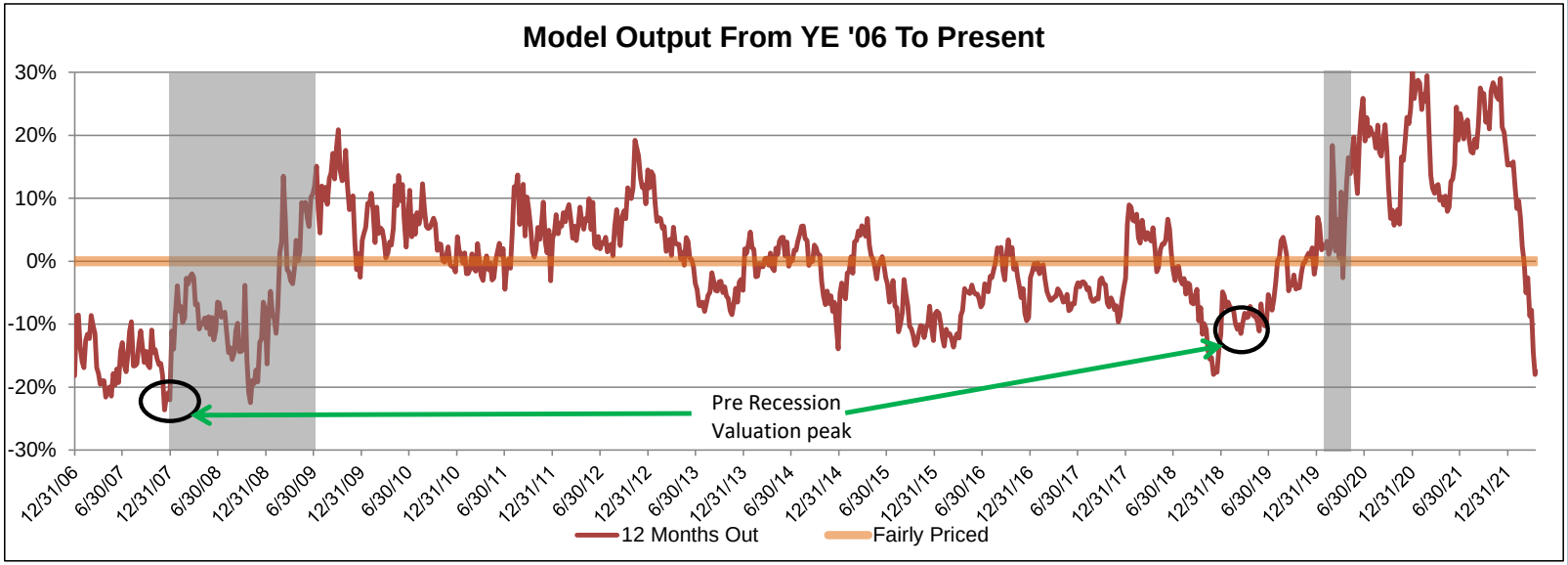


Updated as of 4/18/22

Source: FactSet, Evercore ISI Research

Bond regression model output below pre-recession peak

- The group was 16% expensive on average when compared to Moody's Baa yield in our bond regression model 12mths prior to the 08/09 recession with group valuation peaking at 24%.
- Utes were 4% expensive on average in our bond regression model 12mths leading up to the COVID recession peaking at 12%.
- Prior peak suggests ~10% multiple expansion (assuming yields stay flat) considering bond model readings in 08 recession

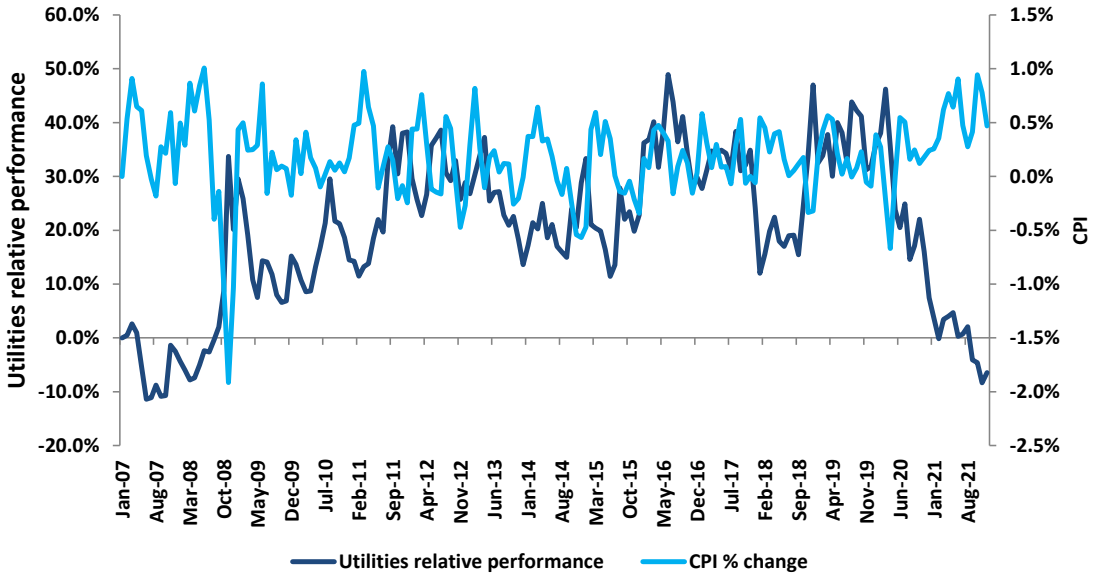


Updated as of 4/18/22

Source: FactSet, Evercore ISI Research

Utilities vs. Inflation

- We plot the utilities relative performance to S&P 500 vs change in consumer price index (CPI) going back to 2007.The top six inflationary periods in our analysis saw an average of 2.9% increase in CPI and a 4.6% average underperformance by utilities. Four of the top six inflationary periods saw meaningful underperformance by utilities but two (first half of 2008 and first half of 2011) saw outperformance.



Top 5 inflationary periods and 2H 2021				
	CPI % change	Uts Relative performance	Baa yield % change	10yr Treasury % Change
First half 2008	3.7%	2.0%	4.6%	12.8%
First half 2021	3.3%	-3.4%	14.8%	75.3%
First half 2007	2.9%	-11.4%	5.7%	5.9%
Second half 2021	2.9%	-7.2%	2.4%	0.0%
First half 2011	2.5%	7.7%	-3.3%	-17.9%
First half 2009	2.2%	-15.2%	-13.0%	15.1%
Average	**2.9%**	**-4.6%**	**1.9%**	**15.2%**

Updated as of 1/28/22

Source: FactSet, Evercore ISI Research

TIMESTAMP

(Article 3(1)e and Article 7 of MAR)

Time of dissemination: April 19 2022 6:20 PM ET

ANALYST CERTIFICATION

The analysts, Durgesh Chopra, Michael Lonegan, Sharon Wang, primarily responsible for the preparation of this research report attest to the following: (1) that the views and opinions rendered in this research report reflect his or her personal views about the subject companies or issuers; and (2) that no part of the research analyst's compensation was, is, or will be directly related to the specific recommendations or views in this research report.

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Current Ratings Definition

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Outperform- the total forecasted return is expected to be greater than the expected total return of the analyst's coverage sector.
In Line- the total forecasted return is expected to be in line with the expected total return of the analyst's coverage sector.
Underperform- the total forecasted return is expected to be less than the expected total return of the analyst's coverage sector.
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*Prior to October 10, 2015, the "Coverage Suspended" and "Rating Suspended" categories were included in the category "Suspended."

FINRA requires that members who use a ratings system with terms other than "Buy," "Hold/Neutral" and "Sell" to equate their own ratings to these categories. For this purpose, and in the Evercore ISI ratings distribution below, our Outperform, In Line, and Underperform ratings can be equated to Buy, Hold and Sell, respectively.

Historical Ratings Definitions

Prior to March 2, 2017, Evercore ISI's recommendations were based on a stock's total forecasted return over the next 12 months:

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Hold- the total forecasted return is expected to be greater than or equal to 0% and less than or equal to 10%

Sell -the total forecasted return is expected to be less than 0%

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ISI Group and ISI UK:

Prior to October 10, 2014, the ratings system of ISI Group LLC and ISI UK which was based on a 12-month risk adjusted total return:

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.

Evercore Group:

Prior to October 10, 2014, the rating system of Evercore Group was based on a stock's expected total return relative to the analyst's coverage universe over the following 12 months. Stocks under coverage were divided into three categories:

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.
Underweight -the stock is expected to underperform the average total return of the analyst's coverage universe over the next 12 months.
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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Coverage Suspended- the rating and target price have been removed pursuant to Evercore ISI policy when Evercore is acting in an advisory capacity in a merger or strategic transaction involving this company, and in certain other circumstances; a stock in the model portfolio is removed.
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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%.

Stocks assigned ratings under the alternative model portfolio-based coverage system cannot also be rated by Evercore ISI's Current Ratings definitions of Outperform, In Line and Underperform.

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Evercore ISI rating (as of 04/19/2022)

Coverage Universe			**Investment Banking Services I Past 12 Months**		
Ratings	**Count**	**Pct.**	**Ratings**	**Count**	**Pct.**
Buy	543	62	Buy	103	19
Hold	293	34	Hold	25	9
Sell	14	2	Sell	0	0
Coverage Suspended	12	1	Coverage Suspended	3	25
Rating Suspended	10	1	Rating Suspended	7	70

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Price Charts

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Energy, Utilities & Mining Pulse: Investors Asking – Natural Resources: What Ends the Outperformance?...Investor sentiment, sector themes, charts to watch

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It has been a strong 2022 for our Natural Resources coverage, with most pillars outperforming the S&P, including Oil & Gas by 68%, Metals & Mining by 24%, Utilities by 18% and Midstream by 39%, with Clean Technology broadly in line with the S&P. The single most common incoming question from investors is what ends the outperformance/cycle of the respective spaces. This is an important question that we need to watch out for as we generally have a more constructive posture vs. the broader market, with 14% total return to our Natural Resources coverage on a market cap weighted basis one-year out.

Oil & Gas (Mehta/Choudhary/Davenport/Modak): Investors in the Oil & Gas space are concerned that oil prices will normalize if demand conditions weaken with an economic slowdown. As we learned in 2008 and 2020, oil markets are certainly not immune to recessions, particularly if they are deep-rooted. As such, we have seen more investor interest in taking a negative view on the space, despite our view that Energy will represent 9% of the S&P earnings on average in the next 3 years, but represents less than 5% of the S&P market cap weighting currently. Bears in particularly have been focused on companies that are sub-investment grade, where the cost of capital would move higher in a downturn, or companies that have lower FCF profiles (e.g. oil services). Where we take comfort in our bullish view is the tight current inventory picture, but also discounted valuations with large cap Energy trading at only 9X 2022-2024 average P/E on our above consensus estimates. Bulls also point to the typical duration of cycles, which over the last fifty years have lasted on average a decade long.

Metals & Mining (Chieng): While US steel prices rose sharply earlier this year, reaching peaks of $1,500/ton amidst supply chain disruptions stemming from the Russia/Ukraine conflict, investors are now concerned that the downward momentum in HRC prices could accelerate if demand conditions weaken further. Specifically in China, demand continues to be weak despite an increasingly friendly policy environment, partly driven by logistical constraints and restrictions due to domestic COVID outbreaks. As such, there remains a possibility that weaker onshore demand could drive additional steel volumes into the seaborne markets, driving global steel prices lower. While investors have viewed the US steel producers as more defensive in the past given relatively better insulation to global supply chain disruptions, they are now turning

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cautious as slowing demand activity domestically could lead to weaker steel shipments and pricing. Those with a more positive outlook take comfort in commentary from the steel mills which continues to point to robust demand from the construction and infrastructure sectors and backlogs extending as far out as 2023 with capacity outpacing the ability to deliver into that demand for now.

Utilities (Lapides/Kim): Investors remain concerned that higher customer bills – due to higher commodity costs flowing through the fuel and purchased power clauses most utilities have - could lead to regulatory pushback in states or jurisdictions where utilities will need to file rate cases to recover and earn on spend on new infrastructure. While most states remain focused on the need for utility investment to drive the clean energy transition, an increase in customer bills could make rate case processes more contentious, especially if industrial or residential customer groups were to complain to state utility commissions. We note a host of states – including major ones like NY, CA, GA, TX, MI – currently have utilities in the early/middle stages of rate case processes and where regulatory risk could become elevated. Investor concern also exists that supply chain and the Department of Commerce's ongoing investigation into solar tariffs could lead to project delays, not just for 2022 but also 2023-2024, for those utilities seeking to build new solar in rate base.

Midstream (Lapides/Mackay): From a macro perspective, most investor concerns for midstream are focused on the same issues as the rest of the oil and gas space – notably demand destruction weighing on commodity prices. We would argue a modest pullback in prices would only have a minimal impact on sector EBITDA overall, as production levels / expectations remain relatively low vs. prior cycles, but we acknowledge higher-beta stocks would still underperform. Beyond commodities, more micro concerns for the segment center around midstream's track record of significantly inflating capex and overbuilding capacity. More infrastructure is certainly needed in some place – notably gas processing, gas pipelines, and NGL frac to serve the Permian – but investor questions around whether "this time is different" for midstream capital allocation are starting to increase. A reversal of recent trends and a new paradigm of higher capex (leading to lower FCF and lower capital return growth at least through the medium-term) would likely disappoint.

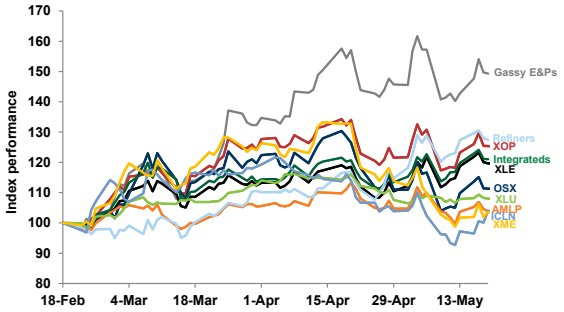
Clean Technology (Lee): While many pockets of clean tech have broadly underperformed YTD, solar equities as a group have held their own with outperformance only waning in recent weeks alongside the broader market drawdown. Much of this has to do with the fact that while investor sentiment has remained tepid, fundamentals have been relatively strong and hard to ignore in certain pockets – e.g. demand in US resi, Europe. To that end, we see demand as being the key pillar upon which growth investors remain somewhat reticent to fully give up on the space despite ongoing headwinds and uncertainty related to policy matters (NEM 3.0, AD/CVD) as well as supply chain challenges across the group. While no signs of consumer strain have thus far been seen in the residential solar segment, we would anticipate any slowdown there or signs of broader order cancellations and/or negative growth trends would serve to be one of the more meaningful downticks in fundamentals that could further spoil investor sentiment on the group and drive weakness for the stocks, even off recent levels, going forward.

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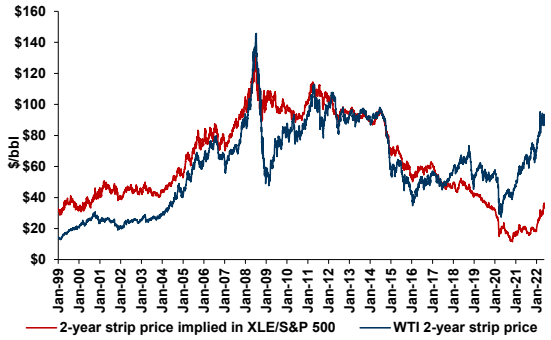
Editor's Choice Charts

Exhibit 1: Energy, Utilities & Mining sub-sector performance
Past 90 days (02/18/2022-05/19/2022)



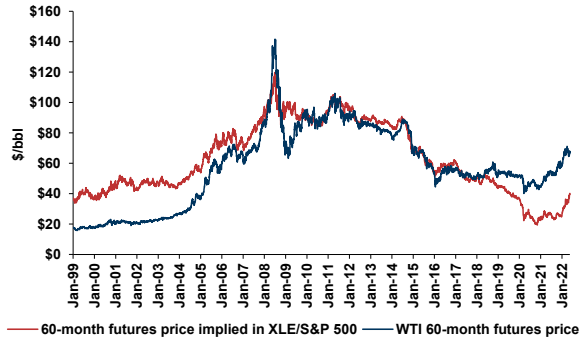
Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 2: We have seen divergence in the XLE vs. two-year oil futures over the past three years after being closely aligned previously
Two-year WTI strip price implied by historical regressions of XLE/S&P 500 vs. WTI and actual two-year strip price, $/bbl



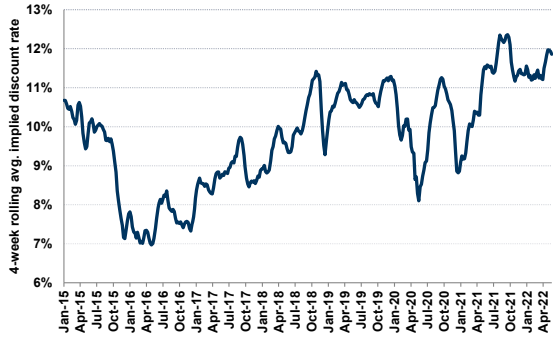
Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 3: We have seen divergence in the XLE vs. five-year oil futures over the past three years after being closely aligned previously
Five-year WTI strip price implied by historical regressions of XLE/S&P 500 vs. WTI and actual five-year strip price, $/bbl



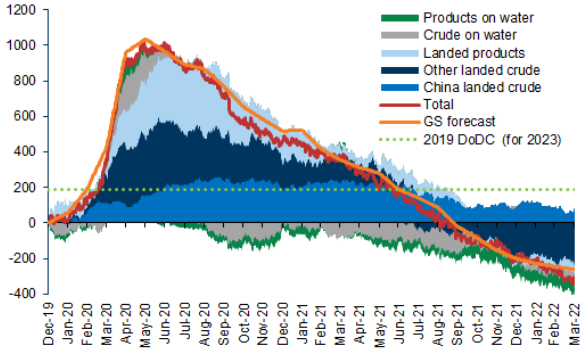
Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 4: After peaking in 4Q21 and subsequently moving lower and remaining largely flat, we now see small increase to the implied cost of capital
4-week rolling avg. of the implied discount rate for E&Ps based on five-year futures and our NAVs



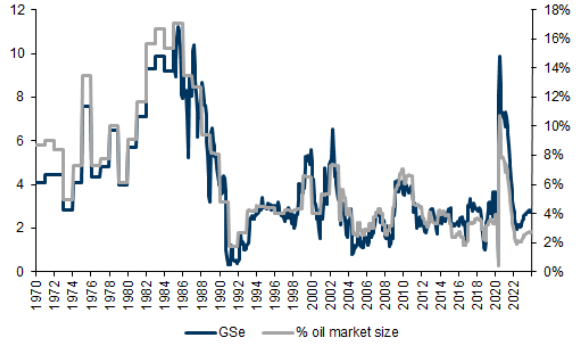
Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 5: Stocks are now critically and historically low
Global high frequency inventory tracking vs Dec-19 vs implied by GS supply-demand balances (mb). DoDC is level required to normalise stocks in days of demand coverage to 2019 levels by 2023



Source: Kpler, IEA, EIA, JODI, IE Singapore, PAJ, PJK ARA, Oilchem, Fujairah, Goldman Sachs Global Investment Research

Exhibit 6: The secondary buffer - spare capacity - is practically exhausted, with OPEC as yet unwilling to ramp up
Global spare oil production capacity in mb/d (lhs) and % (rhs)



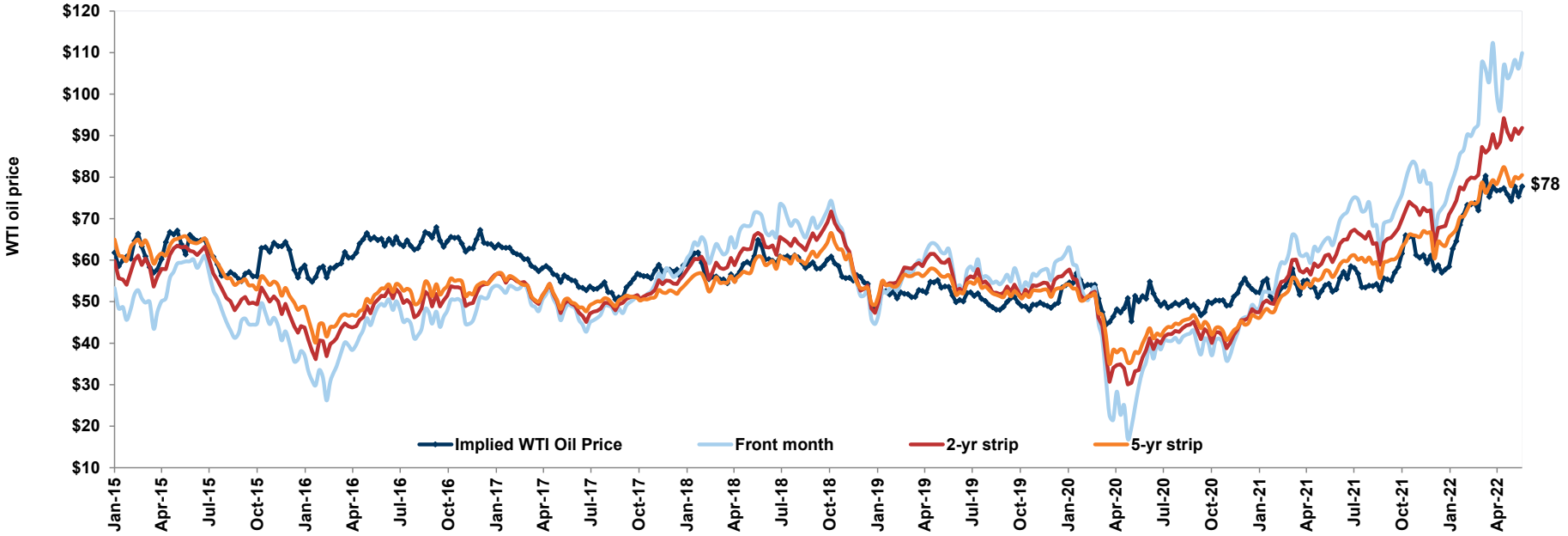
Source: IEA, EIA, Platts, Goldman Sachs Global Investment Research

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Sector in Context

Exhibit 7: Valuations of E&P stocks reflect WTI oil prices closer to the five-year strip.
Historical WTI price implied in covered E&Ps net asset value and forward oil futures, $/bbl



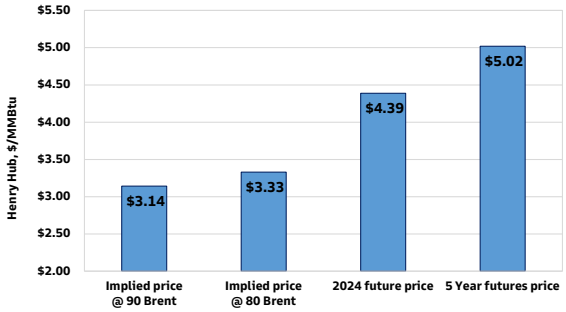
Source: FactSet, Goldman Sachs Global Investment Research

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Exhibit 8: We believe E&Ps are pricing in a ~$3.14/MMBtu gas price at a ~10.5% discount rate vs. our mid-cycle view of $3.50/MMbtu, 2024 gas futures at ~$4.39/MMBtu and 5-year strip at ~$5.02/MMBtu

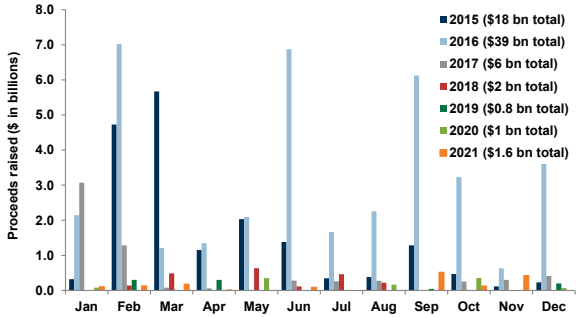
Henry Hub gas price implied by our DCF-analysis of covered gas producers, vs. 2024 Henry Hub gas futures and 5-year average gas futures



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 9: Upstream Equity Issuance – 2015 - 2021

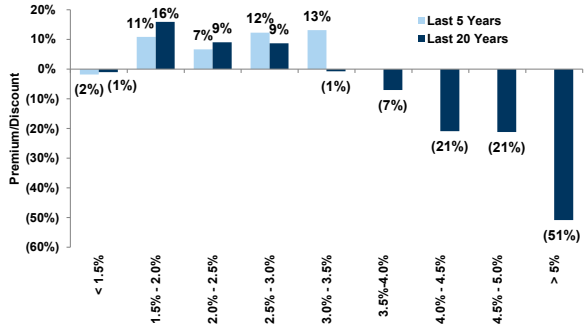
Proceeds raised as of November 2021 ($ bn)



Source: Goldman Sachs Global Investment Research, Bloomberg

Exhibit 10: Historically, Utilities trade at a P/E multiple premium to the S&P when the 10-year UST remains below ~3%, however the relationship weakens in times of negative real rates

Utility P/E multiple premium / discount to the S&P in different UST 10-year yield environments



Source: Company data, Goldman Sachs Global Investment Research

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Conversations we are having with investors

E&P – Neil Mehta & Umang Choudhary

Economic slowdown concerns, cost inflation and capital returns. Given concerns around an economic slowdown, investor focus has shifted towards producers where balance sheets are improving and capital returns outlook are expected to inflect. This has driven greater interest towards large-cap producers with stronger balance sheets (particularly COP and PXD). Another area of focus has been cost inflation — there remains concerns for further capex/cost increases in 2Q due to tight services market/supply chain/labor again driving a focus to own large-cap producers or producers that have de-risked their capital spending outlook with 1Q results (particularly OVV). Lastly, we have seen greater focus towards gas producers vs. oil producers given relatively more resilient demand for natural gas vs. oil markets.

Takeaways from virtual meeting with EQT management team. Notably management sees (1) improving demand outlook (particularly from LNG exports) for natural gas, including European customers, and more political support for infrastructure/LNG development; (2) LNG marketing strategy, which management believes can help diversify its price exposure and secure long-term demand for its volumes (management is looking for volume commitments from the offtaker); (3) reiterated its focus on disciplined supply (plans to reduce its local exposure when MVP comes online), with the option for modest growth with pipeline/infrastructure buildout that can debottleneck the basin; (4) reiterated its focus on deploying the bulk of its FCF towards debt reduction and capital returns (primarily through fixed dividends/share repurchases). Bullish investors that have a favorable view on the long-term outlook for natural gas sees the company trading at attractive FCF yield which can allow for debt reduction/capital returns.

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Majors/Refining – Neil Mehta & Carly Davenport

Refining. This week, we updated our views on MPC and DINO and received investor feedback around both stocks. On MPC, investors broadly acknowledged that the stock has performed well, but there was still constructive sentiment around (1) a likely strong 2Q result given the robust refining margin environment that has materialized quarter to date, and (2) continued share buybacks, with management highlighting MPC has completed 80% of the initial $10 bn capital return commitment on its 1Q22 earnings call and that the company could begin using the $5 bn incremental authorization starting in 2Q22. On DINO, those that are more constructive on the stock from here point to underperformance vs. peers over the last several years, a robust refining margin environment, improving specialty product margins, and strategic positives on the recently completed Sinclair acquisition. Those that remain on the sidelines point to concerns around tighter Brent-WTI spreads in the near term, challenged renewable diesel economics, and less confidence around execution from an operational and strategic perspective, particularly around capital returns in the context of DINO's $1 bn return target by 1Q2023.

Upstream. As it relates to Upstream, some investors are looking at potential 'downside scenarios' and what balance sheets and cash flow generation would look like upon a potential economic slowdown and consequent impact to the oil price. Investors we have spoken with continue to seek stocks with rapidly improving leverage profiles and compelling capital returns, such as CVE, and with investors also constructive on the US Majors given improved net debt to capital ratios that are <20%. Some investors are also screening for value in the Upstream space that have underperformed amid the recent broader market selloff, such as KOS, but again, view an improvement in the balance sheet as essential for building a constructive investment thesis given increasing macro uncertainty.

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Energy Services – Neil Mehta

NOV. The stock remains a topic of debate amongst investors with bullish arguments around the imminent order volumes from having seen a meaningful rise in activity in the oilfield. However, several investors continue to agree with our view of difficult free cash flow generation and slower EBITDA margin improvements in the near term give supply chain challenges. Some investors point to the option value that the stock contains in its offshore wind business, while others refrain from pricing in a distant opportunity into the stock today.

Pressure Pumping. This week we have had some conversations around the broader dynamics around pressure pumping, cost inflation in materials, challenges around the availability of labor and the resulting price increase dynamics that E&Ps are likely faced with under these conditions. Investor conversations have tested the degree of upside that pressure pumping profitability could get to and the appetite amongst pressure pumpers to bring on new capacity. Investors continue to prefer owning exposure to the pressure pumpers in the current environment ahead of a potential step change in profitability in the second quarter. Additionally, over the past few months, frac sand costs have been elevated due to sourcing issues at a local mine in the Permian basin. Investor conversations seem to suggest an expectation of cooling frac sand prices ahead as issues at the mine are resolved and local logistics normalize to a degree.

Baker Hughes. Investor conversations on Baker Hughes have gravitated towards evaluating the value of the two parts of the business, with increasing focus in the Industrial Asset Management side of the business. Conversations have revolved around identifying the comparable companies for the segment, margin profiles by product lines in the business and the direction that the end markets could be taking for the company.

Chart Industries. We continue to have conversations with investors taking a fresh look at the company and evaluating the multiple drivers that the company has exposure to. Most conversations gravitate towards the degree of orders from the LNG cycle in the near term. Investors continue to focus on identifying the order potential in its Specialty Products business and recognize it as a driver of the revenue generation in the segment in the near term.

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MLPs/Pipelines – Michael Lapides & John Mackay

At a midstream conference this week, multiple management teams expressed optimism that the US Congress may move on energy related legislation - including but not limited to energy components originally put in drafts of the Build Back Better bill proposed earlier. Some express enthusiasm that this will include text that could help accelerate siting and permitting of energy infrastructure, in addition to incentives for hydrogen, carbon capture and traditional renewable sources. Investors we talk to at the conference and elsewhere seem more restrained on this given little new formal proposals made to date and with the midterm election cycle coming in 6 months.

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Utilities/IPPs - Michael Lapides & Insoo Kim, CFA

Rising customer bills, solar delays highlight key themes at industry conference. We spoke with several investors at the annual American Gas Association (AGA) financial conference that featured many companies operating both gas and electric utilities. From our conversations, the overarching theme centered around rising customer bills – driven by a combination of labor/supply inflation and elevated gas prices that impact both gas and electric bills – and whether this could impact utilities' investment plans or enhance rate case overhang. Investors pointed to ConEd (ED), and to a lesser degree DTE Energy (DTE), as those with rate case risk given rising customer bills. In addition, for utilities with solar development plans like NiSource (NI) currently impacted by the US Department of Commerce (DoC) tariff investigation, investors have queried if an expedited conclusion is required to reduce risk of further delays that could ultimately impact medium-term EPS growth barring ability to offset with other investments or through cost management.

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Clean Technology – Brian Lee, CFA

SHLS reported 1Q22 earnings which provided investors with another read on the state of the utility-scale solar market in the US. We believe investors were likely expecting SHLS to cut guidance after other component suppliers in the space lowered expectations on utility-scale shipments for FY2022 (for example, ARRY lowered FY2022 guidance while FLNC now expects FY2022 to come in at the low end of guidance). To that point, SHLS did lower the top end of its revenue after conducting an analysis of its backlog to determine the module supply risk of each project. While the company expects that the majority of its backlog has less risk from the AD/CVD investigation as the majority of the projects have secured panel supply or are not procuring panels from the countries under investigation, we nevertheless expect investors to continue to remain focused on the downside risk to SHLS's guidance related to further project push outs or module constraints. In addition, we note that SHLS upsized its revolver in early May, which we believe may have assuaged these concerns slightly. However SHLS, like many others in our coverage, recorded relatively high cash use in 1Q22 owing in part to higher working capital needs. We therefore expect liquidity to remain a focus, particularly as a key investor concern through the beginning of this year was on the company's cash balance.

The EU presented an update of its REPowerEU plan in which it set more ambitious solar targets for the region. Specifically, the plan now calls for a mandate for rooftop solar on all commercial and public buildings by 2025 as well as new residential buildings as of 2029. The plan sets a solar installed base target of ~600GW by 2030, which would imply slightly less than 50GW of annual installations between 2022 and 2030, and we believe this implied target is well above investor expectations. Based on our conversations, investors have increasingly looked to Europe as a strong growth opportunity, especially as companies within our coverage have started to highlight the potential in the region. For example, in ENPH's 1Q22 earnings call, the company noted that it expects its Europe revenue to grow >50% qoq in 2Q22, which we believe surprised investors to the upside based on our conversations, while SEDG grew solar shipments +40%/+52% qoq in resi/commercial end markets in Europe in 1Q22. Overall, while the EU's implementation of the targets in REPowerEU will be key, the stated objectives of the plan are a positive read across for several names in our coverage with the highest exposure to Europe, namely ENPH, SEDG ARRY and MAXN.

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Metals/Mining - Emily Chieng, CFA

Recession fears continue to weigh on domestic steel sentiment: While rising fears of a global recession continue to weigh on sentiment, we continue to note a relative preference for base metals over US steels equities. Specifically, interest in the copper and aluminum remains high given the longer term energy transition thematic, with investors focusing on pure play producers – FCX and AA. On steels, however, we saw increasing investor caution as HRC prices continue to trend down (~1,350/ton currently, down ~10% YTD) and lead times shorten, and potential for slowing demand activity in the US which could drive weaker pricing and volumes. Among the steels, investors continue to focus on CLF given greater exposure to fixed price contracts with some bears focused on X given greater leverage to a moderating steel price environment, rising cost pressures across the company's Europe and mini mill segment, and high capital intensity on longer-term decarbonization strategy.

Signs of activity slowly improving in China: This week saw some news around easing in China lockdowns across Shanghai and further mortgage rate cuts, improving sentiment around the global metals complex, with investor sentiment modestly improving. That said, many investors still remain on the sidelines until we see broader relaxation of the Zero COVID policy. Among the base metal equities specifically, investors have queried if AA is undervalued at current levels, although they acknowledge that rising aluminum supply from China could adversely impact aluminum prices nearer term, despite continued drawdown in aluminum inventories and rising power prices in Europe resulting in production curtailments.

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Energy & Utilities: Catalyst Tracker

Exhibit 11: Key Energy & Utilities non-earnings events in focus over the coming quarters

NON-EARNINGS ENERGY EVENTS IN FOCUS OVER THE COMING QUARTERS

Date	Stocks impacted	Event	Comment
Jun-22	**ARNC**	Investor Day	Arconic Corp will host an Investor Day on June 6, 2022
Jun-22	**PCG**	Analyst Day	PG&E Corp will host an Analyst Day in New York on June 10, 2022
Jun-22	**NEE**	Analyst Day	NextEra Energy will host an Analyst Day in New York on June 14, 2022
Jun-22	**ETR**	Analyst Day	Entergy will host an Analyst Day on June 16, 2022
Oct-22	**DUK**	ESG Day	Duke Energy will host an ESG Day on October 4, 2022

Source: Company data, Goldman Sachs Global Investment Research

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Key GS Energy Research Reports

GS Energy Research for the Week

DTE Energy Co. (DTE): Staff testimony somewhat mixed in MI electric rate case

EQT Corp. (EQT): Management meeting highlights potential for attractive FCF/capital returns with secular demand tailwinds from LNG

Americas Energy: Canada Oils: Evolving from higher beta securities to more defensive, through-cycle stories

Americas Pipelines and MLPs: Thoughts and takeaways from this week's EIC midstream conference

Americas Energy Services: Six Most Frequently Asked Questions for Energy Services

Americas Energy: Oil & Gas - E&P: Maintain bullish E&P view despite global macro risks given positive earnings revisions and robust FCF

Nucor Corp. (NUE): Announces proposed acquisition of C.H.I. Overhead Doors

Americas Energy: Oil - Refining: Screening for Mean Reversion

Essential Utilities Inc. (WTRG): Constructive PA rate case outcome reduces regulatory overhang

Constellation Energy Corp. (CEG): Remain positive and see material upside to updated price target

2022 Outlooks

Oil & Gas: Highlighting Key Investment Themes Underpinning Our Bullish Energy Equities View

Americas Utilities: Real rates, renewables, state regulation and customer bills in focus

Americas Metals & Mining: Five investment themes for the year ahead

Americas Clean Technology: Solar: Less trade policy and supply chain risk, more battery storage growth

Americas Pipelines and MLPs: Improving FCF and capital allocation potential the key for 2022 midstream energy stocks

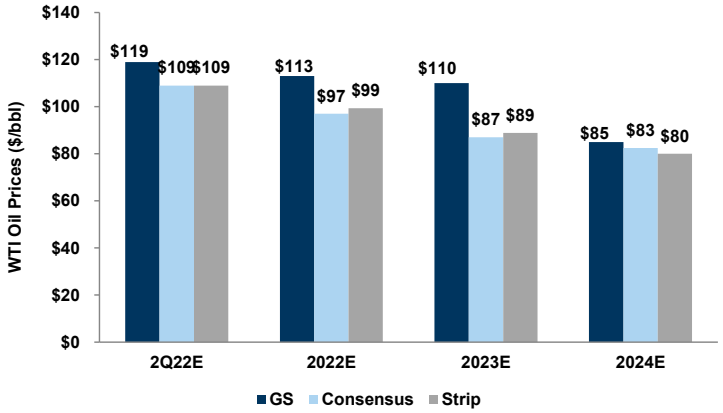
Oil: Long-term shortages require near-term surpluses

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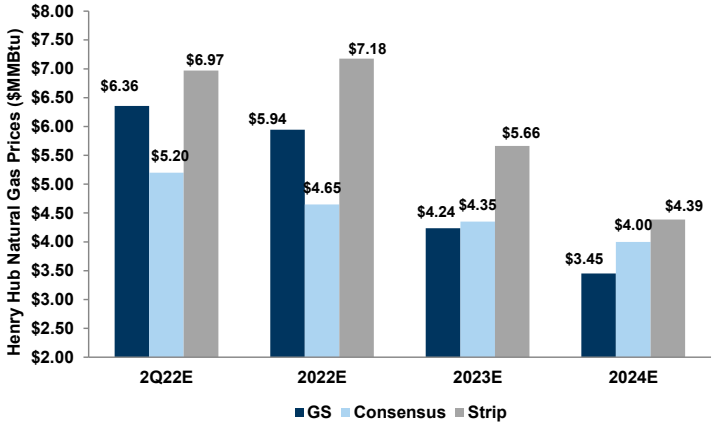
Commodities - Oil and Natural Gas strip

Exhibit 12: Oil: GS vs. consensus vs. strip
GS estimates vs consensus vs strip prices for WTI oil, $/bbl



Source: FactSet, Bloomberg, Goldman Sachs Global Investment Research

Exhibit 13: Natural gas: GS vs. consensus vs. strip
GS estimates vs consensus vs strip prices for natural gas, $/MMBtu



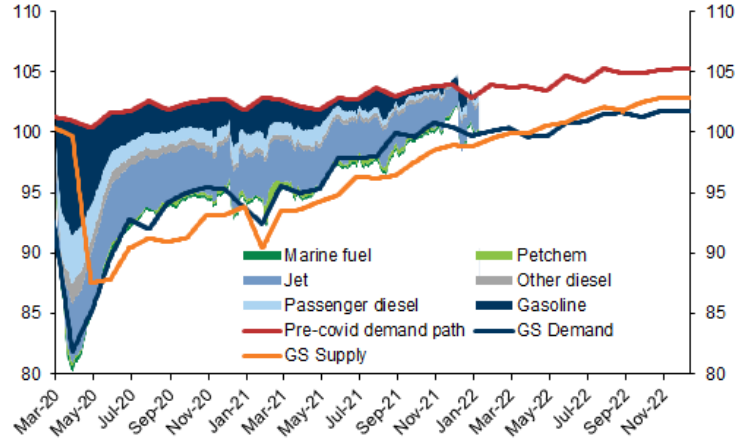
Source: FactSet, Bloomberg, Goldman Sachs Global Investment Research

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Exhibit 14: Mobility data broadly lines up with GS demand expectations with an only modest Omicron impact

High frequency estimates of global oil demand vs. GS S-D forecasts, areas show shortfall to pre-pandemic trend (mb/d)

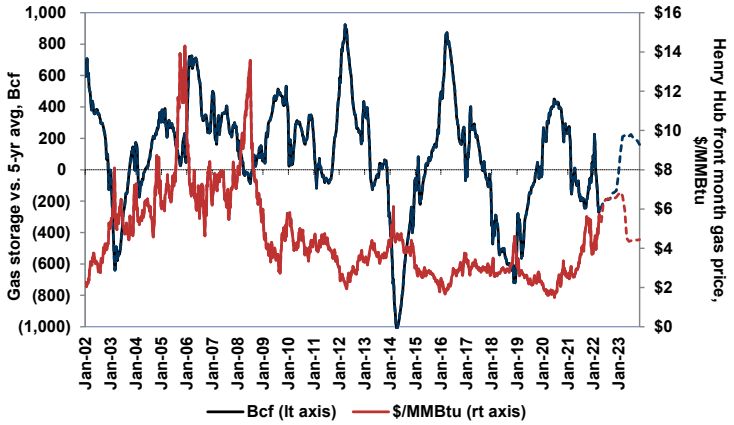


Google LLC "Google COVID-19 Community Mobility Reports". https://www.google.com/covid19/mobility/ Accessed: 31-Jan-22

Source: Google COVID-19 Community Mobility Reports, Apple, OAG, IIR, Reuters, IEA, EIA, JODI, Goldman Sachs Global Investment Research

Exhibit 15: Natural gas is now in deficit vs. the 5-year average; above-normal gas prices in 2022 should push inventories back to/slightly to normal levels

Natural gas storage vs. the five-year average (Bcf) vs. HH front-month natural gas price ($/MMBtu)



Source: EIA, Goldman Sachs Global Investment Research

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GS Hosted Energy Events

Exhibit 16: Global Energy Events hosted by GS



Calendar as of May 20, 2022

Events Are Invite Only - Please Contact Your Salesperson to Sign Up For Events

Conferences					
Date	**Event**	**Website**	**Sector**	**Meeting Type**	**City**
8/11	Goldman Sachs Power, Utilities, MLPs and Pipelines Conference		Energy	In-Person	All Regions (8/11)
9/29	Goldman Sachs Global Sustainability Forum		Cross Sector	In-Person	All Regions (9/29)
Non-Deal Road Shows (Format: Virtual / In-Person)					
Date	**Event**	**Ticker**	**Sector**	**Meeting Type**	**Target Region**
5/23	Group Dinner with Arjun Murti		Energy	In-Person	New York (5/23)
5/23-24	Hess Midstream LP	HESM	Energy	In-Person	Kansas City (5/23), Houston (5/24)
~~5/25~~	~~American Water Works~~	~~AWK~~	~~Energy~~	~~In-Person~~	~~Boston (5/25)~~
5/25	Stem Inc. **New! In-Person**	STEM	Energy	In-Person	New York (5/25)
6/1	Schlumberger Ltd **New! In-Person**	SLB	Energy	In-Person	New York (6/1)
6/2	Archaea Energy Inc.	LFG	Energy	Video	All Regions (6/2)
6/6	Essential Utilities Inc. **New! In-Person**	WTRG	Energy	In-Person	New York (6/6)
6/9	ConocoPhillips **New! In-Person**	COP	Energy	In-Person	Boston (6/9)
Field Trips (Format: Virtual / In-Person / Hybrid)					
Date	**Event**	**Ticker**	**Sector**		**Target Region**

Source: Goldman Sachs Global Investment Research

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GS Energy & Utilities Conviction List Names & Analyst Contributors

Exhibit 17: Summary of GS Energy & Utilities on Conviction List

	Ticker	Analyst	Stock price 5/19/2022
Oil/Metal price upside			
Pioneer Natural Resources	PXD	Mehta	$265.42
Schlumberger	SLB	Mehta	$40.85
Alcoa Corp.	AA	Chieng, CFA	$62.05
Freeport-McMoRan	FCX	Chieng, CFA	$36.72
Renewables (solar/RNG) expansion			
Solaredge Technologies	SEDG	Lee, CFA	$252.18
NextEra Energy Partners	NEP	Lapides	$65.00
DTE Energy	DTE	Kim, CFA	$128.82
Energy Infrastructure SOTP/FCF yield			
Phillips 66	PSX	Mehta	$95.33
Cheniere Energy	LNG	Lapides	$130.43
Targa Resources	TRGP	Mackay	$68.91
NRG Energy Inc.	NRG	Lapides	$46.21

Source: Goldman Sachs Global Investment Research, FactSet

Exhibit 18: Goldman Sachs Energy, Utilities & Mining team

Neil Mehta, Business Unit Leader

E&Ps	Intgd. Oils/Refiners	Energy Services	MLPs/Pipelines	Utilities/IPPs		Clean Energy	Metals/Mining
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Source: Goldman Sachs Global Investment Research

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Reg AC

We, Neil Mehta, Michael Lapides, Brian Lee, CFA, Insoo Kim, CFA, John Mackay, Emily Chieng, CFA, Umang Choudhary and Carly Davenport, 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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Americas Clean Technology: Solar

Biden exempts tariffs; sooner/better than expected clarity on investor overhang - upside for ARRY, SHLS, STEM

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Over the weekend, news reports (see here) point to sources that the Biden administration is expected to declare an executive action on 6/6 to give a 24-month tariff exemption on solar panels manufactured in Thailand, Malaysia, Vietnam and Cambodia - clearly addressing the solar panel constraints resulting from an anti-dumping and countervailing (AD/CVD) investigation on solar panels manufactured in Southeast Asia initiated by the US Department of Commerce in March 2022. We note that the ongoing AD/CVD investigation has been, by far, the most significant sector headwind for solar stocks over the past several months and one that has weighed heavily on investor sentiment. Based on feedback, we believe while tariffs could still be implemented in the future, the removal of retroactive tariff risk and the fact that the Biden administration was stepping in this earlier than expected (most investors had expected more clarity into August) and clearly an encouraging development that aligns more closely with the administration's clean energy goals, in our view. With guidance cuts and weaker commentary having impacted multiple solar stocks under coverage over the course of 1Q22 earnings season, we expect this clarity could be a floor on estimate cuts moving through 2H22 with potential for multiples to expand in names that have been most significantly dislocated due to panel supply concerns; **we highlight ARRY, SHLS and STEM as having most leverage amongst Buy-rated names** to see a sharp near-term rally though we'd anticipate the entire solar group will see a tailwind on the back of this news. Additionally, **we highlight NEP, AES and NI amongst Buy-rated utilities** that could also benefit from this increased clarity on solar trade policy in the US. We provide additional insight on the Biden administration's executive order as well as stock implications here within.

AD/CVD investigation update

- **Background.** On 3/28/22, the US Department of Commerce initiated an investigation on the circumvention of anti-dumping and countervailing duty order for solar panels manufactured in Malaysia, Thailand, Vietnam and Cambodia (see here). The investigation was initiated following a petition filed by Auxin Solar (not covered), with company arguing that solar panel manufacturers are circumventing Chinese AD/CVD measures by processing raw materials in China

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but conducting final assembly of panels in the listed countries, thereby circumventing existing AD/CVD duties. The DOC has 150 days from the date it initiated the investigation to issue a preliminary determination, and another 150 days to issue a final determination. If the DOC rules in the affirmative that tariffs on solar panels manufactured in the listed countries are necessary, tariffs would have potentially been retroactively applied to solar panel imports to the US.

- **Executive action likely to provide better clarity on panel supply.** Reuters reported over the weekend that the Biden administration is expected to declare a 24-month tariff exemption on solar panels manufactured in the 4 listed countries in the US DOC's AD/CVD investigation: Thailand, Malaysia, Vietnam and Cambodia. Reuters reported that, under this executive action, panels imported into the US from these 4 countries will be exempt from tariffs, regardless of the outcome of the AD/CVD investigation. The exemption appears to directly address the uncertainty of retroactive tariffs which have led panel suppliers to significantly reduce shipments to the US. In addition, the Biden administration is expected to call upon the Defense Production Act to help drive domestic solar panel manufacturing by utilizing loans and grants, according to the report.
- **AD/CVD investigation has had a meaningful impact on project timing; estimate risk is likely to dissipate from here.** The AD/CVD investigation has led to a meaningful disruption in solar panel supply in the US as solar manufacturers, uncertain of the amount of tariffs that could be applied, have largely elected not ship large volumes to the US. As a result, solar project timing has been impacted, especially in utility-scale, due to panel constraints. To that point, ARRY cut its 2022 guidance from $1.45bn-$1.75bn to $1.30bn-$1.50bn after conducting a review of its customers' projects and determining that ~$225mn-$250mn of revenue was associated with projects with panel uncertainty due to the AD/CVD investigation. Similarly, SHLS cut its 2022 guidance from $300mn-$350mn to $300mn-$325mn due to project timing risk after conducting a bottoms-up analysis of its current backlog. Solar panel makers in our coverage, namely CSIQ and JKS which are most likely subject to the investigation, have maintained guidance following the initiation of the investigation. However, commentary from each indicates that module volumes are being diverted from the US to other geographies.
- **Stock implications.** We highlight the most meaningful stock implications across our US clean tech and utilities coverage if the Biden administration grants a 24-month exemption on tariffs for panels manufactured in the 4 listed countries.
  - **Clean technology.** We expect ARRY and SHLS, which each lowered 2022 guidance due to project timeline uncertainty, to be most benefited if solar panel tariffs were to be exempted. We also expect China-based solar panel players JKS/CSIQ to be positively impacted given that the tariff exemption would grant both companies a relief of the overhang of retroactive tariffs. In addition, we expect this news to be positive for energy storage suppliers FLNC and STEM, which have each pointed to project timing risk for large-scale solar+storage projects related to the AD/CVD investigation. On the flip side, we expect FSLR and MAXN to face increased competitions from domestic manufacturers. For residential, we except installers NOVA/RUN which

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purchase solar panels and complement makers SEDG/ENPH to also benefit from the ease of supply chain tightness.

- **Utilities.** NextEra Energy (NEE, Neutral) and its renewable yieldco NextEra Energy Partners (NEP, CL Buy) commented at 1Q2022 that the potential tariffs coming out of a Department of Commerce review already weighed on solar development efforts in the US for 2H2022 —— a major announcement for the industry then given NEE remains the largest owner/developer of utility scale solar in the US. The company did not revise its 2022-2024 forecasts for solar installations then, but highlighted potential delays of 2H2022 or early 2023 projects into later in 2023 or beyond. We expect an update on this at the companies' June 14th analyst day events, but see the President's potential move as a likely positive for the shares, as well as potentially for a few others like Buy rated AES Corp (AES) and NiSource (NI), ones where risks of solar project delays in the US weighed on shares recently.
- **Energy Services:** We see the potential for Buy-rated MTZ and PWR to outperform on this news, as some of the largest construction companies around US solar. Please see our recent report on this topic here, with particularly weakness we have seen around MTZ. Please see our recent report on this topic HERE.

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Disclosure Appendix

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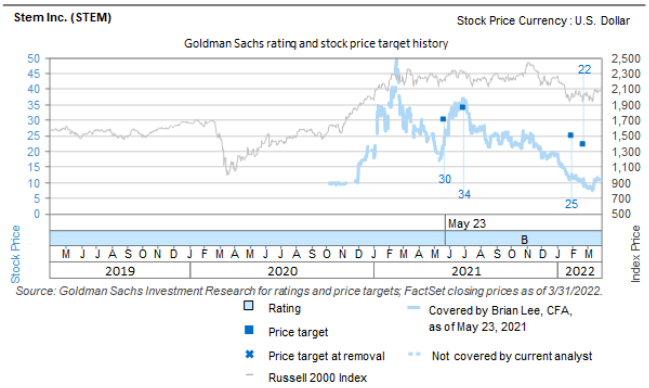
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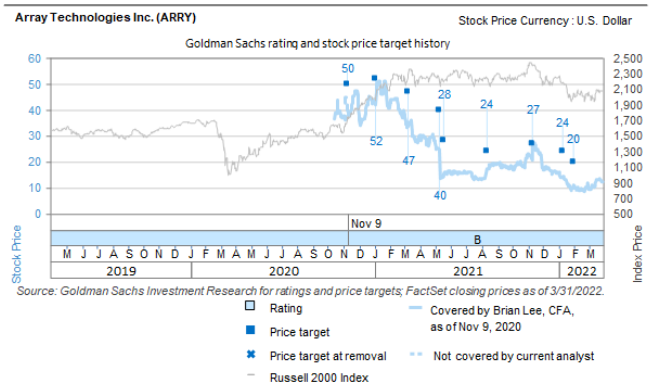
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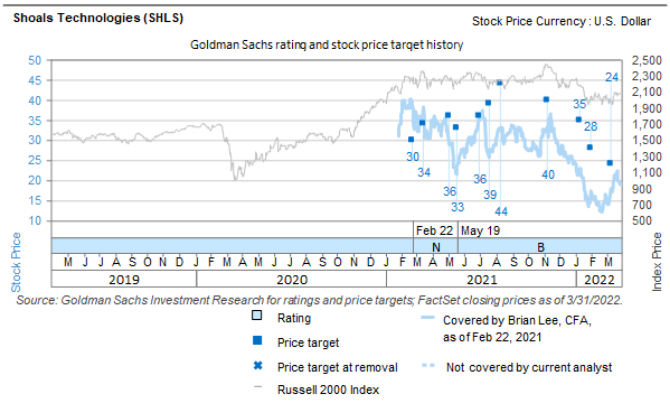
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GUGGENHEIM

Power & Utilities June 6, 2022

Solar Tariff Touch Points: Quick Read

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Key Message: In light of today's Biden Administration announcement regarding solar panel tariff exemptions, please find below a summary of notable recent commentary and takes for the utilities with solar exposure out of our coverage of 40+ publicly-traded utilities.

Also, please see today's note from Joe Osha, Guggenheim's Energy Technology and Industrial Technology analyst: **"A Short-Term Solar Trade Fix?"** (HERE). The White House Executive Action fact sheet can be found here.

See table beginning on next page...

Ticker	Price	Rating
AEE	93.15	Buy
AEP	102.06	Buy
ALE	63.35	Neutral
CMS	71.20	Neutral
CNP	31.54	Buy
D	82.73	Buy
DTE	132.57	Buy
DUK	111.11	Buy
ED	98.10	Neutral
ETR	121.34	Buy
EVRG	70.40	Buy
FE	41.83	Neutral
HE	43.51	Neutral
LNT	62.53	Neutral
NEE	80.19	Buy
NEP	75.69	Buy
NI	31.76	Buy
NJR	46.69	Neutral
POR	50.49	Buy
SO	75.35	Buy
VST	26.49	Buy
WEC	104.31	Neutral

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Ticker	Company Comments	Our Take
AEE	Bulk of renewables were in '24-'26 time frame, so they were taking a wait-and-see approach for things to 'settle down'.	Renewables remain a smaller portion of the overall capex plan, so this was more of a tertiary concern.
AEP	"I don't see a lot of risk. And the reason why is because ours is more through 2030. A lot of these projects will come into play in the '24, '25 timeframe. So, we have time for -- not only for the reviews of solar that's occurring with the administration, but also in terms of the supply chain activities to level out somewhat before we're actually out back in the market, acquiring these types of resources. So, we have a little bit of time, I think probably by first quarter next year, we want to see things start to levelize so that we can get that process rolling. In the meantime, we got the resource planning filings that are being made. And keep in mind, too, I made this point originally, these plans are really fungible from year to year based upon what we see in terms of the value proposition of each type of resources. So, a lot of it is wind, some of it's solar, solar picks up in the later years from a resource plan perspective. So, there's time for the solar thing to get resolved." [**AEP's CEO on the company's 1Q22 call**]	Today's news is incrementally positive, even if minor, as per mgmt.'s comments shown to the left. Mgmt. is seeing strong traction on its plans to sell some or all of the company's nonregulated renewables business, with sales expected to begin in 2H22. Mgmt. announced that an early Fall 2022 Analyst Day is in the works, timing which we believe should allow for meaningful updates on both regulated IRP/RFP developments (potential for incremental capex), as well as additional clarity on timing and proceeds from non-regulated wind/solar sales. **For more, see our 1Q22 note HERE.**
ALE	They were monitoring the ongoing process but struck a confident/cautiously optimistic tone on meeting internal targets, supported by the due diligence during the NE purchase process (C&I solar developer).	The solar requirements were largely on the non-regulated side, and we did not model any specific projects at ACE. We took management's comments on flexibility at newly acquired NE at face value given the niche (C&I/distributed) and higher margins therein.
CMS	Solar Development in IRP was Modular, so any impacts of solar delays would be offset with capex increases elsewhere.	We did not anticipate any earnings impact given the modular nature of the CMS capex plan.
CNP	Reduced the scope of Solar in IN IRP but offset with capex elsewhere in the system.	We did not anticipate any earnings impact given the offsets and increases in 2022 capex.
D	The company had roughly 1.1GWs of projects in 2023, with potential tariff exposure on 40% of that, but the company struck a confident tone overall on the 1Q22 call.	The impact was not material as the exposed capacity was only ~400MW and the company was willing to pay tariffs vs. delaying/canceling.
DTE	Solar was a small portion of voluntary renewables; new IRP would contemplate incremental spending but would be flexible depending on economics.	No impact to DTE growth trajectory given the diversified energy mix that mgmt. planned to model after the CMS IRP filing / settlement.
DUK	"With ongoing constraints impacting the global supply of solar panels, let me take a moment to address this matter. On our fourth quarter earnings call in February, we reduced our 2022 net income projection for the Commercial Renewables segment to approximately $150 million, down from our original range of $200 million to $250 million. This related to a strategic decision to prioritize our regulated solar projects with our existing panel supply. Having taken those steps in February, we are well positioned on all solar projects	While there may not be much or any change for the regulated business, we see the potential for DUK's Commercial Renewables business to get back within the $200m-$250m long-term guidance range sooner than previously expected. Mgmt. was very clear in our recent conversations that the expectation for Commercial Renewables' earnings remains in the $200m-$250m range longer-term, with 2022's $150m and potentially 2023's similar earnings being

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	slated for 2022 across our regulated and commercial operations. Looking to 2023 and beyond, we're closely monitoring the Department of Commerce investigations. We assess the timing of our solar projects. On the regulated side, we expect no delays in 2023. For commercial renewables business, we are targeting approximately 800 megawatts of solar in 2023 and have line of sight on roughly half at this time. Panels have been secured and PPA negotiations are underway. The remaining solar projects are in various stages of development and largely dependent upon panel price clarity. If delays persist, we may see a few projects shift from 2023 to 2024, resulting in the commercial business delivering more in line with 2022. We are planning for a range of outcomes and have a pipeline of capital and agility levers to maintain our 5% to 7% annual earnings growth trajectory. As a reminder, our commercial solar capital for 2023 represents approximately 1% of our total capex for the 5-year plan." [**1Q22 call**]	temporary in nature. **See our AGA note HERE, and 1Q22 note HERE**.
ED	No impacts previously identified for CED development business (which is in strategic review).	Capital allocation to CED has historically been small (~$400M/yr) and the strategic review process on existing assets overshadows any headwinds from tariffs. The removal of near-term uncertainty could be a slight benefit to the value of the development business.
ETR	Some minor shifts in timing of projects, but solar capex through 2025 was still small; mgmt. anticipated more solar capex in the latter half of the decade.	No earnings impact from tariffs other than minor shifts in timing; solar remains competitive economically and green tariff demand is growing regardless of solar tariff issues.
EVRG	N/A - they were monitoring for the limited amount of solar in the current plan.	Not material to the current capex/earnings plan.
FE	Pursuing 50MW blocks of solar capacity in WV.	Had not been expected to be a material detriment to earnings growth if panels were delayed.
HE	HE faced headwinds from solar supply chains, with solar deployment being pushed out by ~12 months.	The mitigation of the tariff issues could help get HE on a faster decarbonization trajectory, but there is no earnings impact since the projects are PPA and a pass through on costs. Given HE geography supply chain issues could persist regardless of tariffs.
LNT	The company was moving forward with its buildouts in IA and WI regardless of the tariff outcome. The company had highlighted with 1Q22 results that it faced some uncertainty on sourcing roughly 500MWs of panels for 2H23.	The projects are going into rate base, so while there were prior timing considerations, the LT growth rate was unaffected. The latest data points reinforce that management was moving ahead with plans, tariffs or not.
NEE	Lingering uncertainty of the DOC investigation was a drag on 1Q (tariff calculations could drag into 2025) and the potential near-term shift of up to 2.8GW of solar projects into 2023.	We acknowledged the potential headwinds on solar development, but NEER has a strong platform for other growth including wind. We anticipated NEE to be able to hit 6-8% growth in the near term regardless of solar tariff outcomes, but now there is even less headwinds for growth. Given the removal of near-term uncertainty, the potential restoration of timeline on

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		2.8GW of projects could be an upside to the current NEE EPS growth trajectory.
NEP	Mgmt. did not anticipate any major issues in the ability to achieve distribution growth.	The existing NEER portfolio would allow for continued growth at NEP in the interim while solar tariff issues find resolution, effectively using the strong sponsor in NEER to mitigate broader development volatility. The removal of the uncertainty is constructive for the value of NEP.
NI	"Our renewable generation plans include 10 solar projects, which are intended to replace the retiring capacity at Schahfer Generating Station, including 2 projects currently under construction. Indiana Crossroads Solar and Dunns Bridge broke ground in fourth quarter 2021. We are shifting the anticipated in-service date from the end of 2022 to reflect a mid-2023 targeted date reflective of an anticipated delay associated with the department's investigation. These projects and most of our other solar projects at various stages of the development process are expected to be delayed by approximately 6 to 18 months from the originally targeted completion across 2022 and 2023. It is important to note that this is a broad time frame given the uncertainty. But ultimately, each project will be impacted differently. And we are working with our developer partners to refine our assessments on the expected impact. Given these delays, we now expect to retire Schahfer's remaining two coal units by the end of 2025. However, we continue to expect Michigan City Generating Station to retire on schedule, between 2026 and 2028. These retirements project NiSource to eliminate all coal-fired generation by 2028 and continue to track toward our targeted 90% reduction in greenhouse gas emissions by 2030." [**1Q22 call**]	Delays and uncertainties around acquiring solar panels were a contributing factor along with the ongoing strategic review process in deciding to push the company's analyst day into Fall 2022 vs. May 2022 previously. Despite the tariff exemptions, the company plans to stick to the Fall timing for the analyst day. While the shift of the solar projects out in the capital plan impacts NI's growth rate, so does pulling forward ~$500m of tracked gas modernization capex in IN and OH, mgmt. pointed out, and they also further clarified that the solar delays do not result in NI being at the bottom end of the growth CAGR, after accounting for the shift in capital, the O&M savings, and the financing savings, which were already laid out in the 1Q22 deck and described again above. NIPSCO Gas will be a main source for the $500m of tracked capital being pulled forward. **For more, see our AGA Day 2 note, HERE.**
NJR	"We have a robust pipeline that will drive significant solar investment in the coming years. In addition to the 75 megawatts under construction, we now have exclusivity and contractual rights to a portfolio of projects totaling 600 megawatts through fiscal 2027. This pipeline of regionally diversified projects, many of which have existing PJM queue positions, is capable of almost tripling the current size of CEV's clean energy portfolio. Over the last quarter alone, CEV secured more than 420 megawatts of exclusive project options and high-priority, policy-supported development areas. We have procured panels for most projects forecasted through fiscal 2023. Any supply chain issues we experienced were delays from electrical components such as inverters and racking equipment, which we've been able to mitigate. Additionally, we are closely following the recent Department of Commerce investigation regarding the sourcing of certain solid materials, which has not impacted our suppliers to date. Overall, our team has done a nice job navigating this environment while continuing to grow the project pipeline, ensuring quality and long-term investment	While we estimated the impact of CEV's reduced solar capex to be a detriment of ~$0.06/sh, all else equal the tariff exemption should help once again solidify the company's 7-9% LT annual growth rate. At a high level, the company's CEV segment earns on solar projects from the ITCs received upon putting the project into service, TRECs, capacity payments, and finally earnings simply from sales into PJM itself. The segment still has a lot of uncertainty, although it does help that fiscal 2022 and the low end of the 2023 capex range are currently covered by panels currently in the US, with the remainder being foreign-sourced. The company continues to pursue solar investment opportunities outside of PJM, given its issues surrounding the rate of interconnections. **For more, see our AGA Day 1 note, HERE.**

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	opportunities… Our solar project pipeline has never been stronger. And despite some short-term challenges, CEV's long-term growth opportunities remain unchanged." [**FQ2 2022 call**]	
POR	The tariffs and supply chain challenges injected uncertainty into the RFP process, with multiple potential permutations resulting in different levels of exposure, which would land in part on the independent evaluator/PUC to parse. In their view (1Q22 call) it was still too fluid to get more specific.	Options existed to move forward without solar, and the solar in the shortlist was largely third-party owned. The reduction in potential uncertainty is welcome, but Oregon decarbonization schedule meant there would be progress with or without NT solar.
SO	"…It's a conversation between tactics and strategy. In the Southeast, it is clear to me that solar is a dominant renewable strategy in the long run despite any perturbation that we may see from this investigation. I think we stay the course there." [**SO's CEO on the company's 1Q22 call**]	Despite Georgia Power having proposed 6,000 MWs of solar by 2032, we believe the utility is unlikely to be successful in bidding for any of that solar in the RFPs to follow as the regulated entity requires PTCs in order to be competitive with non-regulated developers that can take advantage of ITCs instead. As such, we believe that it is more likely that wind and batteries remain the focus for Georgia Power for the time being. Mgmt. also clarified that there is no solar in Southern Power's capital program at the moment. We would expect to see PPAs put in place for the solar power currently contemplated in Georgia Power's IRP. Recall that a Georgia PSC decision announcing the results of the IRP is expected July 21st. **For more, see our AGA Day 2 note, HERE.**
VST	Aware of challenges but 'well-positioned' to continue growth at Vistra Zero.	Vistra's plan has always been somewhat flexible and the changes to project schedules would not have NT impacts on guidance.
WEC	"Switching gears now, many of you have asked about the solar panel investigation by the Department of Commerce. There clearly will be impacts across the industry. And at our companies, we may see some price increases and potential delays, particularly on the solar and battery projects that are still going through the regulatory approval process in Wisconsin. But the important point is that we do not expect the review by the Department of Commerce to have any material impact on our 5-year capital plan." [**Gale Klappa on WEC's 1Q22 call**]	WEC does not see any material impact to its five-year plan from the Department of Commerce solar dumping investigation. While in-service dates of some solar projects could get pushed out further, they would be later than 2022/2023. **For more, see our AGA Day 2 note, HERE.**

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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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			IB Serv./ Past 12Mos.	
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NEUTRAL	118	32.60%	14	11.86%
SELL	3	0.83%	0	0.00%

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Power & Utilities

May 2, 2022

1Q22 Model Updates

Key Message: We are refreshing select estimates and PTs ahead of 1Q22 earnings to reflect any known and measurable YoY items and to adjust for seasonality. Our PT for EXC decreases to $49 from $61. Our PT for SRE increases to $174 from $166. Our PT for VST increases to $32 from $27.

Ticker	Share Price	Market Cap (M)	Rating		Price Target		Current EPS			Previous EPS		
			Current	Previous	Current	Previous	2022	2023	2024	2022	2023	2024
AEE	$92.00	$23,744	Buy	—	$95.00	—	4.04E	4.32E	4.64E	—	4.31E	4.61E
AVA	$40.05	$2,891	Sell	—	$35.00	—	2.04E	2.47E	2.59E	—	—	—
DUK	$108.70	$83,688	Buy	—	$119.00	—	5.48E	5.81E	6.15E	—	—	—
EXC	$46.65	$45,723	Neutral	—	$49.00	$61.00	2.27E	2.41E	2.58E	—	2.39E	2.54E
NI	$28.73	$11,657	Buy	—	$30.00	—	1.45E	1.53E	1.70E	—	—	—
NJR	$42.79	$4,110	Neutral	—	$41.00	—	2.25E	2.43E	2.62E	—	—	—
NRG	$36.84	$8,921	Neutral	—	$43.00	—	2,120E(M)	2,237E(M)	2,282E(M)	2,092E(M)	2,289E(M)	2,283E(M)
OGE	$38.48	$7,704	Buy	—	$42.00	—	2.28E	2.39E	2.52E	—	—	—
PNW	$71.24	$8,050	Sell	—	$60.00	—	4.05E	4.25E	4.50E	—	—	—
SR	$72.79	$3,767	Neutral	—	$62.00	—	3.84E	4.27E	4.91E	—	—	—
SRE	$159.66	$50,416	Buy	—	$174.00	$166.00	8.54E	9.08E	9.58E	—	—	—
VST	$24.69	$10,888	Buy	—	$32.00	$27.00	3,117E(M)	3,508E(M)	3,555E(M)	3,120E(M)	3,298E(M)	3,325E(M)

Note: NRG and VST show EBITDA estimates.

	Company Updates	Valuation	Risks
AEE	▪ We are updating our 1Q22 EPS estimate from $1.05 to $0.99 to account for known and measurable items through March 31, 2022, including cost run rates, revenue seasonality, and financing costs. ▪ Our 2023-25 annual EPS estimates move from $4.31/4.61/4.86 to $4.32/4.64/4.95 as we incorporate the latest capex guidance and update our assumptions. ▪ We are maintaining our $95 PT.	▪ Maintaining our BUY rating. ▪ We value AEE as a regulated utility, arriving at our $95 PT using our regulated group multiple of 19.5x, with a premium to reflect top-quartile growth opportunities, and applying to 2024 fundamentals. Our SOTP analysis for AEE essentially represents a ~21.8x multiple, in line with top-quartile growers. We value the company as a sum of the parts, and 1) we attribute a 2x premium on Ameren MO, reflecting potential upside capital opportunities, renewables, and an improving regulatory environment, 2) we assign a 1x premium to IL Electric and IL Gas, and 3) we assign a 4x premium on transmission for growth opportunities in MISO. We apply this to our 2024 EPS estimate of $4.64 and discount back to arrive at our $95 PT. ▪ While there is only ~6% potential upside to our current PT, we remain BUY rated ahead of further details on incremental opportunities around MISO transmission this summer and further generation replacement opportunities.	▪ The primary risks encompass traditional risk factors inherent with all utilities, including: (1) rate case risk, (2) capex outlook, and (3) interest rate changes above what we account for in our regression model. Company-specific risks include treasury yields deteriorating, MISO planning issues hampering new transmission or generation build, and other MO/IL-specific items.
AVA	▪ We are updating our 1Q22 EPS estimate from $0.79 to $0.82 to account for known and measurable items through March 31, 2022, including cost run rates, revenue seasonality, and financing costs. ▪ We are maintaining our 2022-25 annual EPS estimates. ▪ We are maintaining our $35 PT.	▪ Maintaining our SELL rating. ▪ We arrive at our $35 PT by applying our 19.5x regulated group target multiple, which is based on our regression model using the correlation between electric utility valuations.	▪ Upside risks include capital investments exceeding our modeling assumptions or interest rate changes below those reflected in our regression model.
DUK	▪ We are updating our 1Q22 EPS estimate from $1.25 to $1.35 to account for known and measurable items through March 31, 2022, including cost run rates, revenue seasonality, and financing costs. ▪ We are maintaining our 2022-25 annual EPS estimates. ▪ We are maintaining our $119 PT.	▪ Maintaining our BUY rating. ▪ We utilize our regulated electric utilities multiple of 19.5x and apply an additional 1x premium to account for LT incremental spending and anticipated ratemaking benefits from the yet-to-be-implemented HB 951 NC legislation. We then apply this 20.5x multiple to our $6.15 2024 EPS estimate and discount back one year at 6% to arrive at our $119 valuation.	▪ Risks to our thesis mainly encompass traditional risk factors inherent with all electric utilities, including: 1) rate case risk, 2) lower capex outlook, and 3) interest rate changes above what we account for in our regression model.

EXC	▪ We are updating our 1Q22 EPS estimate from $0.56 to $0.62 to account for known and measurable items through March 31, 2022, including cost run rates, revenue seasonality, and financing costs. ▪ Our 2023-25 annual EPS estimates move from $2.39/2.54/2.74 to $2.41/2.58/2.82 as we incorporate the latest capex and financial guidance. ▪ Our PT moves from $61 to $49 to reflect the full separation last quarter of EXC and its former merchant generation arm.	▪ Maintaining our NEUTRAL rating. ▪ Our valuation is based on our 2024E EPS of $2.58 applied to a 19.5x regulated utility multiple, which is based on our regression model using the correlation between electric utility valuations and forward interest rate expectations over the past 30+ years. To this 19.5x multiple, we continue to apply a one-turn premium to each of EXC's subsidiaries for favorable recovery mechanisms (riders, MYPs) and underlying growth/incremental investment opportunities, except for ComEd. This blended 20.2x multiple, applied to our 2024E EPS and discounted back one year, equals our $49 PT. ▪ Our $49 PT reflects the full separation of EXC and its former merchant genco.	▪ EXC comprises regulated utilities and transmission assets, which face traditional risk factors and upside drivers inherent with all utilities, including: (1) positive/negative rate case outcomes above/below our expectations, (2) higher/lower capex outlooks, and (3) interest rate changes above/below what we account for in our regression model.
NI	▪ We are updating our 1Q22 EPS estimate from $0.87 to $0.77 to account for known and measurable items through March 31, 2022, including cost run rates, revenue seasonality, and financing costs. ▪ We are maintaining our 2022-25 annual EPS estimates. ▪ We are maintaining our $30 PT.	▪ Maintaining our BUY rating. ▪ We value NI as a regulated utility, arriving at our $30 PT using our regulated group multiple of 19.5x, with a premium to reflect top-quartile rate base growth through the forecast period, and applying to 2024 fundamentals. Our SOTP analysis essentially represents a ~17.6x multiple, in line with mid/large-cap electric peers and >2 turns higher than LDC peers as a group. We value the company via SOTP, and 1) we attribute a 0.5x premium on NIPSCO, reflecting strong renewable-driven rate base growth, and 2) we assign the gas business our standard 2.0x discount on the LDC space broadly, where we remain largely on the sidelines given a multitude of structural tail risks. We apply this to our 2024 $1.70 EPS estimate and discount back to arrive at our $30 PT. There is ~8% potential upside to our price target from current levels, but we maintain our BUY rating based on our long-term EPS growth expectations, which is based in part on NI's ongoing strategic review and ESG-friendly electrification efforts.	▪ Risks to our valuation mainly encompass traditional risk factors inherent with all regulated utilities, including: (1) rate case risk (albeit with heightened focus on the incorporation of renewables in 2H23), (2) potential for a lower capex outlook, and (3) interest rate changes above/below what we account for in our regression model.

NJR	▪ We are updating our F2Q22 EPS estimate from $1.43 to $1.30 to account for known and measurable items through March 31, 2022, including cost run rates, revenue seasonality, and financing costs. ▪ We are maintaining our 2022-25 annual EPS estimates. ▪ We are maintaining our $41 PT.	▪ Maintaining our NEUTRAL rating. ▪ We value NJR by applying our 19.5x regulated group target multiple (which is based on our regression model using the correlation between electric utility valuations and forward interest rate expectations over the past 30+ years), less a 2.0x discount on the LDC space broadly, where we remain largely on the sidelines given a multitude of structural tail risks. While we acknowledge the concerted effort at de-risking the business and making the earnings profile more utility-like, we nevertheless deduct a company-specific 1.0x discount due to the remaining weight of non-utility-like business profiles within the company.	▪ Upside risks to our valuation include weather-driven strength and faster-than-expected non-regulated growth. ▪ Downside risks for NJR mainly encompass traditional risk factors inherent with all regulated utilities, including: (1) rate case risk, (2) higher capex outlook, and (3) interest rate changes above what we account for in our regression model.
NRG	▪ We are updating our 1Q22 EBITDA estimate from $482mm to $490mm to account for known and measurable items through March 31, 2022, including cost run rates, revenue seasonality, and financing costs. ▪ Our 2022-25 EBITDA estimates shift from $2,092mm/2,289mm/2,283mm/2,263mm to $2,120mm/2,237mm/2,282mm/2,225mm as we update our assumptions and mark to the latest curves. ▪ We are maintaining our $43 PT.	▪ Maintaining our NEUTRAL rating. ▪ We project unlevered free cash flows based on adjusted EBITDA, subtracting environmental and maintenance capex and cash taxes. We apply an NRG-specific 4.5x terminal multiple to 2028 cash flow, and we discount at NRG's estimated WACC. Our estimates utilize December 2021 curves. We also incorporate our fair value estimates for NRG's future environmental liabilities and NOLs and subtract net debt of ~$5.5bn to arrive at our $43 PT. ▪ While there is ~20% TSR potential to our PT, we remain Neutral as we await details of the ongoing strategic shift to consumer-centric growth capex as the company continues its Direct Energy acquisition integration.	▪ Commodity price risk: NRG is still somewhat of a long natural gas call in ERCOT, with gas the marginal price setter in PJM, MISO, ERCOT, NYISO, etc. Retail margins remain somewhat levered to gas volatility and could expand further in a backwardated commodity environment (an upside) or contract (a downside). NRG is primarily a retail operation in the eastern RTOs. ▪ Environmental/policy risk: Environmental regulations could require increased spending; permitting and compliance associated with these regulations could require significant capital and operating expenditures. Considering timing to comply with these regulations and costs, some retirements of plants could be accelerated. Changes to these regulations could increase costs of operating these plants and/or increase competition. ▪ Operational risks: NRG's fleet could experience unforced outages or other operational issues that are inherent risks of the power generation business and a potential drag on retail gross margins.

OGE	▪ We are updating our 1Q22 EPS estimate from $0.24 to $0.18 to account for known and measurable items through March 30, 2022, including weather, cost run rates, and revenue seasonality. ▪ We are maintaining our 2022-25 annual EPS estimates. ▪ We are maintaining our $42 PT.	▪ Maintaining our BUY rating. ▪ We arrive at our valuation utilizing a sum-of-the-parts analysis, which is composed of: (1) ~$42/share for the regulated electric utility, using our base regulated multiple of 19.5x P/E applied to our 2024 EPS estimate of $2.16 (midstream excluded), and (2) ~$2/ share for OGE's ~26% ownership of ENBL's LP units (now converted to ET shares). Adding the segments and discounting for 1 year to achieve our 12-month forward PT, we arrive at our $42 PT.	▪ Outside of noise around midstream ownership, risks to our thesis mainly encompass traditional risk factors inherent with all electric utilities, including: (1) negative rate case outcomes (i.e., regulatory risk including AR); (2) lower capex outlook and ability to deploy; and (3) interest rate changes above what we account for in our regression model.
PNW	▪ We are updating our 1Q22 EPS estimate from $(0.08) to $0.08 to account for known and measurable items through March 31, 2022, including cost run rates, revenue seasonality, and financing costs. ▪ We are maintaining our 2022-25 annual EPS estimates. ▪ We are maintaining our $60 PT.	▪ Maintaining our SELL rating. ▪ We arrive at our $60 PT by applying our 19.5x regulated group target multiple, which is based on our regression model using the correlation between electric utility valuations and forward interest rate expectations, less a 5.25x discount (vs. 5x previously), to reflect broader deterioration of the regulatory construct in AZ vs. the peer regulated group (in our view, now the least attractive jurisdiction from an investment standpoint), to our 2024 EPS estimate of $4.50 and then discounted back one year.	▪ Upside risks primarily consist of a better-than-expected regulatory treatment by the Arizona Corporation Commission in the rate case and/or a change in the makeup of the ACC Commissioners, whereby a majority of the state's utility regulators are comprised of pro-business commissioners with a more thorough knowledge of fundamental utility ratemaking.
SR	▪ We are updating our F2Q22 EPS estimate from $2.96 to $3.10 to account for known and measurable items through March 31, 2022, including cost run rates, revenue seasonality, and financing costs. ▪ We are maintaining our 2022-25 annual EPS estimates. ▪ We are maintaining our $62 PT.	▪ Maintaining our NEUTRAL rating. ▪ We arrive at our $62 PT by applying our 19.5x regulated group target multiple, which is based on our regression model using the correlation between electric utility valuations and forward interest rate expectations, less a 2.0x discount on the LDC space broadly, where we remain largely on the sidelines given a multitude of structural tail risks, and a further 4.0x company-specific discount due to significant uncertainty around regulatory outcomes in MO as the company's largest utility commences another rate case filing there, to our 2024 EPS estimate of $4.91 and discount back one year. There is -11% downside to our price target from current levels, but we maintain our NEUTRAL rating based on our expectation of an upwards guidance revision of unknown amount due to a recent Missouri regulatory decision. As the figure is not quantifiable and is subject to the subjective interpretations of management and the company's auditors, we are not making an investment recommendation to investors to trade the security until more clarity is provided.	▪ Upside risks include: 1) better-than-expected regulatory outcomes; (2) higher capex outlook, and (3) interest rates falling below what we account for in our regression model. ▪ Downside risks include: (1) worse-than-expected regulatory outcomes; (2) lower capex outlook, and (3) interest rates rising above what we account for in our regression model.

SRE	▪ We are updating our 1Q22 EPS estimate from $2.22 to $2.70 to account for known and measurable items through March 30, 2022 including projects in service dates, one-time items and cost run rates, and revenue seasonality. ▪ We are maintaining our 2022-2025 annual EPS estimates. ▪ We are increasing our PT to $174 (up from $166).	▪ Maintaining our Buy rating. ▪ We derive our valuation through our sum-of-the-parts analysis comprised of: (1) ~$53/sh for SDG&E where we apply our base regulated 19.5x P/E multiple to our 2024E; (2) ~$44/sh value for SoCalGas utilizing our 19.5x regulated electric P/E multiple to our 2024E; (3) ~$51/share for Oncor, applying our 19.5x regulated multiple plus 1.0x premium for incremental capital and growth fundamentals to our 2024E; (4) ~$50/sh (up from $45) for SRE's ownership of SIP based on a 13x EBITDA multiple applied to our 2024E, net of attributed debt vs. 12x EV/EBITDA previously; (5) $0/share for development projects as we take a conservative stance on project FIDs; and (6) ~($17)/sh for parent drag. Taking a sum of the segments and discounting for 1 year to reach our 12-month price target, we arrive at our $174 price target (up from $166). (Note: segments' sum may not round to SOTP exactly.).	▪ Outside of exposure to the wildfires and potential delays around Cameron, risks to our thesis mainly encompass traditional risk factors inherent with all electric utilities including: (1) rate case risk; (2) lower CapEx outlook; (3) interest rate changes above what we account for in our regression model, (4) LNG development risks; and (5) political risks in Mexico.
VST	▪ We are updating our 1Q22 EBITDA estimate from $728mm to $625mm to account for known and measurable items through March 31, 2022, including seasonality. ▪ Our 2022-25 EBITDA estimates shift from $3,120mm/3,298mm/3,325mm/3,223mm to $3,117mm/3,508mm/3,555mm/3,738mm as we update our assumptions and mark to the latest curves. ▪ Our PT moves from $27 to $32 as we update our model with the March 31 commodity curves.	▪ Maintaining our BUY rating. ▪ We value IPPs, including VST, using an unlevered discounted cash flow methodology before accounting for growth capex from 2023 through the 2028 terminal year, at which point we apply an asset-weighted terminal multiple of 6x to derive a terminal value. We subtract net debt of ~$10bn to arrive at equity value of ~$14bn and our PT of $32/share. Our model is marked to March 2022 forward curves through our terminal year.	▪ Commodity price risk: If natural gas prices fall, wholesale power prices will likely fall, limiting power margins. VST is still inherently a long natural gas call, with gas the marginal price setter in ERCOT. ▪ Environmental/policy risk: Environmental regulations could require increased spending; permitting and compliance associated with these regulations could require significant capital and operating expenditures. Considering timing to comply with these regulations and costs, some retirements of plants could be accelerated. Changes to these regulations could increase costs of operating these plants and/ or increase competition. ▪ Operational risks: VST's fleet could experience unforced outages or other operational issues that are inherent risks of the power-generation business.

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J.P.Morgan

North American Utilities

Thoughts from the 2022 JPM Energy, Power and Renewables Conference

The 7th annual J.P. Morgan Energy, Power, and Renewable Conference included ~145 corporate participants (27 utilities) that presented and/or conducted investor meetings. Returning to an in-person event for the first time since 2019, tangible energy filled the elbow to elbow hallways at the conference. Moreover, the Day 1 Jamie Dimon and Jack Fusco Keynote Fireside Chat infused palpable zest into the conference, as well as a few laughs. Across all 145 corporate attendees, **NEE** received the third most investor requests, with **CEG** and **ETR** the next two most requested utilities. After extensive company conversations throughout the conference, we highlight industry consensus that the White House's executive order for a two-year tariff delay represents a notable positive development that both provides sufficient clarity to restart solar activity and time to improve the supply chain within the two years. Separately, we gained greater clarity on the MISO LRTP tranche 1, where we tilt toward the high end of expected ranges for XEL, FTS, and WEC and see AEE at least attaining $1.7bn of capex. Although chatter on a climate-related BBB has increased, management teams appear more conservative than investors. While inflation concerns remain top of mind and bill lag means customers have not yet seen the full impact of higher commodity prices, management teams thus far see the situation as manageable, appearing confident in earnings growth and capex plans. On pensions, FE and PEG appear more exposed to potential 2023 earnings hits, while ED benefits from NY trackers. In this note, we cover industry-wide takeaways as well as compile our company-specific takeaways.

- **Solar landscape improving with supply chain restarting.** After extensive conversations throughout the conference, we leave with the view that the White House's executive order for a two-year tariff delay provides sufficient clarity to restart the solar industry. Utilities noted that suppliers in impacted Asian countries have increased production capacity for supply to the US. **NEE** noted that run rate shipment volume could potentially return to pre-investigation levels within a quarter or two. Further, **NEE** expects suppliers to have shifted manufacturing out of affected countries within 18 months, while others echoed this sentiment. Additionally, **D** anticipates sourcing up to 50% of 2023 panels domestically. Separately, **NI** now expects delays overall to likely trend closer to 6 months on average within the 6-18 month range initially outlined on the 1Q call. **NI's** mid- to late-stage projects will require re-queuing for panels, somewhat limiting the immediate benefit from tariff clarity created by the administration's actions. On overall sentiment, **AES** framed its new PPA signings as limited only by the company's ability to de-risk projects in its pipeline, rather than any indication of exhausting market demand.

- **Gaining clarity on MISO LRTP tranche 1 landscape ahead of the highly anticipated July 25th board vote.** Conversations with MISO-exposed utilities focused heavily on respective investment opportunities within the 18 tranche 1 projects valued at $10.4bn, following MISO's release of more granular project detail in early June and ahead of final board approval expected on July 25th. Our previous estimate of up to 85% of projects landing as brownfield matched utilities' estimates ranges from 80-90%. In terms of total value, **XEL's** SVP of Transmission Michael Lamb pointed out that the tranche 1 opportunity should be viewed as a $10-13bn opportunity due to ancillary investments triggered by tranche 1 projects. Lamb also laid out a roughly five-year process for the tranche 1 projects, with construction concentrated to years four and five. As such, we could see major tranche 1 capital spending beginning in 2025 and 2026 for MISO-exposed utilities, most of which appears incremental to current capital plans. **XEL** and **FTS** reiterated views of $1.0-

North American Utilities

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1x1 only:
AEE, AEP, AES, AGR, ALE, CEG, D, ED, ES, ETR, EXC, FE, NEE, NI, PEG, SR, SRE, SWX, XEL

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2.0bn and $1.0-1.5bn opportunity sets for tranche 1, respectively. **WEC** maintained its $800mm estimate for ATC (released this month) and messaged that spending will fall outside of the current capital plan. **AEE** remained on the sidelines of public discussion with no disclosed estimates, while **AEP** will contemplate all competitive processes as appropriate. **AEP** estimates a $1bn pool of competitive projects.

- **A skinny climate-related BBB up for discussion, but corporates less optimistic than investors.** In the weeks leading up to the conference, reports of increased chatter surrounding a potential skinny climate-related BBB package emerged. While conversations likely remain lively, corporates seemed less optimistic on near-term passage than investors. Management teams reiterated the importance of and hopes for tax credits, but the tone of discussions reflected uncertain prospects for advancement at this time. **NEE** discussed the substantial opportunities that introduction of a solar PTC and a stand-alone storage ITC could unlock, but noted that the company likely plans to wait until later to push for these items as well as a long-term extension of current PTCs and ITCs.

- **Inflation impacting capital side more than O&M for now; commodity pass-through remains in focus.** Inflation questions continue to dominate discussions, although overall messaging remains constructive. Materials inputs, ramping demand, and higher supplier labor expense are impacting capital costs, which **XEL** discussed as factors observed in preparation for forthcoming MISO LRTP work and execution of the CO Pathway transmission project. That said, industry concerns here do not appear significant at this time, and any ultimate impacts may display some lag due to the use of fixed-price contracts in procurement strategies. As a result, we have not yet seen capital plan revisions for these factors. For O&M, companies cited collective bargaining agreements and other contracts serving as at least partial offsets against these pressures. Additionally, generation transition tailwinds help lower O&M as renewables replace older fossil assets with higher operating costs. Similarly, the associated benefit from displaced fuel now stands even larger given elevated commodity prices, and attention remains on current and forthcoming rate revisions for higher commodity pass-throughs. Varying state or regional impacts from these pass-throughs have caught meaningful attention, requiring significant local education from utilities. **AGR** discussed efforts along these lines to frame its rate case requests in NY and ME versus the larger impacts from commodities, and **AEE** has highlighted this anticipated hit to its IL electric customers as state procurement strategies left exposure to the high MISO capacity auction results. Conversely, **EXC** noted CEJA's benefit to ComEd customers under this elevated power price environment.

- **FE and PEG in pension spotlight, with ED able to limit exposure.** Given continued market weakness and nuances of accounting methods, FE screens as one of the most exposed utilities to a 2023 pension expense hit. Management discussed several avenues to offset some impacts in 2023, and over the long-term intends to work through the regulatory process to get trackers in place to mitigate future volatility. FE will likely retain a small pension exposure, given a portion remains outside the regulated companies, but management views this as manageable. FE does not intend on addressing the 2023 issue through a voluntary contribution, instead the company plans to prioritize regulated capex, keeping the capital plan on track. PEG does not smooth year-end asset value when calculating annual pension expense, leaving above average exposure to negative pension impacts. As such, 2023 earnings could also come under pressure, and we note that PEG, similar to FE, does not intend to make any voluntary contributions. Separately, ED benefits from a pension tracker in New York that allows the company to defer any deviations versus levels embedded in the rate plan, limiting exposure.

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- **Takeaways from Keynote Fireside Chat with Jamie Dimon and Jack Fusco.** With the war in Ukraine threatening energy security, both Jamie and Jack discussed the importance of US LNG exports to support our European allies. To this end, Jamie discussed the importance of increasing domestic natgas production, in an environmentally responsible way, and building incremental LNG export facilities. However, government progress here appears limited so far. Jack highlighted how Cheniere supports US allies through increasing LNG production (optimization creating 30tbtu more in 2022), with Cheniere accounting for ~1/3 of Europe's total gas supply in 1Q22. Separately, both discussed LNG's role in reducing global coal consumption, an actionable way to reduce CO2 emissions expeditiously. Finally, Jamie discussed JPM's Center for Carbon Transition, which establishes thoughtful targets to reduce its financing portfolio's carbon intensity over time.

- **Top Company Takeaways. AEE** discussed that Rush Island would likely remain open through 2025 as filed for in its MO IRP. While management declined to quantify its MISO LRTP tranche 1 opportunity, we see at least $1.7bn of investment opportunity stemming from the projects, with 'blue sky' upside to $3.5bn. On **AES**, renewables demand outpaces work to de-risk the pipeline, while management noted flexibility to manage the AES Next drag, including the potential move to cost method accounting for Fluence. **ETR** detailed the $1.8bn of incremental resilience investments laid out at investor day, noting that they will file for mechanisms to recover the replacement costs of existing assets with remaining useful life. Investor questions focused on thoughts regarding a minority stake sale to satisfy outer-year equity needs given the spread between private and public markets, where management highlighted the guardrails that a potential deal would need to meet, including regulatory items associated with different sized stakes, and other financing options available now. **NI** highlighted that the White House's tariff delay moves potential 6-18mo delays on solar projects closer to the 6mo timeframe. **PEG** messaged its focus to seek a regulatory solution for pension volatility in its next rate case. 2023 earnings could come under pressure due to its accounting methodology, but management noted they do not intend on making any voluntary contributions to offset. **WEC's** Gale Klappa discussed capacity tightness ahead of the company's announcement to push out its coal retirements. Separately, **WEC** sees an $800mm investment opportunity for ATC through the MISO LRTP tranche 1 projects, likely outside the capital plan. **XEL's** SVP of Transmission Michael Lamb pointed out that total tranche 1 capex should be viewed as a $10-13bn opportunity due to ancillary investments triggered by tranche 1 projects. These opportunities could start to hit capital plans in 2025.

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Table 1: Key Company Commentary

Ticker	Key Takeaway from JPM Energy, Power, and Renewables Conference
AEE	Rush Island likely open thru 2025; management declined quantifying MISO LRTP tranche 1 opportunity (we see $1.7bn floor, 'blue sky' upside to $3.5bn)
AEP	KY sale still likely to close this summer, even with FERC extension; now launching renewables portfolio - seeing strong interest already
AES	Renewables demand outpaces work to de-risk pipeline; flexibility to manage AES Next drag includes potential move to cost method accounting for Fluence
AGR	NECEC court ruling potentially next month; no change in PNM commitment; Sept analyst day targeted for long-term outlook refresh
ALE	Confident message in New Energy's outlook; disclosures set to increase over the coming quarters
AQN	KY Power acquisition expected to close in 2-3 months (WV approvals due as early as this week; FERC remains thereafter)
D	Started seeing bid/ask spreads on solar pricing risk narrow + expects acceleration in new contracts; offshore phase 2 lease auctions potentially late 2023
ED	Cautious optimism on settlement prospects, but upcoming governor election could impact timing
EMA	Discussions for support of Nova Scotia's decarbonization continue; this support remains necessary for an accelerated coal exit in the province
ES	Offshore review early, ES preference appears for a full exit; electrification presents meaningful capex redeployment opps: AMI ~$1bn, transmission ~$0.5bn
ETR	$1.8bn of incremental resilience investments await regulatory approval of a mechanism to recover replacement costs of existing, undepreciated assets
EXC	IL process appears to be progressing on track ahead of a potential filing early next year; light reg calendar a clear positive
FE	Pension to weigh on 2023, but offsets include tailwinds from smaller legacy ops (coal mining operation+), fin plan flexibility, FE Forward initiatives,O&M shifts
FTS	Transmission stands as nearest-term source of capex upside, w/ US$1.0-1.5bn in estimated MISO tranch 1 projects & upcoming August Lake Erie update
NEE	Cautious on near-term climate bill; ~18 months to optimize supply chain to ensure all NEE suppliers build wafers outside of China; sees legal risk as small
NI	Latest DoC update improves flexibility in advancing solar projects, but work remains to fully address timing impacts; delays likely closer to 6mo vs 6-18mo
NJR	Hydrogen/RNG opportunity and state policy alignment emphasized; NJNG system characteristics screen favorably for hydrogen
PEG	Pension expense could weigh on 2023 given test year complications; mgmt focused on seeking regulatory solution in next rate case
SJW	Recent and upcoming ratemaking changes stand poised to significantly lower earnings volatility and clear energy drags from CA water supply challenges
SO	Only 11 ITAACs left to be filed (53 as of the 1Q22 earnings call), Vogtle Unit 3 continues to progress towards a 4Q22/1Q23 in-service
SR	STL Pipeline: PSC Staff report seen as positive; MO rate case: traditional procedural schedule set, but timeline could still allow for resolution in CY22
SRE	After several recent HOAs, momenetum continues to build on LNG expansion with Port Arthur looking to get to 10mtpa
SWX	90 day spin update set to inform sale process guardrails; we continue to see a total company sale as the preferred path
WEC	Tight capacity to impact coal retirements; $800mm investment opportunity for ATC through MISO LRTP tranche 1
XEL	Tranche 1 a $10-13bn opportunity set with ancillary investments in play; transmission build portion a ~5yr process; tranche 2 approval expected summer 23

Source: J.P. Morgan commentary.

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J.P.Morgan

J.P. Morgan Energy Conference Keynote Takeaways

Thoughts from the Fireside Chat with JPM CEO Jamie Dimon and LNG CEO Jack Fusco

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J.P. Morgan Securities LLC

To kick off the 2022 J.P. Morgan Energy, Power and Renewables Conference, we hosted a Fireside Chat with J.P. Morgan Chairman and CEO Jamie Dimon and Cheniere Energy CEO Jack Fusco. Please see below for quick takeaways.

Key Takeaway: With the war in Ukraine threatening energy security, both Jamie and Jack discussed the importance of US LNG exports to support our European allies. To this end, Jamie discussed a new "Marshall Plan" that would include increasing domestic natgas production, in an environmentally responsible way, and building incremental liquefied natural gas export facilities, though government progress here appears limited so far. Jack highlighted how Cheniere supports US allies through increasing LNG production (optimization creating 30tbtu more in 2022), with Cheniere accounting for ~1/3 of Europe's total gas supply in 1Q22, and the CCL stage 3 positive FID today paving the way for more exports. Separately, both discussed LNG's role in diminishing global coal consumption, an actionable way to reduce CO2 emissions expeditiously. To achieve these ends, federal policy would need to immediately authorize the new energy development, including oil leases, gas pipelines, and green energy project permits. Finally, Jamie discussed JPM's Center for Carbon Transition, which establishes thoughtful targets to reduce its financing portfolio's carbon intensity over time.

- **LNG's role meeting energy demand growth and reducing carbon footprint.** Both Jamie and Jack believe LNG has a critical role in the global energy system, both meeting growing energy demand needs and decreasing carbon emissions around the globe. Cheniere projects global energy demand growth necessitating +206 mtpa of incremental LNG supply by 2040, with Cheniere well positioned to meet this demand though brownfield expansions at Corpus Christi and/or Sabine Pass. Moreover, Jack noted how each LNG cargo that displaces coal fired power generation reduces GHG emissions by an estimated 150,000 tons. Jamie discussed how the world still needs oil and natural gas, but not all hydrocarbons have an equivalent carbon footprint, agreeing with LNG's ability to reduce emissions versus coal. However, to support LNG and other clean energy sources, the federal government must deliver thoughtful and effective policies that spur long-term and large-scale capital deployment for low-carbon solutions that create jobs and benefit the global economy.

- **Energy security paramount.** Jamie discussed how national security demands energy security for ourselves and for our allies overseas. US LNG exports play a key role here, improving European energy security through reducing reliance on Russia. Promoting energy security represents the first of the four steps to jump-start a "Marshall Plan", as outlined in the JPM 2021 annual report. Jamie discussed how constraining capital flows needed to produce and move fuels, especially amidst the Ukraine war, is a bad idea. At the same time, the US should direct more capital towards low carbon intensive fuel sources and innovations such as carbon capture and sequestration, with pivoting from coal to gas the first step in energy transition. Jack talked through Cheniere's critical role in meeting European energy demands, with ~80% of CEI exports landing in Europe. Moreover, the recent Engie contract increase and expansion beyond 2040 highlights continued commercial efforts to increase LNG into Europe.

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- **Taking definitive steps to improve transparency, reduce carbon emissions.** As lender to many sectors, Jamie noted JPM's important role in carbon reduction and energy transition. In 2021, JPM released sector-specific emission reduction targets to align portions of the bank's financing portfolio with the Paris Agreement (the first US bank to do so), with these sectors delivering tremendous reductions so far. For JPM, ensuring the consistent supply of reasonably priced energy to consumers during the transition remains a key focus. On the Cheniere side, Jack discussed Cheniere's recent partnership with midstream companies, technology providers, and academic institutions to implement quantification, monitoring, reporting, and verification (QMRV) of GHG emissions across the supply chain and new technological initiatives to reduce methane release. These efforts should improve the data and transparency of emissions through the LNG value chain to maximize LNG's environmental competitiveness and underpin cargo emission tags in the future.

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J.P.Morgan

North American Utilities

J.P. Morgan Energy Conference Day 1 Takeaways



We met with nine companies on Wednesday during the J.P. Morgan Energy, Power, and Renewables Conference. Our key takeaways from meetings with AEE, AES, AGR, ALE, ES, ETR, EXC, PEG, and SWX follow.

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Ameren Corporation (AEE)

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Net Takeaway: We continue to expect AEE's MO IRP filing before June 30, with no timing impact anticipated from awaiting the final ruling on Rush Island's retirement date, given the likelihood for operations to extend to 2025 and AEE's current long generation position. AEE has asked for an emissions cap to avoid pollution control investments while transmission upgrades work unfolds. Renewables should eventually serve as replacement generation, but ultimate timing will depend on final retirement plans. On the MISO LRTP front, AEE still has yet to disclose opportunity set parameters stemming from tranche 1 projects. However, we see good visibility to a $1.7bn capex potential based on the latest data, with 'blue sky' upside to $3.0-3.5bn after all competitive processes are complete.

- **Rush Island likely open through 2025 to avoid reliability risks.** We continue to await MISO's final ruling on Rush Island's retirement date, as the RTO moved earlier in June to halt the plant's closure in the fall. MISO's move comes in an effort to avoid reliability risks, and likely requires the plant to stay online through September 2025 to prevent risks from insufficient power supply. AEE expects MISO to designate the plant as a system support resource, and requests to cap the sulfur dioxide emissions at half of current levels to forgo the required pollution control investments. Overall, the ruling on Rush Island's retirement date will not affect AEE's MO IRP filing expected before June 30, given AEE is currently long generation in excess of Rush Island's capacity. We anticipate renewables will largely account for Rush Island's replacement generation.

- **MISO LRTP tranche 1 draft reports provide some capex clarity; await the late-July board approval.** Despite more granular details on the MISO LRTP tranche 1 projects provided in recent weeks, management continues to decline quantifying AEE's opportunity set ahead of the long-awaited late-July MISO board vote. That said, we see good visibility to a $1.7bn capex potential based on the latest data, with 'blue sky' upside to $3.0-3.5bn after all competitive processes are complete. Overall, brownfield buildout of tranche 1 could approach ~85% of portfolio value.

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AES Corp (AES)

Julian Nebreda, President, US & Global Business Lines
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Max Trask, Senior Manager, Investor Relations

Net Takeaway: Renewables tailwinds continue to stand out, with AES seeing no limit to current market demand plus growing pricing capacity to offset higher input costs and preserve project returns. Separately, while attention remains on the company's ongoing AES Next earnings drag, management highlighted flexibility in mitigation measures to meet the breakeven in 2024 target, including a potential move to cost method accounting for Fluence.

- **Renewables momentum showcases robust environment despite recent solar volatility.** AES framed its new PPA signings as limited only by the company's ability to de-risk projects in its pipeline, rather than any indication of exhausting market demand. We see this message as strongly enforcing the value proposition of its C&I-heavy activity, structured product offerings, and global renewables franchise. Pricing capacity appears to be growing, with room for 20-30% increases on new contracts to reflect higher materials and debt costs plus preserve project returns. Unsurprisingly, this positions AES well for EPS upside over its current five year plan given renewables activity appears primed to remain above initial plan targets.

- **AES Next earnings drag versus value proposition remains a key debate.** With attention on the company's ongoing AES Next earnings drag, management highlighted flexibility in mitigation measures to meet the breakeven in 2024 target. Offsets extend beyond a full exit of Fluence, which stands as the primary source of this drag, and could include earnings contributions from the remaining AES Next portfolio or a move to cost method accounting for Fluence from current equity method treatment. As outlined in our recent fireside chat with AES President and CEO Andrés Gluski, there is no change to management's belief in Fluence's value proposition. Here, seeing the value of capacity only increasing amid the energy transition and broader power market changes, AES views its batteries expertise as a core driver of its high margin structured product offerings. On Fluence, AES has discussed the challenges as industry-wide, expecting Fluence's supply chain diversification to drive a recovery into 2024.

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Avangrid Inc (AGR)

Pedro Azagra, CEO
Patricia Cosgel, CFO
Alvaro Ortega, VP of Finance, Investor & Shareholder Relations, and Risk
Timothy Ellis, Manager, State Government Affairs

Net Takeaway: With new CEO Pedro Azagra recently assuming leadership of the company, AGR has refreshed and reiterated its message across a number of items. Here, we highlight several areas in the company's latest presentation for the conference. Among personnel changes, prior interim CFO Patricia Cosgel has now formally assumed the CFO title, and Trish Nilsen, a longtime NYSEG and AGR employee, is set to become President and CEO of NYSEG and RG&E on July 1. Additionally, the company remains committed to PNM and NECEC, its ongoing earned ROE improvement strategy, and growing solar and offshore wind focus. Related work extends to AGR's recent NY rate filings, upcoming ME rate application, solar/offshore wind contract and return evaluations, and potential asset rotation/partnership actions. Given PNM and NECEC remain significant outstanding plan elements to AGR's long-term outlook, we continue to await progress on both efforts, potentially coming as soon as next month for a NECEC court ruling. The company now anticipates holding its 2022 investor day in mid-September. As outlined at AGA last month, AGR appears focused on providing scenarios with the potential impacts from PNM and NECEC, including a consolidated financing plan both with and without PNM. We see this willingness to address significant plan changes with revised assumptions as positive versus waiting for a definitive update on PNM that likely extends into 2023.

- **PNM and NECEC stand in a holding pattern.** On PNM, AGR has seen local support for its challenge of the PRC's review process. Flexibility here appears set to meaningfully increase once the commission turns over in 2023, with some potential to pause the litigation should the company get an opportunity to present its acquisition settlement back to the new PRC. On NECEC, AGR continues to await a 3Q order in its Maine Supreme Court challenge, where construction could resume shortly after a favorable order following a five day notice period with the Maine DEP.

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Allete Inc (ALE)

Bethany Owen, Chair, President & CEO
Steven Morris, Sr VP & CFO
Jeffrey Scissons, Allete Clean Energy, Chief Financial & Strategy Officer
Vincent Meyer, Director, Investor Relations & Treasury

Net Takeaway: ALE remains in transition following the New Energy acquisition and with MN Power's ongoing rate case. The company appears set to outline increasing detail around New Energy in the coming quarters as ALE reports initial contributions in 2Q results. Given management anticipates New Energy to be earnings neutral in 2022, attention is building on 2023+ accretion after one-time purchase accounting and transaction cost drags dissipate. We see the company offering a confident message in New Energy's outlook.

- **Spotlight remains on New Energy acquisition, with more segment information set to roll out in the coming quarters.** Business disclosures remain relatively sparse, with ALE emphasizing expected double-digit annual EBITDA growth at New Energy off $20mm 2021 EBITDA (from ~80MW of projects), a 2GW+ project pipeline, and minimal ongoing capital needs to fund New Energy. One-time purchase accounting and transaction cost drags should drive a neutral 2022 EPS impact under management's current expectations, ultimately positioning 2023 as a first look at transaction accretion and New Energy's ultimate contribution to ALE's consolidated results going forward. While less exposed to the Department of Commerce's solar investigation versus utility-scale projects, the administration's latest steps to address these industry challenges appear directionally positive nonetheless. Additionally, further upside remains in any advancement of a pared-down BBB successor legislation, including the potential for direct pay to increase optionality around retaining projects on ALE's balance sheet. Overall, we see the company offering a confident message in New Energy's outlook and await improving New Energy disclosures in the coming quarters as ALE reports initial contributions in 2Q results.

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Eversource Energy (ES)

Jeffrey Kotkin, VP, Investor Relations

Net Takeaway: With the offshore wind strategic review in early stages, we sense strong interest from a variety of parties in ES's share of the JV with Orsted. We had previously thought a partial sell-down appeared more likely, particularly given potential limitations in near-term capital redeployment and importance of local utility involvement. However, a full exit appears the more preferred path at this point and we continue to expect an announcement by year end at the latest, when ES will have invested ~$2bn in the business. Moreover, we see ES focused on capex increases as the potential use of proceeds, with AMI (~$1bn opportunity) and transmission (~$500mm opportunity) the two most tangible growth avenues currently available. Growing electrification needs also represent an important driver to timing on the strategic review announcement. Otherwise, ES could look to reduce the $1.2bn in planned equity issuances under the recently filed ATM, but would likely not look to buy back stock. Regardless of timing on the offshore announcement, ES would not look to give a comprehensive capex update until the February 2023 earnings call.

- **Largely quiet on the regulatory front with Nstar electric tracking a decision near year end.** Outside of hearings in the Nstar electric rate case set to begin in a few weeks, ES faces a relatively light regulatory calendar. After litigating the last rate case five years ago, ES could settle this time around with discussions likely picking up after hearings. Otherwise, ES should receive a decision from the MA DPU by December 1. Elsewhere, Aquarion plans to file a case later this year, which represents the only other near term activity.

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Entergy Corp (ETR)

Andrew Marsh, CFO
William Abler, VP, Investor Relations

Net Takeaway: Investor questions focused on thoughts regarding a minority stake sale to satisfy outer-year equity needs given the spread between private and public markets, where management highlighted the guardrails that a potential deal would need to meet, including regulatory items associated with different sized stakes, and other financing options available now. During our meeting, management discussed the regulatory process for the $1.8bn of incremental resilience investments laid out at its recent Analyst Day, which should kick off in 2H22 and take about one year to complete. A key portion of the process will focus on investment recovery of incremental transmission assets as well as assets targeted for replacement that have not reached full depreciation. Our discussion also dove into the tailwinds associated with and management's high confidence in ETR's +6% industrial growth estimate.

- **Incremental resilience investments represent near-term focus.** As laid out at the Analyst Day, ETR earmarked $1.8bn of incremental resilience investments that it will add to the financial plan if regulators approve recovery. Under the current structure, management noted that this $1.8bn would generate considerable regulatory lag, compounded by replacing existing assets with remaining depreciable lives (such as lines built in the '90s). ETR anticipates asking to remove and recover the existing assets and future investment through filings in 3Q (Louisiana and New Orleans) and 4Q (Texas), respectively, in pursuit of a more efficient capital recovery mechanism. We could see the process run its full course by the end of 2023. In the meantime, there are some nearer-term replacement opportunities for already depreciated assets.

- **Reiterated industrial tailwinds and associated +6% growth estimate.** ETR highlighted the many economic advantages of the US Gulf Coast that support its long-term growth thesis, including energy infrastructure, advantaged feedstocks, low relative energy costs, access to the Gulf Coast and ports, access to the Mississippi river, local alignment, a strong labor force, on-shoring and friend-shoring, and stronger fundamentals relative to Europe. Management noted confidence in the industrial tailwinds and described some conservatism to estimates that are probability-weighted. Management also indicated confidence that commodity prices will remain elevated, though cognizant of volatility risk given the company's experience back in 2014.

- **Longer-term eyes on equity needs.** ETR introduced $1.4bn in equity needs for the 2025-2026 period alongside ~$6bn of capital investment in each year (+$2bn from $4bn run rate 2022-2024). While management expects to satisfy all equity needs through the ATM going forward, our meeting brought discussion on a minority sale and other financing options possible to address outer-year equity needs. Key considerations to this approach include the spread between private and public markets, regulatory consideration for varying degrees of 10-20% stakes, and relative attractiveness of other financing options.

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Exelon Corp (EXC)

Joe Nigro, Senior EVP & CFO
Jeanne Jones, SVP, Corporate Finance
Andy Plenge, VP, Investor Relations

Net Takeaway: With EXC benefiting from a light regulatory calendar, management discussed the ongoing process in IL ahead of the potential multi-year plan filing early next year. On this, we note a constructive tone regarding stakeholder alignment on new performance metrics. Importantly, these metrics should allow a more symmetric opportunity for ROE incentives, versus the current metrics that only penalize unfavorable outcomes. Additionally, EXC discussed long dated capex opportunities that could emerge from electric vehicles and offshore wind related transmission investment. On offshore wind, EXC could see capex upside from the NJ transmission solicitation expected to be announced later this year.

- **IL performance metric process ongoing with constructive commentary.** Ahead of the potential multi-year plan filing early next year, we note a constructive tone regarding stakeholder alignment on ongoing performance metric discussions. Importantly, these metrics should allow a more symmetric opportunity for ROE incentives, versus the current metrics that only penalize unfavorable outcomes. Additionally, last year's IL legislation that supported local nuclear plants should be a benefit to ComEd customers given high energy prices relative to levels agreed to in CEJA. This could help alleviate pressures in next year's ComEd rate case if commodity prices remain elevated.

- **Light regulatory calendar a clear differentiator.** With inflation concerns continuing to flood the market, EXC benefits from minimal large rate cases in 2022. Currently, the company only has pending rate cases at PECO Gas and DPL Gas. Outside of IL, management remains focused on the next round of multi-year plan filings in DC and MD, which should play out in 2023.

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Public Service Enterprise Group (PEG)

Ralph LaRossa, COO, President and CEO-elect beginning Sept. 1, 2022
Dan Cregg, EVP & CFO
Brian Reighn, Manager, Investor Relations

Net Takeaway: Unlike most utility peers, PEG does not smooth the year end asset value when calculating annual pension expense, leaving the company more exposed to negative earnings impacts as a result of the heightened market volatility. While this impact stems strictly from an accounting decision 40 years ago and likely does not drive any cash contributions, 2023 earnings could come under pressure if market dislocations remain through 12/31. Additionally, PEG does not intend to make any voluntary contributions. Moreover, the timing on PEG's next NJ rate case means 2023 will serve as the company's test year, thus limiting the incentive to implement temporary O&M reductions. That said, we note that management appears highly motivated to reduce go-forward earnings volatility, either through regulatory means or another solution. We remain constructive on PEG's longer term outlook given strong NJ growth opportunities and leverage to upside from offshore wind and federal nuclear support, but note near term earnings are more exposed than most peers.

- **Confidential IAP discussions progressing.** With settlement discussions ongoing in the IAP proceeding, management continues to highlight the importance of investing in the "last mile" of their electric system. Resolution should come later this year, and we highlight strong state interest in building out EV infrastructure, which accounts for >$200mm of the ~$850mm IAP ask.

- **Offshore optionality remains.** As inflation and supply chain disruptions continue to impact all corners of the renewables market, PEG remains open to alternatives for its current 25% share of the Ocean Wind 1 project. That said, PEG must wait until project COD if it wants to sell the stake at a premium to prior investment.

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Southwest Gas Holdings (SWX)

Gregory Peterson, SVP & CFO
Boyd Nelson, VP, Strategy & Investor Relations
Amy Timperley, Chief Regulatory & Financial Planning Officer

Net Takeaway: SWX's forthcoming 90 day update on the prospects of a Centuri spin remains the next material update to its sale process. A spin would create a two-year lookback/look forward period with tax consequences triggered by a utility sale, driving this near-term window that the company intends to use analyzing initial sale interest before determining a path forward. Contributing factors include the prospects of reaching an agreement for the whole company, the outlook for regulatory approvals, and overall process timing, where SWX expects to be in the second round of bidding by the time of this update. Consistent with our takeaways from AGA last month, we continue to see the preferred path as a total company sale, and SWX's initial efforts appear consistent with this view. In short, we expect a firm spin/no spin announcement will set expectations for the remainder of SWX's strategic review and help define the range of potential outcomes.

- **Spotlight on AZ for prospective deal approvals.** The broader AZ regulatory backdrop has captured investor attention given recent rate case outcomes and market perception of regulatory challenges facing the state's utilities over the past few years. However, change in control requirements across AZ/NV/CA appear to be relatively straightforward interpretations of no harm/public interest standards. Additionally, while AZ has no statutory clock, prior reviews (SWX's holdco, Fortis, KKR) suggest a roughly 12 month process. Overall, we note AZ's electric utilities have generally received higher attention in the state given greater business model disruption from rising renewables and distributed generation, plus the lower bill levels for gas customers. Separately, upcoming ACC elections for two commission seats face August primaries and the November general election, which should well predate a formal deal review by the commission in the event of a SWX sale. This timing likely reduces the political risk of an election platform specifically around an acquisition review.

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J.P.Morgan

North American Utilities

J.P. Morgan Energy Conference Day 2 Takeaways

We met with eight companies on Thursday during the J.P. Morgan Energy, Power, and Renewables Conference. Our key takeaways from meetings with AEP, ED, FE, NI, SMR, SR, SRE, and XEL follow.

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American Electric Power (AEP)

Julie Sloat, EVP and CFO
Antonio Smyth, SVP Grid Solutions
Matt Satterwhite, VP Regulatory Services
Darcy Reese, VP Investor Relations

Net Takeaway: Ahead of the Analyst day, processes appear largely on track across the Kentucky Power regulatory approvals and the renewables strategic review. On Kentucky, FERC recently exercised a 180-day extension to the procedural schedule, which likely serves as a placeholder as we await an order on the Mitchell Plant operating agreement from the WV Commission, which could come in the next week or two. Thus, AEP continues to see the transaction closing this summer, versus the prior end of 2Q expectation communication. On renewables, management plans to formally kick off the process in the near future and highlighted strong early interest in the assets. Management plans to provide an update at Analyst Day in early October, with use of proceeds targeted at redeployment into regulated capex and offsetting equity issuances down the road.

- **Transmission optimism tangible given customer benefits.** After increasing transmission capex alongside the non-regulated renewables announcement, management expressed further optimism on this front during our meeting. Given the ability to socialize costs away from AEP customers, management sees transmission as an attractive option in the current bill increase environment. AEP retains some exposure to the MISO LRTP process through Transource, which could bid into competitive projects. On this front, management estimates $1bn of the $10.4bn Tranche 1 projects will be put up for competitive bids, slightly less than we have heard elsewhere. Moreover, FERC could move to eliminate competitive bidding, which would push these projects back to incumbent utilities.

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Consolidated Edison (ED)

Robert Hoglund, SVP & CFO
Matthew Ketschke, President, Con Edison Company of NY
Jan Childress, Director, Investor Relations
Jared Lee, Manager, Investor Relations & Sustainability

Net Takeaway: Consistent with messaging at AGA, ED's CEB strategic review remains in early stages and continues to track an update by year-end. Management keeps an open mind on strategic alternatives, while operating under the premise that ConEd is not the most efficient owner of the business. Additionally, the company appears to have flexibility on the $850mm in planned equity for this year. Depending on strategic review progress, the company could delay issuance or use proceeds to optimize in the future. On this, the company pays a $1.2bn tax payment to New York City on July 1 and Jan 1, which represents the biggest driver of holding company funding needs. Separately, on the CECONY electric case, we highlight cautious optimism regarding settlement prospects, with ED's capital ask consistent with state clean energy aspirations.

- **Cautiously optimistic for settlement prospects.** With staff testimony recommending an 8.75% ROE, we note cautious optimism from management surrounding potential settlement prospects. ED recently requested a suspension to the procedural schedule (needs ALJ approval), which represents the first step in kicking off negotiations. On the capital side, staff recommended an 18-19% reduction versus 8-9% historically. That said, ED sees its capital request aligned with New York's aggressive clean energy goals, which could de-risk disallowances. Moreover, on potential settlement timing, the New York gubernatorial election dynamics remain an important item to watch. In more recent cases, the company has had challenges in reaching settlements before election completion, a trend that could reverse under current New York leadership.

- **Favorable NY regulation limits pension exposure.** ED benefits from a pension tracker in New York that allows the company to defer any deviations versus levels embedded in the rate plan, limiting exposure.

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FirstEnergy (FE)

Jon Taylor, SVP & CFO
Camilo Serna, VP, Rates & Regulatory Affairs
Steve Staub, VP & Treasurer
Gina Caskey, Director, Investor Relations

Net Takeaway: Given continued market underperformance and nuances of accounting methods, FE screens as one of the most exposed utilities to a 2023 pension expense hit. On the 1Q call, FE highlighted a potential 10c EPS hit if marking the pension to 3/31/22, a figure likely higher in the current environment, in our view. Management discussed several avenues to mitigate impacts including tailwinds from smaller legacy operations (including a coal mining operation), financing plan flexibility, FE Forward initiatives, and other opportunities to maneuver costs out of 2023. FE plans to file 2023 rate cases in NJ, MD, and WV that all largely rely on 2022 test years (NJ partial '22), which makes flexing cost into this year a potential attractive solution. Over the long term, FE intends to work through the regulatory process to get trackers in place that would mitigate future volatility. That said, FE will continue to have a portion of its pension outside the regulated companies, which could leave some small exposure that management ultimately views as manageable. Also, importantly, this issue comes down to accounting nuances and does not prompt a minimum contribution requirement, thus keeping FE's capital plan on track. Moreover, similar to PEG, the company does not intend to address the 2023 issue through a voluntary contribution, instead prioritizing regulated capex.

- **Focus on getting SEC investigation over finish line but timing uncertain.** As FE continues to work through legacy investigations, management sees the SEC review as a top priority. FE could look to settle the investigation, but at this point has seen limited engagement on terms. That said, any timing on resolution remains highly uncertain given competing priorities.

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NiSource Inc (NI)

Donald Brown, CFO
Randy Hulen, Treasurer & VP, Investor Relations
Chris Turnure, Director of IR
Michael Weisenburger, Lead Financial Analyst, Investor Relations

Net Takeaway: NI's solar message is evolving following the administration's recent steps to address industry challenges from the Department of Commerce investigation. While the company sees improving flexibility to complete projects, work remains to account fully for DoC-driven timing impacts, generally skewing towards NI's 2023-2024 projects. That said, regulatory risk around potential CPCN reopeners now appears meaningfully lower. Additionally, the company retains its O&M flexibility and capital pull forward optionality outlined last quarter to address the earnings impacts of any shifting project timing.

- **Solar scenarios still subject to debate after latest administration steps, but progress is directionally positive.** The company expects its near-term solar projects to disproportionately benefit from the improving solar backdrop, plus delays overall to likely trend closer to 6mo on average within the 6-18mo range previously outlined by NI. Mid- to late-stage projects should require re-queuing for panels, somewhat limiting the immediate benefit from tariff clarity created by the administration's actions. That said, we now see minimal risk to CPCN reopeners for higher project costs given project timing versus the two-year tariff window. Questions remain around go-forward regulatory strategy for one versus two rate cases to recover these renewables investments and Schahfer's ultimate retirement date by YE25 (following the recent two-year push-out), but we see NI's meaningful flexibility to address its generation transition now standing even higher on the back of this latest update. Additionally, the company retains its O&M flexibility and capital pull-forward optionality outlined last quarter to address the earnings impacts of any shifting project timing.

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NuScale Power (SMR)

Chris Colbert, Chief Strategy Officer and Chief Financial Officer

Net Takeaway: As the only current SMR to receive NRC design approvals, NuScale offers tangible benefits versus traditional nuclear plants that include: 1) the ability to indefinitely weather larger grid blackouts without required operator intervention, 2) a smaller NRC Site Boundary Emergency Planning Zone (EPZ), or evacuation zone, that provides greater siting flexibility, and 3) black start and off-grid capabilities to support grid restoration or continuous power delivery to critical facilities. When coupled with baseload/dispatchable qualities and materials/land use efficiencies, NuScale sees a compelling value proposition versus renewables that ultimately supports a transition to 100% zero-carbon generation without the outsized expense of a full renewables and battery-storage-driven solution. Applications appear consistent with COP21 commitments to offer technology for developing world decarbonization and where overseas energy costs remain high.

- **Highlights include cost curve improvements and clean energy optionality.** As discussed both in the presentation and from our fireside chat earlier this year, NuScale's targeted LCOE benefits from reduced construction time and expense, particularly given factory assembly and on-site personnel efficiencies. Use of mature light water reactor technology (leveraging the existing nuclear fuel supply chain) and NuScale's asset light business model also contribute to these efficiencies, with SMRs expected to benefit from further cost reductions as module assembly ramps. In the interim, DOE cost sharing covers higher up front expenses for NuScale's first commercial deployment, with Utah Associated Municipal Power Systems (UAMPS). Separately, this design with four, six, and 12-modular configurations also bolsters the range of energy transition applications, creating flexibility to utilize steam for hydrogen production or feed power into the grid as needed. NuScale also sees increasing electrification and CCS' more widespread deployment among the growing range of energy transition opportunities. Finally, reusing existing coal plant transmission infrastructure and workforces remains a target application given siting flexibility from SMRs' more limited EPZ needs.

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Spire Inc (SR)

Steve Rasche, EVP & CFO
Adam Woodward, Treasurer
Scott Dudley, Managing Director, Investor Relations

Net Takeaway: Spire has seen several recent developments since AGA across the STL Pipeline, FERC's Spire Storage review, and its MO rate case. On STL Pipeline, management cited the MO PSC Staff report's findings, conducted as part of a normal-course gas supply review, as positive and supportive of the company's actions as reasonable and prudent in building the pipeline. The company has now filed this report with FERC. For Spire Storage, FERC approved a project expansion, representing a necessary initial step should SR choose to execute further investment in and additional work on the facility. While project evaluations continue, management outlined growing market interest in storage on the back of broader volatility over the past ~18 months. Finally, the PSC set a procedural schedule in SR's MO rate case, ending debate over the potential for an expedited process and instead ordering a more normal case timeline into 2023. The company continues to see some ability to resolve in a faster manner than the full statutory deadline, highlighting late August testimony as allowing for resolution before the end of CY22 should Spire reach a settlement in the proceeding.

- **MO rate case remains top 2022 debate.** Consistent with attention at AGA last month, questions continue to focus on the outlook for SR's MO rate review now that the company's overheads issue is effectively resolved (pending any minor revisions when formally incorporated into rates via the rate case). Management has framed this filing as very straightforward given its proximity to last year's rate case, with streamlined testimony as a result and a likely narrower scope to contested issues versus SR's last filing. The primary ongoing focus remains on securing an adequate rate of return, where SR sees clear arguments relative to the authorized rate of return of its MO utility peers. We remain concerned over the PSC's history of inconsistent outcomes and risk to SR's revenue ask from the full range of drivers behind the 11% requested rate increase. Rate pressure includes impacts from higher expensing of overheads, plus the unfavorable commodity price backdrop. As a result, we struggle to see the source of offsets absent addressing through a continued depressed rate of return, creating unfavorable regulatory risk in the proceeding, in our view.

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Sempra (SRE)

Trevor Mihalik, CFO
Kevin Sagara, Group President
Glen Donovan, VP, Investor Relations
David D Huang, Investor Relations Manager

Net Takeaway: With global energy supply concerns ongoing, momentum continues to build for SRE's LNG business. After announcing several HOAs, we look for Sempra to lock in contracts for both Cameron Phase 2 and Port Arthur. Regarding timelines, Cameron continues to track reaching FID in the 3Q23 timeframe as the project works through its competitive EPC selection process. On Port Arthur, timing remains uncertain, but given significant recent momentum, we now see the possibility that this project could accelerate ahead of Cameron. Here, we look for 10Mtpa in offtake as the level to watch (currently have as much as ~6.65Mtpa under HOA, assuming a 100% allocation of PGNiG and Wednesday's INEOS announcement to Port Arthur). Separately, we note a generally constructive tone regarding the recently filed GRCs at SDG&E, SCG, and Oncor. While Sempra faces an active regulatory calendar, all three large utilities have shown an ability to achieve superior outcomes in their respective jurisdictions and we have little concern that anything will change this time around.

- **Solar scenarios still subject to debate after latest administration steps, but progress is directionally positive.** In recent, weeks Sempra has signed multiple HOAs with PGNiG, RWE, and INEOS for 6.65Mtpa in total offtake across Cameron and Port Arthur. Interestingly, the recent PGNiG announcement contemplates switching volumes from Cameron to Port Arthur if the latter accelerates its timeline ahead of Cameron Phase 2, with PGNiG needing to make a determination by the end of 2022. This highlights the dramatic turnaround for this project after falling to the back of the LNG development pipeline after Saudi Aramco pulled out of the project last year. The timeline for reaching FID remains uncertain as we await milestones that include incremental offtake agreements and a refreshed EPC contract announcement.

- **Rate cases now filed at three big SRE utilities, with management optimistic for a favorable outcome.** Also within the last two months, Sempra filed general rate cases at SDG&E, SoCalGas, and Oncor. Moreover, with two separate CA cost of capital proceedings also ongoing, SRE faces an active regulatory calendar. That said, all three utilities have shown an ability to achieve superior outcomes in their respective jurisdictions and we do not see a reason for anything to change this time around.

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Xcel Energy (XEL)

Michael Lamb, SVP, Transmission
Paul Johnson, VP, Treasurer and Investor Relations

Net Takeaway: XEL's SVP of Transmission Michael Lamb provided us with a deeper dive into the transmission buildout process at XEL, including a year-by-year look at the ~5 year process to build out transmission, as well as walking through the MISO LRTP tranche 1 projects. With 2028-2030 in service dates for tranche 1, we could see some capital land as early as 2025. Additionally, XEL outlined potential incremental opportunities to the $10.4bn tranche 1 estimate for ancillary investments triggered by tranche 1 projects. The company estimates brownfield opportunities may comprise ~80% of tranche 1. Additionally, tranche 2 projects, with similar scope and scale, could see approval by this time next year. XEL reiterated its view of a $1-2bn opportunity set for tranche 1.

- **Transmission opportunity potentially larger than the $10.4bn tranche 1 outlay.** Our conversation with XEL's SVP of Transmission, Michael Lamb, provided great insight into XEL's transmission business and the MISO LRTP tranche 1 process. Lamb noted that stakeholders should view the $10.4bn tranche 1 opportunity as a $10-13bn opportunity due to ancillary investments triggered by tranche 1 projects.

- **Supply chain and transmission project process.** Lamb also outlined the process behind transmission projects and sees a ~5-year process to completion once started, beginning with preliminary engineering, material orders, and land-related work in years 1 and 2. Alongside this, the company expects to complete all state regulatory processes in these first two years. From there, XEL targets more detailed engineering in year 3, before executing the ultimate construction cycle in years 4 and 5. Considering that MISO marked most of the tranche 1 project's in service dates in the 2028-2030 range, and construction accounting for the majority of the spend, we could potentially see some spending on the tranche 1 projects in 2025 and 2026. Note that MISO LRTP tranche 1 projects are currently not in XEL's plan.

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J.P.Morgan

Algonquin Power & Utilities Corp.

J.P. Morgan Energy Conference Takeaways

Neutral

AQN.TO, AQN CN
Price: C$17.55

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Algonquin CEO Arun Banskota presented yesterday at the J.P. Morgan Energy, Power & Renewables Conference. Please see below for some quick takeaways.

Net Takeaway: Greening the Fleet themes and KY's generation transition opportunity framed discussion of AQN's active KY Power acquisition. The company anticipates WV approvals as early as next week and remains hopeful to close the transaction in the next two or three months. Separately, attention remains on AQN's inaugural capital recycling effort, with anticipated close on transactions for 750MW of US and Canada contracted renewables assets by year end.

- **Spotlight on KY Greening the Fleet opportunity, as progress continues on deal approvals.** As a core component of the company's regulated acquisition strategy, discussions around AQN's KY Power deal heavily featured the Greening the Fleet theme. With large coal dependency in KY, we highlight potential upside to AQN's targeted 1,100MW of renewables additions to cover upcoming coal retirements, which the company expects to outline in a ~2023 IRP, driven by the current commodity price environment and the prospects for PTC/ITC extensions (not currently assumed in its plan). AQN anticipates beginning to formalize these efforts once the transaction closes and received key KY approvals last month. Additionally, WV approval could land as early as next week, which would leave a FERC order as the final hurdle to completing this acquisition. AQN ultimately remains hopeful to close in the next two or three months.

- **Initial capital recycling efforts set to inform a longer opportunity.** Having formally launched its inaugural capital recycling effort, AQN sees this program as the natural next step from Liberty Power's scale achieved in recent years. This scale allows AQN to selectively monetize projects as a go-forward funding source, a change from heavier reliance on external debt and equity financing previously. The company also framed this as a learning experience that will help inform the optimal stake to retain (potentially ~10-50%) and ability to drive regular sales and recurring earnings from management fees on the assets plus sale gains. With an active process for 750MW of US and Canada contracted renewables assets, AQN expects to close transactions by year end.

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J.P.Morgan

Dominion Energy Inc

J.P. Morgan Energy Conference Takeaways

Overweight

D, D US

Price: $74.58

21 Jun 2022



North American Utilities

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J.P. Morgan Securities LLC

Last night we hosted a dinner at the J.P. Morgan Energy Conference with Ed Baine, President of Dominion Energy Virginia, Mark Mitchell, SVP of Project Construction, and David McFarland, Director of IR. Please see below for some quick takeaways.

Net Takeaway: With the recent announcement to delay solar tariffs for two years, D has started seeing bid/ask spreads on pricing risk narrow considerably and expects acceleration in new contracts. On offshore, D looks to potential late 2023 auctions to secure phase 2 acreage, with an upper hand as the VCEA-required offshore wind owner in VA. We continue to view the regulated renewables story favorably.

- **Strengthened confidence around limited solar impact.** Prior to the DoC investigation, D had already started to maneuver its solar supply chain towards the US and anticipates sourcing half of its 2023 components domestically, a considerable step up from more recent levels. Additionally, management noted that most suppliers in affected countries seem to be working towards a solution to move elsewhere. This strengthens D's 1Q call message on zero impact to 2022 projects and already large de-risking of 2023 projects. While costs are rising across the industry, including within D's supply chain, management reiterated the support of its regulated construct and the VCEA that enable costs to pass onto customers under reasonable levels. D's competitive rates and green energy attributes drive visible demand growth, particularly via data centers and their customers in Northern Virginia. This highlights a unique tailwind in D's territory, where management expects data centers to double their presence as a percentage of D's customer base.

- **Offshore wind mosaic highlights de-risking work, with an eye to the long-term possibilities.** The company's construction outlook continues to benefit from its ship position and anticipated growth in local port capabilities and component manufacturing capacity to eventually alleviate nascent US offshore industry cost issues that participants have carried. While D ultimately requires additional lease areas to execute the additional 2.6GW of offshore wind contemplated under the VCEA, potential late 2023 auctions stand as an event for securing this acreage. Here, economic benefits associated with these upcoming bids, D's position as the VCEA-required offshore wind owner in VA, and transmission constraints into the broader region are factors that appear to boost the company's standing. Separately, the discussion also highlighted work to de-risk the initial CVOW construction, including scheduling two seasons for piling work/foundation construction to create flexibility in activity completion and extensive geo-surveying to identify favorable seabed characteristics for each monopile site.

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J.P.Morgan

Emera Inc.

J.P. Morgan Energy Conference Takeaways

Underweight

EMA.TO, EMA CN

Price: C$59.50

23 Jun 2022



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J.P. Morgan Securities LLC

Emera CFO Greg Blunden presented today at the J.P. Morgan Energy, Power & Renewables Conference. Please see below for some quick takeaways.

Net Takeaway: High Florida growth and a wealth of solar and storm hardening opportunities underpin a capital runway into the next decade, with the renewables additions in particular complementing Tampa Electric's ongoing generation transition away from coal. Separately, Nova Scotia's decarbonization remains dependent on federal support to accelerate, a key hurdle highlighted in discussions around the challenges to Nova Scotia's coal exit. As a result, attention is firmly on the Atlantic Loop discussions to advance this large-scale transmission solution for regional clean energy goals.

- **Solar and storm hardening investments headline Florida opportunities.** In Florida, investment opportunities remain broad across solar, storm hardening, and other areas. EMA sees its solar pace as steady and considered, particularly with regards to securing land in advance of adding MWs to Tampa Electric's plan. Here, as a generation source, solar's resource profile aligns well with utility load, boosting the economic case for deployment in Tampa Electric's service territory. Management expects to continue adding solar, although the system will eventually require additional dispatchable natural gas generation and/or storage to backstop intermittency. Tampa Electric's storm hardening work has a similarly extended runway, with ongoing work well aligned with local priorities and matching other utility efforts in the state. High customer growth, favorable customer usage trends out of COVID, and growing EV penetration, among other factors, ultimately bolster the backdrop for these generation and storm hardening opportunities, creating an attractive combination of a strong local economy and system investment needs.

- **Spotlight on Nova Scotia's decarbonization.** For the balance of EMA's generation transition, Nova Scotia's decarbonization depends on federal support to accelerate, a key hurdle highlighted around challenges to achieving the province's coal exit. Here, stakeholder discussions on Atlantic Loop remain complex around advancing this large-scale transmission solution. While support is broad for accelerating coal retirements to 2030, stakeholders ultimately need clarity in order to continue standing up this solution, plus relatively swift action in order to meet this proposed 2030 timeline.

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J.P.Morgan

Fortis Inc.

J.P. Morgan Energy Conference Takeaways

Neutral

FTS.TO, FTS CN
Price: C$58.55

22 Jun 2022



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J.P. Morgan Securities LLC

Fortis CEO Dave Hutchens presented today at the J.P. Morgan Energy, Power & Renewables Conference. Please see below for some quick takeaways.

Net Takeaway: Transmission remains the nearest-term source of capex upside, with US$1.0-1.5bn of estimated investment from tranche 1 of MISO's LRTP process and progress continuing on advancing the $1.7bn Lake Erie Connector transmission line. Separately, clean energy themes stood out throughout the discussion, particularly with the company's 2050 net zero target and AZ generation transition.

- **MISO transmission opportunity approaches July tranche 1 vote.** The company's transmission investment opportunities continue to grow and stand as the nearest-term source of capex upside. In MISO, FTS expects US$1.0-1.5bn in incremental capex from MISO's tranche 1 projects. The company anticipates greater clarity on project timing and costs in 2H following MISO's upcoming late July board vote, with these investments ultimately enabling the next round of regional renewables buildout. Given the long lead times for transmission development, an extended program through the end of the decade appears reasonable, although we expect some of this capital could land at the back end of FTS's current 2022-2026 planning period.

- **Next Lake Erie Connector update tapped for August.** Alongside the MISO discussion, ITC's $1.7bn Lake Erie Connector remains in focus given the project's recent momentum in 2022. In its latest March directive, Ontario's Ministry of Energy directed the IESO to negotiate a transmission service agreement for ITC's Lake Erie Connector by August 15, subject to certain conditions. This agreement, if reached, represents a gating hurdle for project advancement, which would then commence a four year construction cycle. We monitor progress here as a result and await a fall update.

- **2050 net zero target and AZ generation transition headline clean energy themes.** FTS outlined its recently introduced net zero direct GHG emissions target by 2050, building on its interim target of a 75% reduction by 2035. The company's AZ generation transition is a significant driver of these targets, and the new TEP rate case features several key components here including Oso Grande wind recovery and the San Juan coal plant retirement. We expect associated investments to feature heavily going forward, as the company works towards exiting coal in 2032.

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J.P.Morgan

NextEra Energy Inc.

J.P. Morgan Energy Conference Takeaways

Overweight

NEE, NEE US
Price: $72.73

21 Jun 2022



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J.P. Morgan Securities LLC

Last night we hosted a dinner at the J.P. Morgan Energy, Power, and Renewables Conference with Mark Hickson, NextEra Energy's Executive Vice President of Corporate Development and Strategy. Please see below for some quick takeaways.

Net Takeaway: Following up on last week's Investor Conference, our dinner featured overwhelmingly positive commentary surrounding the Biden administration's announcement to pause any new solar tariffs for 24 months. Even if the DoC hands out an unfavorable ruling in the AD/CVD investigation, NEE believes it will take only ~18 months to optimize their supply chain to ensure that all NextEra suppliers build their wafers outside of China. Moreover, a potential legal challenge to the Biden Executive Order appears unlikely, in NEE's view. That said, we anticipate it will take ~6 months for NEE to ramp on solar contract signings which could lead to lower backlog adds this coming quarter and then an acceleration into year end.

- **Thoughts on a climate bill.** Separately, management discussed the substantial opportunities that could come from the introduction of a solar PTC (increasing FPL solar) and a standalone storage ITC (batteries at NEER wind sites). However, management appeared more cautious on prospects for a slimmed down, climate focused BBB. NEE likely plans to wait until November or December to push for these items plus a long term extension of current PTC and ITCs.
- **Modest solar delays at NEER not a concern.** NEE will ensure that all NextEra suppliers build their wafers outside of China by the time the two-year, White House-provided tariff waiver ends. On this, management anticipates a 12-18 month timeframe as most realistic. NEE played an instrumental role in driving this positive outcome for the industry and sees the 24 month timeframe as optimized to the time it will take to achieve these supply chain changes.
- **Data driving O&M reductions and renewables advantage.** After achieving $/MWh non-fuel O&M costs 66% lower than the industry average in 2021, NEE expects advanced data analytics to drive the next leg of innovation and cost reductions at FPL. Digital applications include drone inspections and improved image recognition, automated smart devices, and T&D maintenance prediction. NEE's operational advantage stems from size and scale, enabling optimized site staffing, accelerated outage response and restoration, and overall wind and solar O&M reaching the top industry decile, with room to improve further. This ongoing cost reduction effort gives the company confidence in the ability to mitigate any contract cancellations due to renewable supply chain constraints.

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J.P.Morgan

New Jersey Resources

J.P. Morgan Energy Conference Takeaways

Neutral

NJR, NJR US
Price: $42.21
21 Jun 2022



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J.P. Morgan Securities LLC

New Jersey Resources CEO Steve Westhoven presented today at the J.P. Morgan Energy, Power & Renewables Conference. Please see below for some quick takeaways.

Net Takeaway: Decarbonization themes stood out, with NJR's utility and solar businesses well positioned to execute across growing environmental opportunities in renewables, hydrogen, and RNG. NJR sees its system value growing in consideration of prospects to deliver alternative fuels, where alignment with state energy policy is critical to achieving NJ's environmental goals. Similarly, the company's long-term solar prospects remain attractive as groundwork continues in NJ and PJM to support growing renewables deployment over the decade.

- **Spotlight on hydrogen, with production and blending supporting new investment opportunities.** Early hydrogen efforts have led to NJR's construction of its Howell project, which produces green hydrogen for injection into NJNG's distribution system. As a result, a portion of NJNG's customers are already burning hydrogen since the facility entered service in October 2021. Going forward, NJR expects industry efforts to focus on scaling production and reducing costs, with attention on regional hydrogen hub development under the DOE's Hydrogen Shot. NJNG system characteristics, with meaningful plastic and protected steel, are favorable for hydrogen relative to gas LDC peers. This dynamic, plus challenges to the broader permitting and development backdrop for new energy infrastructure, appear to further enhance existing system value in a decarbonizing future.

- **Notable policy alignment, including at the state level.** New Jersey's Energy Master Plan (EMP) remains topical as an outline for state energy policy, and NJR sees its hydrogen, RNG, and solar activities as fully aligned with NJ goals. As a result, the company expects to benefit from expanding solar opportunities and new avenues for investment like its nascent hydrogen efforts or future RNG investment. This backdrop appears to inform BPU actions as well, including regulatory approvals for NJR's Howell facility, boosting the prospects for future capital deployment into these areas.

- **Solar opportunity remains sizeable.** PJM delays and ongoing rulemaking for NJ's solar successor program represent near-term hurdles to NJR's ability to ramp solar investment. However, NJR highlighted clear regulatory and policy support, plus the multiple roles for renewables going forward (clean generation, green hydrogen production), as underpinning an extended investment runway.

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J.P.Morgan

SJW Group

J.P. Morgan Energy Conference Takeaways

Overweight

SJW, SJW US
Price: $60.22

23 Jun 2022



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J.P. Morgan Securities LLC

SJW CEO Eric Thornburg presented today at the J.P. Morgan Energy, Power & Renewables Conference. Please see below for some quick takeaways.

Net Takeaway: Recent and upcoming ratemaking changes stand poised to significantly lower earnings volatility and clear earnings drags from CA water supply challenges over the past two years. Separately, SJW highlighted its TX water acquisitions, which position its local operations to now serve three of the five fastest-growing US counties, and aspirations for continued geographic expansion of its platform.

- **SJW's outlook is poised to benefit from a stabilizing CA backdrop.** Among highlights, expectations for significantly lower earnings volatility stand out, as recent and upcoming ratemaking changes mitigate CPUC-jurisdictional usage and production cost impacts in results. Similarly, these steps serve to clear earnings drags from recent local water supply challenges in CA, finally highlighting SJW's ongoing earnings power. Initial progress stems from conservation mandates due to drought impacts across the state, driving authorization of SJW's WCMA to cover deviations in customer usage. Additionally, the company's CA GRC settlement, if approved, authorizes a water supply balancing account to remove expense volatility from annual surface water production from the company's bottom line. After an anticipated 3Q GRC order, the company's ongoing CPUC Cost of Capital application will remain the final major regulatory proceeding following recent approval of the CA AMI settlement ($100mm incremental capex) and rate case work over the past year.

- **Acquisition focus remains in the spotlight.** Water consolidation stands as a core theme across the industry, mirroring SJW's recent TX acquisitions of the Kendall West and Bandera East utilities (4Q21) and Texas Country Water (1Q22). These deals now position the company's local operations to serve three of the five fastest-growing US counties. Messaging emphasized future Texas organic and inorganic growth resulting from these deals, plus a desire to continue SJW's geographic expansion beyond its current four state portfolio in CA, CT, ME, and TX. Given the fragmentation that remains in the space, we expect continued regular M&A opportunities of varying sizes.

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J.P.Morgan

The Southern Company

J.P. Morgan Energy Conference Takeaways

Underweight

SO, SO US
Price: $67.15

21 Jun 2022



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J.P. Morgan Securities LLC

Southern Company Gas's Chairman, President and CEO Kim Greene presented at the J.P. Morgan Energy, Power, and Renewables conference today. Please see below for some quick takeaways.

Net Takeaway: Now with only 11 ITAACs left to be filed (53 as of the 1Q22 earnings call), Vogtle Unit 3 continues to progress towards a 4Q22/1Q23 in-service. During the presentation, management expressed their optimism on getting the project over the finish line within the current schedule and highlighted relatively favorable VCM commentary out of Staff testimony published last Friday. Additionally, management discussed opportunities to shift resources from Unit 3 to Unit 4 and apply lessons learned to de-risk the remaining steps in the process. Given the staff's position appears more constructive, risks to Units 3 and 4 appear to be declining.

- **Outcome of Vogtle cost sharing dispute uncertain but downside appears limited.** Earlier this week, Vogtle co-owners Oglethorpe and MEAG filed a lawsuit related to the cost sharing disagreement in the project that could lead to the co-owners tendering ownership to GA Power. Management highlighted this news came in line with prior disclosure around potential losses, which range from $100mm to $900mm. Recall, on 4Q21 SO took a charge of $440mm related to the dispute, leaving $460mm in incremental downside risk. Moreover, this also could include a tender of MWs to GA Power, which the utility could request to be included in GA Power rate base or sell to wholesale customers.

- **IRP staff settlement a balanced outcome.** Also recently, GA Power reached a stipulated agreement with the Commission staff on the 2022 IRP proceeding. Highlights include giving the Commission discretion over Plant Bowen Unit 1 and 2 retirements (could push back to 2035 from proposed 2028), and punting a decision on the 1,000 MW of battery storage until seeing more detailed projects. All-in-all we see this as a balanced outcome. As discussed in our NARUC Winter Summit takeaways note, we anticipated some pushback on the storage request, and ultimately remain constructive on the longer-term energy storage opportunity set in the state.

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J.P.Morgan

WEC Energy Group

J.P. Morgan Energy Conference Takeaways

Neutral

WEC, WEC US
Price: $91.90
21 Jun 2022



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J.P. Morgan Securities LLC

WEC Executive Chairman Gale Klappa presented at the J.P. Morgan Energy, Power & Renewables Conference. Please see below for some quick takeaways.

Net Takeaway: WEC reiterated key components to its growth profile, including 7% asset base growth, 6-7% EPS growth, and dividend growth in line with earnings. On solar, Klappa noted some companies in the impacted countries have restarted capacity for US supply, while WEC retains flexibility to shift resources towards wind development. On the $800mm MISO opportunity through ATC, this remains outside of the current capital plan for the time being. Of note, WEC recently finalized its new pricing of Badger Hollow 2 at +16.4% higher than initial expectations, and sees future solar projects coming around +20% higher due to recent supply chain bottlenecks and inflation.

- **Energy transition a key focus in many facets.** Within our discussion, WEC touched on its many energy transition facets, provided updated thoughts on solar, and pointed out its $800mm MISO LRTP tranche 1 opportunity set through ATC. WEC discussed several of its energy transition initiatives at the forefront of its resource planning and generation, including numerous coal plant retirements, coal plant conversions, renewables buildout, hydrogen progression, and RNG opportunities. Klappa specifically highlighted maintenance and fuel cost savings on coal plant retirements, the plan to add natural gas blending at its Oak Creek units, modular experiments for hydrogen and future pipeline conversions, and farm partnerships for RNG offtake to alleviate water contamination.

- **Updated thoughts on solar.** In our discussion, Klappa noted that the White House's moratorium on solar tariffs was a positive. In WEC's experience so far, panel suppliers in affected countries in Asia are showing mixed reactions, some are turning production capacity back on, while others still see some level of risk in supplying the U.S. WEC reiterated its stance that the current capital plan will remain largely unscathed, with its EPS guide unchanged. While Klappa noted flexibility and potential to shift some capital towards wind projects, he pointed out renewables' improving cost advantage alongside higher commodity prices.

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Companies Discussed in This Report (all prices in this report as of market close on 24 June 2022)
AES Corp.(AES/$21.42/OW), Algonquin Power & Utilities Corp.(AQN.TO/C$17.89/N), Allete Inc.(ALE/$57.75/UW), Ameren Corporation(AEE/$87.91/OW), American Electric Power(AEP/$93.60/OW), Avangrid, Inc(AGR/$46.12/UW), Consolidated Edison Inc.(ED/$92.93/UW), Dominion Energy Inc(D/$78.14/OW), Emera Inc.(EMA.TO/C$59.76/UW), Entergy Corp.(ETR/$110.55/OW), Eversource Energy(ES/$83.35/N), Exelon Corp.(EXC/$43.29/OW), FirstEnergy(FE/$37.29/N), Fortis Inc.(FTS.TO/C$59.71/N), New Jersey Resources(NJR/$43.71/N), NextEra Energy Inc.(NEE/$78.02/OW), NiSource Inc.(NI/$28.62/OW), Public Service Enterprise Group(PEG/$62.51/OW), SJW Group(SJW/$61.35/OW), Sempra Energy(SRE/$149.44/N), Southwest Gas Holdings Inc.(SWX/$88.07/N), Spire Inc(SR/$73.25/N), The Southern Company(SO/$69.83/UW), WEC Energy Group(WEC/$97.16/N), Xcel Energy(XEL/$68.56/OW)

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	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage*	51%	37%	12%
IB clients**	52%	47%	36%
JPMS Equity Research Coverage*	51%	37%	12%
IB clients**	75%	68%	51%

*Please note that the percentages might not add to 100% because of rounding.
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North American Utilities

Model Updates: ATO, NI, NJR, SR, & SWX

We are updating our ATO, NI, NJR, SR, and SWX models to account for 1Q/F2Q earnings results. Please see changes below.

North American Utilities

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Equity Ratings and Price Targets

Company	Ticker	Mkt Cap ($ mn)	Price ($)	Rating Cur	Rating Prev	Price Target Cur	Price Target End Date	Price Target Prev	Price Target End Date
Atmos Energy	ATO US	15,056.06	112.62	OW	n/c	126.00	Dec-22	129.00	n/c
NiSource Inc.	NI US	12,082.98	29.67	OW	n/c	33.00	Dec-22	34.00	n/c
New Jersey Resources	NJR US	4,221.64	43.77	N	n/c	46.00	Dec-22	48.00	n/c
Spire Inc	SR US	3,825.11	74.13	N	n/c	75.00	Dec-22	76.00	n/c
Southwest Gas Holdings Inc.	SWX US	5,224.32	90.70	N	n/c	86.00	Dec-22	n/c	n/c

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. n/c = no change. All prices as of 11 May 22.

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Atmos Energy

Overweight

Company Data	
Shares O/S (mn)	134
52-week range ($)	122.96-85.80
Market cap ($ mn)	15,056.06
Exchange rate	1.00
Free float(%)	99.2%
3M - Avg daily vol (mn)	1.11
3M - Avg daily val ($ mn)	126.1
Volatility (90 Day)	20
Index	RUSSELL 2000
BBG BUY|HOLD|SELL	7|4|1

Atmos Energy Corp (ATO;ATO US)

Year-end Sep ($)	FY20A	FY21A	FY22E (Prev)	FY22E (Curr)	FY23E (Prev)	FY23E (Curr)	FY24E (Prev)	FY24E (Curr)
Revenue ($ mn)	2,821	3,407	3,963	4,155	4,324	4,660	4,547	4,890
Adj. EBITDA ($ mn)	1,261	1,381	1,503	1,494	1,736	1,765	1,935	1,970
EBITDA margin	44.7%	40.5%	37.9%	36.0%	40.1%	37.9%	42.6%	40.3%
Adj. net income ($ mn)	580	666	752	764	835	843	930	945
Adj. EPS ($)	4.72	5.13	5.53	5.56	5.92	5.91	6.35	6.36
BBG EPS ($)	4.71	5.11	-	5.52	-	5.91	-	6.36
Reported EPS ($)	4.72	5.13	5.53	5.56	5.92	5.91	6.35	6.36
DPS ($)	2.30	2.50	2.72	2.72	2.96	2.96	3.23	3.23
Dividend yield	2.0%	2.2%	2.4%	2.4%	2.6%	2.6%	2.9%	2.9%
Adj. P/E	23.8	22.0	20.4	20.2	19.0	19.0	17.7	17.7

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

NiSource Inc.

Overweight

Company Data	
Shares O/S (mn)	407
52-week range ($)	32.59-23.65
Market cap ($ mn)	12,082.98
Exchange rate	1.00
Free float(%)	99.5%
3M - Avg daily vol (mn)	4.84
3M - Avg daily val ($ mn)	145.2
Volatility (90 Day)	20
Index	S&P 500
BBG BUY|HOLD|SELL	10|4|0

NiSource Inc. (NI;NI US)

Year-end Dec ($)	FY20A	FY21A	FY22E (Prev)	FY22E (Curr)	FY23E (Prev)	FY23E (Curr)	FY24E (Prev)	FY24E (Curr)
Revenue ($ mn)	4,697	4,901	5,502	5,491	5,698	5,694	5,975	5,971
Adj. EBITDA ($ mn)	1,826	1,852	2,077	2,010	2,258	2,194	2,510	2,446
EBITDA margin	38.9%	37.8%	37.7%	36.6%	39.6%	38.5%	42.0%	41.0%
Adj. net income ($ mn)	508	571	644	643	692	698	828	833
Adj. EPS ($)	1.32	1.37	1.45	1.45	1.54	1.54	1.74	1.74
BBG EPS ($)	1.31	1.36	-	1.45	-	1.55	-	1.74
Reported EPS ($)	1.32	1.37	1.45	1.45	1.54	1.54	1.74	1.74
DPS ($)	0.84	0.88	0.94	0.94	1.00	1.00	1.06	1.06
Dividend yield	2.8%	3.0%	3.2%	3.2%	3.4%	3.4%	3.6%	3.6%
Adj. P/E	22.5	21.7	20.4	20.5	19.3	19.2	17.1	17.0

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

New Jersey Resources

Neutral

Company Data	
Shares O/S (mn)	96
52-week range ($)	47.50-34.41
Market cap ($ mn)	4,221.64
Exchange rate	1.00
Free float(%)	98.9%
3M - Avg daily vol (mn)	0.56
3M - Avg daily val ($ mn)	24.4
Volatility (90 Day)	24
Index	RUSSELL 2000
BBG BUY|HOLD|SELL	3|4|2

New Jersey Resources Corporation (NJR;NJR US)

Year-end Sep ($)	FY20A	FY21A	FY22E (Prev)	FY22E (Curr)	FY23E (Prev)	FY23E (Curr)	FY24E (Prev)	FY24E (Curr)
Revenue ($ mn)	1,954	2,157	2,419	2,586	2,387	2,574	2,429	2,622
Adj. EBITDA ($ mn)	336	400	520	490	486	471	527	513
EBITDA margin	17.2%	18.5%	21.5%	18.9%	20.4%	18.3%	21.7%	19.6%
Adj. net income ($ mn)	196	208	225	227	229	227	254	249
Adj. EPS ($)	2.07	2.16	2.34	2.36	2.38	2.37	2.64	2.59
BBG EPS ($)	2.08	2.16	-	2.30	-	2.43	-	2.72
Reported EPS ($)	2.07	2.16	2.34	2.36	2.38	2.37	2.64	2.59
DPS ($)	1.25	1.33	1.45	1.45	1.57	1.57	1.69	1.69
Dividend yield	2.9%	3.0%	3.3%	3.3%	3.6%	3.6%	3.9%	3.9%
Adj. P/E	21.1	20.3	18.7	18.5	18.4	18.5	16.6	16.9

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

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Spire Inc

Neutral

Company Data	
Shares O/S (mn)	52
52-week range ($)	79.24-59.60
Market cap ($ mn)	3,825.11
Exchange rate	1.00
Free float(%)	97.0%
3M - Avg daily vol (mn)	0.42
3M - Avg daily val ($ mn)	29.6
Volatility (90 Day)	23
Index	RUSSELL 2000
BBG BUY|HOLD|SELL	1|9|0

Spire Inc (SR;SR US)

Year-end Sep ($)	FY20A	FY21A	FY22E (Prev)	FY22E (Curr)	FY23E (Prev)	FY23E (Curr)	FY24E (Prev)	FY24E (Curr)
Revenue ($ mn)	1,855	2,236	1,842	1,974	1,794	1,817	1,834	1,857
Adj. EBITDA ($ mn)	404	660	628	609	669	672	707	710
EBITDA margin	21.8%	29.5%	34.1%	30.9%	37.3%	37.0%	38.6%	38.2%
Adj. net income ($ mn)	193	251	214	206	231	231	249	249
Adj. EPS ($)	3.76	4.86	4.09	3.94	4.35	4.35	4.53	4.53
BBG EPS ($)	3.74	4.47	-	3.94	-	4.37	-	4.65
Reported EPS ($)	3.76	4.86	4.09	3.94	4.35	4.35	4.53	4.53
DPS ($)	2.49	2.60	2.74	2.74	2.88	2.88	3.02	3.02
Dividend yield	3.4%	3.5%	3.7%	3.7%	3.9%	3.9%	4.1%	4.1%
Adj. P/E	19.7	15.3	18.1	18.8	17.1	17.1	16.4	16.4

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

Southwest Gas Holdings Inc.

Neutral

Company Data	
Shares O/S (mn)	58
52-week range ($)	92.44-62.54
Market cap ($ mn)	5,224.32
Exchange rate	1.00
Free float(%)	96.3%
3M - Avg daily vol (mn)	0.59
3M - Avg daily val ($ mn)	47.1
Volatility (90 Day)	27
Index	RUSSELL 2000
BBG BUY|HOLD|SELL	2|4|0

Southwest Gas Holdings Inc. (SWX;SWX US)

Year-end Dec ($)	FY20A	FY21A	FY22E (Prev)	FY22E (Curr)	FY23E (Prev)	FY23E (Curr)	FY24E (Prev)	FY24E (Curr)
Revenue ($ mn)	3,299	3,680	4,476	4,609	4,769	4,874	5,013	5,115
Adj. EBITDA ($ mn)	748	737	1,108	1,075	1,184	1,170	1,239	1,224
EBITDA margin	22.7%	20.0%	24.7%	23.3%	24.8%	24.0%	24.7%	23.9%
Adj. net income ($ mn)	232	247	315	310	341	341	366	365
Adj. EPS ($)	4.14	4.17	4.74	4.70	4.86	4.92	5.04	5.09
BBG EPS ($)	3.95	4.07	-	4.60	-	4.93	-	5.12
Reported EPS ($)	4.14	3.39	4.74	4.55	4.86	4.92	5.04	5.09
DPS ($)	2.26	2.36	2.46	2.46	2.56	2.56	2.66	2.66
Dividend yield	2.5%	2.6%	2.7%	2.7%	2.8%	2.8%	2.9%	2.9%
Adj. P/E	21.9	21.8	19.1	19.3	18.7	18.4	18.0	17.8

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

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Investment Thesis, Valuation and Risks

Atmos Energy Corp *(Overweight; Price Target: $126.00)*

Investment Thesis

ATO remains a top-tier rate base and EPS growth story versus gas and electric utility peers, with one of the most conservatively managed balance sheets among our utility coverage. The company's ability to cut costs and/or use balance sheet capacity provides dry powder, in addition to strong customer growth providing tailwinds to growth between rate cases. We view the 6-8% LT EPS CAGR guided by management as comfortably achievable.

Valuation

We lower our Dec 2022 price target to $126/share, from prior $129. We base our valuation on our 2023 EPS estimate and a 21.2x P/E multiple, a premium to gas utility peers due to strong rate base growth visibility and transparent, low-lag regulatory mechanisms. The lower price target is due to decreased peer average multiples.

Risks to Rating and Price Target

- Regulated electric and gas utilities are subject to strict federal and state regulation, including determinations of allowed revenues. Any change to the existing ratemaking mechanisms, including a repeal of the mechanism itself, may cause future earnings to differ materially from our current expectations.
- Achievement of Atmos' long-term rate base and EPS CAGR targets is 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.
- 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.
- Atmos is in the midst of a robust capital spending program, and any change in the company's operating environment and or project cost overruns could require greater external equity funding, exposing investors to potential dilution risk in the future.

NiSource Inc. *(Overweight; Price Target: $33.00)*

Investment Thesis

With renewables driving ~20% of the five-year capital plan, NI's "green hue" stands unique among LDCs. 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.

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Valuation

We lower our December 2022 price target to $33/share, from prior $34. 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 21.2x and 21.1x 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. The lower price target is due to decreased peer average multiples.

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 is 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.

New Jersey Resources Corporation *(Neutral; Price Target: $46.00)*

Investment Thesis

Favorable green attributes differentiate NJR from natural gas LDC peers given decarbonizing utility investments and significant solar growth. However, the company's diversified energy model appears increasingly out of step with sector moves to streamline business mix around utility operations, and New Jersey energy policy creates both risks and opportunities for local LDCs. NJR's growth targets screen attractively versus LDC peer averages, and the company has made additional progress since its Nov 2020 analyst day to de-risk growth drivers in lowering plan equity needs and stabilizing future Energy Services contributions. We see current levels as fairly reflecting NJR's favorable green attributes, exposure to non-utility transportation & storage and energy services earnings, and NJ-specific energy transition risks.

Valuation

We lower our Dec 2022 price target to $46/share, from prior $48, using a 19.4x P/E multiple on our 2023 estimate. The multiple reflects a premium to natural gas LDC peers on account of NJR's favorable green attributes, partially offset by exposure to non-utility transportation & storage and energy services earnings as well as NJ-specific energy transition risks. The lower price target is due to decreased peer average multiples.

Risks to Rating and Price Target

- Robust capital investments, regulatory support, and favorable ratemaking mechanisms are significant drivers of NJR's long-term rate base and EPS CAGR

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targets. Any spending deferrals or negative regulatory outcomes could lower these growth rates.

- Changing state receptivity to continued natural gas system investment has the potential to meaningfully alter NJNG's capex opportunities. While we see current New Jersey policies as balanced, the state has demonstrated a commitment to clean energy that could lead to widespread electrification as a means to decarbonize its overall economy. Conversely, any NJ prioritization of RNG and hydrogen for future use of current gas infrastructure could expand both regulated and non-regulated growth opportunities.
- NJR has excluded PennEast from its current financial plan, although it remains committed to the pipeline's development. Successful execution could drive earnings and cash flow upside to current plan.

Spire Inc *(Neutral; Price Target: $75.00)*

Investment Thesis

We see SR's MO rate case outcome as disappointing, diverging from initial expectations for a smooth rate case process, reversing MO's improving regulatory backdrop, and ultimately reducing earnings power versus more balanced results. MO regulation remains inconsistent at best, with markedly different rate case decisions across utilities over the past several years, and Spire's latest order amplifies untenable regulatory instability, in our view. Given SR's remaining work in addressing case challenges and the STL Pipeline's uncertainty at FERC, we anticipate SR's current discount to persist absent full clarity across consolidated earnings power.

Valuation

We lower our December 2022 price target to $75/share, from prior $76. We base our price target on a P/E multiple of 17.2x applied to our 2023 EPS estimate. The multiple incorporates a discount to the gas utility peer group, reflecting MO regulatory risk. The lower price target is due to decreased peer average multiples.

Risks to Rating and Price Target

- Given the importance of capital spending levels to the company's adjusted net income, timely rate relief is a necessity for the company to continue to grow earnings. Any change to the regulatory environments may cause future earnings to materially differ from current expectations.
- Utilities are subject to federal and state regulation, including determination of allowed revenues. A meaningful change to the regulatory environment may cause future earnings to be lower than our current expectations.

Southwest Gas Holdings Inc. *(Neutral; Price Target: $86.00)*

Investment Thesis

Southwest Gas Holdings and large shareholder Carl Icahn recently reached a settlement in their conflict over the company's Questar Pipelines transaction and overall SWX strategy in the face of a perceived SOTP valuation discount, among

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other items. With the company's announcement of a strategic review, including a potential whole company sale, other outcomes that previously appeared less realistic are increasingly gaining credibility. Given strong recent appetite for gas LDC assets, we see this review carrying meaningful prospects for a total company sale, although we acknowledge limited clarity into the process at this time. At current levels, we see the company embedding some optionality from a sale scenario.

Valuation

We maintain our Dec 2022 price target of $86/shr, based on an SOTP valuation using our 2023 segment forecasts. Our price target includes $49 of value for SWX's natural gas distribution operations (inclusive of a partial parent drag allocation), utilizing a 17.1x P/E multiple. Additionally, we include $12/shr and $22/shr of value for MountainWest and Centuri, respectively, based on 11x and 8.7x EV/EBITDA multiples. Our SOTP also includes $2/shr of COLI value. We exclude COLI mark-to-market and future payouts from our 2023-2024 EPS estimates.

Our price target remains sensitive to the assumed EV/EBITDA multiple for Centuri. Here, a +/- 1x change drives a +/- $5 impact to total value per share.

Risks to Rating and Price Target

- Rates charged to the company's utility customers are set by separate state regulators in AZ, NV, and CA. Given the current elevated level of capital spending, consistent rulings and interim recovery riders remain instrumental in providing rate relief to drive earnings growth. Any meaningful positive or negative change to the regulatory framework in these jurisdictions may cause future earnings to differ materially from current expectations.
- SWX has guided that a portion of its three-year capex plan will be funded by incremental equity issuances. Equity timing and ultimate funding levels may cause future earnings per share to differ from current expectations.
- The company intends to separate its construction business. Potential paths include a tax-free spin and outright sale, and the ultimate method pursued could impact value to shareholders versus our assumptions and SWX's residual equity needs, as discussed above.

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Atmos Energy: Summary of Financials

Income Statement - Annual	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	**2,821**	**3,407**	**4,155**	**4,660**	**4,890**
COGS	(659)	(1,033)	(1,642)	(1,890)	(1,890)
Gross profit	**2,162**	**2,375**	**2,513**	**2,770**	**2,999**
SG&A	(901)	(994)	**(1,019)**	**(1,006)**	**(1,029)**
Adj. EBITDA	**1,261**	**1,381**	**1,494**	**1,765**	**1,970**
D&A	(430)	(478)	(537)	(590)	(639)
Adj. EBIT	**831**	**903**	**957**	**1,175**	**1,331**
Net Interest	(84)	(84)	(101)	(136)	(167)
Adj. PBT	**747**	**819**	**855**	**1,039**	**1,164**
Tax	(145)	(154)	(91)	(195)	(220)
Minority Interest	-	-	-	-	-
Adj. Net Income	**580**	**666**	**764**	**843**	**945**
Reported EPS	4.72	5.13	5.56	5.91	6.36
Adj. EPS	**4.72**	**5.13**	**5.56**	**5.91**	**6.36**
DPS	**2.30**	**2.50**	**2.72**	**2.96**	**3.23**
Payout ratio	48.7%	48.8%	48.9%	50.1%	50.8%
Shares outstanding	123	130	137	143	149

Income Statement - Quarterly	1Q22A	2Q22A	3Q22E	4Q22E
Revenue	**1,013A**	**1,650A**	**765**	**727**
COGS	(371)A	(871)A	(202)	(197)
Gross profit	**642A**	**778A**	**563**	**529**
SG&A	(229)A	(255)A	(260)	(275)
Adj. EBITDA	**412A**	**524A**	**303**	**254**
D&A	(128)A	(133)A	(136)	(140)
Adj. EBIT	**285A**	**390A**	**167**	**115**
Net Interest	(20)A	(29)A	(25)	(28)
Adj. PBT	**265A**	**361A**	**142**	**87**
Tax	(16)A	(36)A	(25)	(14)
Minority Interest	-	-	-	-
Adj. Net Income	**249A**	**325A**	**118**	**73**
Reported EPS	1.86A	2.37A	0.84	0.52
Adj. EPS	**1.86A**	**2.37A**	**0.84**	**0.52**
DPS	**0.68A**	**0.68A**	**0.68**	**0.68**
Payout ratio	36.5%A	28.7%A	80.5%	130.8%
Shares outstanding	134A	137A	139	139

Balance Sheet & Cash Flow Statement	FY20A	FY21A	FY22E	FY23E	FY24E
Cash and cash equivalents	21	117	0	0	0
Accounts receivable	-	-	-	-	-
Other current assets	450	2,722	3,010	3,140	3,267
Current assets	**471**	**2,839**	**3,010**	**3,140**	**3,267**
PP&E	13,355	15,064	17,070	19,082	20,995
Other non current assets	1,532	1,706	1,677	1,717	1,757
Total assets	**15,359**	**19,609**	**21,757**	**23,939**	**26,019**
Short term borrowings	0	2,400	2,517	2,689	2,790
Payables	-	-	-	-	-
Other short term liabilities	782	1,110	1,007	1,007	1,007
Current liabilities	**782**	**3,510**	**3,524**	**3,696**	**3,797**
Long-term debt	4,532	4,930	5,888	6,580	7,175
Other long term liabilities	3,254	3,261	3,361	3,556	3,776
Total liabilities	**8,568**	**11,702**	**12,772**	**13,833**	**14,748**
Shareholders' equity	6,791	7,907	8,984	10,106	11,272
Minority interests	-	-	-	-	-
Total liabilities & equity	**15,359**	**19,609**	**21,757**	**23,939**	**26,019**
BVPS	**53.95**	**59.71**	**64.63**	**69.52**	**74.67**
y/y Growth	*12.0%*	*10.7%*	*8.2%*	*7.6%*	*7.4%*
Net debt/(cash)	4,511	7,214	8,404	9,269	9,965
Cash flow from operating activities	**1,038**	**(1,084)**	**1,063**	**1,459**	**1,636**
o/w Depreciation & amortization	430	478	537	590	639
o/w Changes in working capital	(134)	(2,379)	(281)	(130)	(128)
Cash flow from investing activities	**(1,926)**	**(1,964)**	**(2,443)**	**(2,602)**	**(2,552)**
o/w Capital expenditure	(1,936)	(1,970)	(2,451)	(2,602)	(2,552)
as % of sales	*68.6%*	*57.8%*	*59.0%*	*55.8%*	*52.2%*
Cash flow from financing activities	**884**	**3,144**	**1,268**	**1,203**	**1,121**
o/w Dividends paid	(282)	(324)	(373)	(422)	(479)
o/w Net debt issued/(repaid)	535	2,797	1,049	925	900
Net change in cash	**(4)**	**96**	**(112)**	**60**	**205**
Adj. Free cash flow to firm	**(830)**	**(2,986)**	**(1,298)**	**(1,033)**	**(781)**
y/y Growth	*28.9%*	*259.9%*	*(56.5%)*	*(20.4%)*	*(24.4%)*

Ratio Analysis	FY20A	FY21A	FY22E	FY23E	FY24E
Gross margin	76.6%	69.7%	60.5%	59.4%	61.3%
EBITDA margin	44.7%	40.5%	36.0%	37.9%	40.3%
EBIT margin	29.5%	26.5%	23.0%	25.2%	27.2%
Net profit margin	20.6%	19.5%	18.4%	18.1%	19.3%
ROE	9.3%	9.1%	9.1%	8.8%	8.8%
ROA	4.0%	3.8%	3.7%	3.7%	3.8%
ROCE	6.4%	5.5%	5.2%	5.2%	5.3%
SG&A/Sales	31.9%	29.2%	24.5%	21.6%	21.1%
Net debt/equity	0.7	0.9	0.9	0.9	0.9
P/E (x)	23.8	22.0	20.2	19.0	17.7
P/BV (x)	2.1	1.9	1.7	1.6	1.5
EV/EBITDA (x)	12.2	13.5	13.6	12.3	11.6
Dividend Yield	2.0%	2.2%	2.4%	2.6%	2.9%
Sales/Assets (x)	0.2	0.2	0.2	0.2	0.2
Interest cover (x)	14.9	16.5	14.7	13.0	11.8
Operating leverage	(371.3%)	41.4%	27.2%	187.1%	270.8%
Revenue y/y Growth	(2.8%)	20.8%	21.9%	12.2%	4.9%
EBITDA y/y Growth	10.1%	9.5%	8.2%	18.1%	11.6%
Tax rate	19.5%	18.8%	10.6%	18.8%	18.9%
Adj. Net Income y/y Growth	13.8%	14.7%	14.9%	10.3%	12.0%
EPS y/y Growth	8.8%	8.5%	8.5%	6.3%	7.5%
DPS y/y Growth	9.5%	8.7%	8.8%	9.0%	9.0%

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Sep. o/w - out of which

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J.P.Morgan

NiSource Inc.: Summary of Financials

Income Statement - Annual	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	**4,697**	**4,901**	**5,491**	**5,694**	**5,971**
COGS	(1,109)	(1,392)	(1,742)	(1,760)	(1,760)
Gross profit	**3,587**	**3,509**	**3,750**	**3,934**	**4,211**
SG&A	(1,794)	(1,696)	**(1,751)**	**(1,740)**	**(1,765)**
Adj. EBITDA	**1,826**	**1,852**	**2,010**	**2,194**	**2,446**
D&A	(762)	(748)	(787)	(847)	(892)
Adj. EBIT	**1,064**	**1,104**	**1,223**	**1,347**	**1,554**
Net Interest	(371)	(341)	(352)	(416)	(445)
Adj. PBT	**693**	**763**	**871**	**931**	**1,109**
Tax	(127)	(132)	(168)	(178)	(221)
Minority Interest	(59)	(59)	(60)	(55)	(55)
Adj. Net Income	**508**	**571**	**643**	**698**	**833**
Reported EPS	1.32	1.37	1.45	1.54	1.74
Adj. EPS	**1.32**	**1.37**	**1.45**	**1.54**	**1.74**
DPS	**0.84**	**0.88**	**0.94**	**1.00**	**1.06**
Payout ratio	63.6%	64.3%	64.9%	64.5%	60.7%
Shares outstanding	384	417	445	452	479

Income Statement - Quarterly	1Q22A	2Q22E	3Q22E	4Q22E
Revenue	**1,870A**	**1,117**	**1,010**	**1,494**
COGS	(707)A	(313)	(222)	(500)
Gross profit	**1,164A**	**804**	**788**	**995**
SG&A	(477)A	(418)	(403)	(452)
Adj. EBITDA	**697A**	**386**	**384**	**542**
D&A	(193)A	(195)	(198)	(201)
Adj. EBIT	**505A**	**190**	**186**	**341**
Net Interest	(84)A	(86)	(90)	(92)
Adj. PBT	**421A**	**104**	**97**	**249**
Tax	(74)A	(21)	(18)	(55)
Minority Interest	(18)A	(14)	(14)	(14)
Adj. Net Income	**329A**	**70**	**65**	**180**
Reported EPS	0.74A	0.16	0.14	0.40
Adj. EPS	**0.74A**	**0.16**	**0.14**	**0.40**
DPS	**0.24A**	**0.24**	**0.24**	**0.24**
Payout ratio	31.6%A	148.7%	162.3%	58.5%
Shares outstanding	441A	443	446	449

Balance Sheet & Cash Flow Statement	FY20A	FY21A	FY22E	FY23E	FY24E
Cash and cash equivalents	126	95	0	0	0
Accounts receivable	791	826	961	961	961
Other current assets	743	1,000	872	1,049	1,151
Current assets	**1,659**	**1,921**	**1,833**	**2,010**	**2,113**
PP&E	16,620	17,882	19,359	22,056	23,208
Other non current assets	3,762	4,354	4,373	4,373	4,373
Total assets	**22,041**	**24,157**	**25,565**	**28,440**	**29,694**
Short term borrowings	503	560	727	2,251	1,210
Payables	589	698	629	629	629
Other short term liabilities	1,187	1,488	1,388	1,388	1,388
Current liabilities	**2,279**	**2,746**	**2,744**	**4,268**	**3,226**
Long-term debt	9,220	9,183	9,875	10,725	11,575
Other long term liabilities	4,704	4,954	5,154	5,331	5,552
Total liabilities	**16,203**	**16,884**	**17,772**	**20,325**	**20,354**
Shareholders' equity	5,838	7,273	7,793	8,115	9,340
Minority interests	-	-	-	-	-
Total liabilities & equity	**22,041**	**24,157**	**25,565**	**28,440**	**29,694**
BVPS	**14.90**	**17.94**	**18.79**	**17.91**	**19.29**
y/y Growth	*(4.9%)*	*20.4%*	*4.7%*	*(4.7%)*	*7.7%*
Net debt/(cash)	9,597	9,649	10,602	12,977	12,785
Cash flow from operating activities	**1,104**	**1,218**	**1,491**	**1,545**	**1,844**
o/w Depreciation & amortization	726	748	787	847	892
o/w Changes in working capital	(249)	(260)	(134)	(177)	(102)
Cash flow from investing activities	**(879)**	**(2,205)**	**(2,203)**	**(3,544)**	**(2,044)**
o/w Capital expenditure	(1,758)	(1,838)	(2,283)	(3,544)	(2,044)
as % of sales	*37.4%*	*37.5%*	*41.6%*	*62.2%*	*34.2%*
Cash flow from financing activities	**(248)**	**956**	**410**	**474**	**1,242**
o/w Dividends paid	(322)	(400)	(394)	(424)	(511)
o/w Net debt issued/(repaid)	82	31	590	850	850
Net change in cash	**(23)**	**(31)**	**(302)**	**(1,525)**	**1,042**
Adj. Free cash flow to firm	**(351)**	**(338)**	**(508)**	**(1,662)**	**156**
y/y Growth	*(469.3%)*	*(3.7%)*	*50.1%*	*227.2%*	*(109.4%)*

Ratio Analysis	FY20A	FY21A	FY22E	FY23E	FY24E
Gross margin	76.4%	71.6%	68.3%	69.1%	70.5%
EBITDA margin	38.9%	37.8%	36.6%	38.5%	41.0%
EBIT margin	22.6%	22.5%	22.3%	23.7%	26.0%
Net profit margin	10.8%	11.7%	11.7%	12.3%	14.0%
ROE	8.6%	8.7%	8.5%	8.8%	9.5%
ROA	2.3%	2.5%	2.6%	2.6%	2.9%
ROCE	5.6%	5.6%	5.6%	5.5%	5.8%
SG&A/Sales	38.2%	34.6%	31.9%	30.6%	29.6%
Net debt/equity	1.6	1.3	1.4	1.6	1.4
P/E (x)	22.5	21.7	20.5	19.2	17.0
P/BV (x)	2.0	1.7	1.6	1.7	1.5
EV/EBITDA (x)	9.1	9.2	9.0	9.6	8.8
Dividend Yield	2.8%	3.0%	3.2%	3.4%	3.6%
Sales/Assets (x)	0.2	0.2	0.2	0.2	0.2
Interest cover (x)	4.9	5.4	5.7	5.3	5.5
Operating leverage	(22.1%)	87.0%	89.6%	276.0%	315.6%
Revenue y/y Growth	(9.4%)	4.3%	12.1%	3.7%	4.9%
EBITDA y/y Growth	3.8%	1.4%	8.5%	9.2%	11.5%
Tax rate	18.3%	17.4%	19.3%	19.1%	19.9%
Adj. Net Income y/y Growth	2.6%	12.6%	12.7%	8.5%	19.4%
EPS y/y Growth	(0.0%)	3.7%	5.7%	6.7%	12.7%
DPS y/y Growth	5.0%	4.8%	6.8%	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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New Jersey Resources: Summary of Financials

Income Statement - Annual	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	**1,954**	**2,157**	**2,586**	**2,574**	**2,622**
COGS	(1,305)	(1,352)	(1,703)	(1,703)	(1,703)
Gross profit	**649**	**805**	**883**	**871**	**918**
SG&A	(278)	(367)	**(336)**	**(343)**	**(349)**
Adj. EBITDA	**336**	**400**	**490**	**471**	**513**
D&A	(120)	(111)	(127)	(141)	(156)
Adj. EBIT	**216**	**288**	**363**	**330**	**357**
Net Interest	(68)	(79)	(77)	(83)	(92)
Adj. PBT	**173**	**234**	**305**	**273**	**299**
Tax	7	(33)	(70)	(49)	(54)
Minority Interest	14	(83)	3	3	3
Adj. Net Income	**196**	**208**	**227**	**227**	**249**
Reported EPS	2.07	2.16	2.36	2.37	2.59
Adj. EPS	**2.07**	**2.16**	**2.36**	**2.37**	**2.59**
DPS	**1.25**	**1.33**	**1.45**	**1.57**	**1.69**
Payout ratio	60.4%	61.7%	61.4%	66.4%	65.3%
Shares outstanding	95	96	96	96	96

Income Statement - Quarterly	1Q22A	2Q22A	3Q22E	4Q22E
Revenue	**676A**	**912A**	**404**	**594**
COGS	(403)A	(625)A	(280)	(395)
Gross profit	**273A**	**287A**	**124**	**199**
SG&A	(69)A	(86)A	(84)	(98)
Adj. EBITDA	**187A**	**170A**	**35**	**97**
D&A	(30)A	(31)A	(32)	(33)
Adj. EBIT	**157A**	**139A**	**3**	**64**
Net Interest	(19)A	(19)A	(19)	(20)
Adj. PBT	**142A**	**124A**	**(11)**	**50**
Tax	(31)A	(29)A	3	(13)
Minority Interest	1A	1A	1	1
Adj. Net Income	**66A**	**130A**	**(7)**	**38**
Reported EPS	0.69A	1.36A	(0.07)	0.39
Adj. EPS	**0.69A**	**1.36A**	**(0.07)**	**0.39**
DPS	**0.36A**	**0.36A**	**0.36**	**0.36**
Payout ratio	52.9%A	26.7%A	NM	91.8%
Shares outstanding	96A	96A	96	96

Balance Sheet & Cash Flow Statement	FY20A	FY21A	FY22E	FY23E	FY24E
Cash and cash equivalents	119	6	0	0	0
Accounts receivable	143	223	330	330	330
Other current assets	362	406	227	257	287
Current assets	**625**	**636**	**556**	**587**	**616**
PP&E	3,983	4,214	4,664	5,137	5,567
Other non current assets	962	873	823	646	408
Total assets	**5,570**	**5,722**	**6,042**	**6,370**	**6,591**
Short term borrowings	153	450	468	600	693
Payables	238	395	123	123	123
Other short term liabilities	143	206	432	432	432
Current liabilities	**534**	**1,051**	**1,023**	**1,155**	**1,248**
Long-term debt	2,259	2,162	2,379	2,450	2,439
Other long term liabilities	932	878	895	944	998
Total liabilities	**3,725**	**4,091**	**4,297**	**4,549**	**4,685**
Shareholders' equity	1,845	1,631	1,745	1,821	1,906
Minority interests	-	-	-	-	-
Total liabilities & equity	**5,570**	**5,722**	**6,042**	**6,370**	**6,591**
BVPS	**19.23**	**16.90**	**18.16**	**18.95**	**19.84**
y/y Growth	*11.5%*	*(12.1%)*	*7.4%*	*4.3%*	*4.7%*
Net debt/(cash)	2,293	2,606	2,847	3,049	3,131
Cash flow from operating activities	**213**	**391**	**423**	**387**	**429**
o/w Depreciation & amortization	120	111	127	141	156
o/w Changes in working capital	(8)	10	60	(31)	(29)
Cash flow from investing activities	**(994)**	**(622)**	**(578)**	**(615)**	**(586)**
o/w Capital expenditure	(470)	(625)	(583)	(615)	(586)
as % of sales	*24.1%*	*29.0%*	*22.5%*	*23.9%*	*22.4%*
Cash flow from financing activities	**896**	**118**	**9**	**165**	**149**
o/w Dividends paid	(118)	(117)	(134)	(152)	(163)
o/w Net debt issued/(repaid)	640	(18)	150	140	75
Net change in cash	**115**	**(113)**	**(147)**	**(62)**	**(7)**
Adj. Free cash flow to firm	**(192)**	**(166)**	**(101)**	**(159)**	**(81)**
y/y Growth	*(36.0%)*	*(13.3%)*	*(39.1%)*	*57.0%*	*(49.0%)*

Ratio Analysis	FY20A	FY21A	FY22E	FY23E	FY24E
Gross margin	33.2%	37.3%	34.1%	33.8%	35.0%
EBITDA margin	17.2%	18.5%	18.9%	18.3%	19.6%
EBIT margin	11.1%	13.4%	14.0%	12.8%	13.6%
Net profit margin	10.0%	9.6%	8.8%	8.8%	9.5%
ROE	11.6%	12.0%	13.4%	12.7%	13.3%
ROA	3.9%	3.7%	3.9%	3.7%	3.8%
ROCE	5.6%	5.8%	6.3%	5.7%	5.9%
SG&A/Sales	14.2%	17.0%	13.0%	13.3%	13.3%
Net debt/equity	1.2	1.6	1.6	1.7	1.6
P/E (x)	21.1	20.3	18.5	18.5	16.9
P/BV (x)	2.3	2.6	2.4	2.3	2.2
EV/EBITDA (x)	17.1	15.3	13.0	13.9	13.0
Dividend Yield	2.9%	3.0%	3.3%	3.6%	3.9%
Sales/Assets (x)	0.4	0.4	0.4	0.4	0.4
Interest cover (x)	5.0	5.1	6.4	5.7	5.6
Operating leverage	(164.7%)	320.2%	130.1%	1910.8%	429.8%
Revenue y/y Growth	(24.6%)	10.4%	19.9%	(0.5%)	1.8%
EBITDA y/y Growth	36.9%	18.9%	22.5%	(3.7%)	8.8%
Tax rate	4.0%	14.2%	23.0%	18.0%	18.0%
Adj. Net Income y/y Growth	12.2%	5.8%	9.1%	0.3%	9.4%
EPS y/y Growth	5.6%	4.2%	9.4%	0.2%	9.4%
DPS y/y Growth	6.8%	6.4%	9.0%	8.3%	7.6%

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Sep. o/w - out of which

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Spire Inc: Summary of Financials

Income Statement - Annual	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	**1,855**	**2,236**	**1,974**	**1,817**	**1,857**
COGS	(696)	(946)	(745)	(539)	(539)
Gross profit	**1,159**	**1,289**	**1,228**	**1,277**	**1,318**
SG&A	(756)	(629)	**(619)**	**(606)**	**(608)**
Adj. EBITDA	**404**	**660**	**609**	**672**	**710**
D&A	(197)	(213)	(235)	(245)	(254)
Adj. EBIT	**207**	**447**	**374**	**427**	**456**
Net Interest	(106)	(107)	(114)	(122)	(129)
Adj. PBT	**101**	**340**	**260**	**305**	**327**
Tax	(12)	(69)	(53)	(59)	(63)
Minority Interest	-	-	-	-	-
Adj. Net Income	**193**	**251**	**206**	**231**	**249**
Reported EPS	3.76	4.86	3.94	4.35	4.53
Adj. EPS	**3.76**	**4.86**	**3.94**	**4.35**	**4.53**
DPS	**2.49**	**2.60**	**2.74**	**2.88**	**3.02**
Payout ratio	66.2%	53.5%	69.5%	66.2%	66.6%
Shares outstanding	51	52	52	53	55

Income Statement - Quarterly	1Q22A	2Q22A	3Q22E	4Q22E
Revenue	**555A**	**881A**	**289**	**249**
COGS	(249)A	(392)A	(61)	(43)
Gross profit	**306A**	**489A**	**227**	**206**
SG&A	(147)A	(188)A	(137)	(147)
Adj. EBITDA	**160A**	**301A**	**90**	**59**
D&A	(57)A	(59)A	(59)	(60)
Adj. EBIT	**103A**	**242A**	**31**	**(1)**
Net Interest	(29)A	(28)A	(29)	(30)
Adj. PBT	**74A**	**214A**	**2**	**(31)**
Tax	(18)A	(41)A	(0)	6
Minority Interest	-	-	-	-
Adj. Net Income	**59A**	**177A**	**(2)**	**(29)**
Reported EPS	1.14A	3.41A	(0.03)	(0.54)
Adj. EPS	**1.14A**	**3.41A**	**(0.03)**	**(0.54)**
DPS	**0.69A**	**0.69A**	**0.69**	**0.69**
Payout ratio	60.2%A	20.1%A	NM	NM
Shares outstanding	52A	52A	52	53

Balance Sheet & Cash Flow Statement	FY20A	FY21A	FY22E	FY23E	FY24E
Cash and cash equivalents	4	11	0	0	0
Accounts receivable	253	596	600	600	600
Other current assets	333	709	488	518	549
Current assets	**591**	**1,317**	**1,088**	**1,117**	**1,148**
PP&E	6,356	5,610	5,917	6,263	6,629
Other non current assets	1,295	2,430	2,548	2,552	2,556
Total assets	**8,241**	**9,356**	**9,553**	**9,931**	**10,333**
Short term borrowings	1,449	1,608	1,498	1,542	1,603
Payables	-	-	-	-	-
Other short term liabilities	0	0	0	0	0
Current liabilities	**1,449**	**1,608**	**1,498**	**1,542**	**1,603**
Long-term debt	2,424	2,939	3,319	3,479	3,464
Other long term liabilities	1,843	2,141	1,939	1,998	2,061
Total liabilities	**5,716**	**6,688**	**6,756**	**7,018**	**7,127**
Shareholders' equity	2,526	2,668	2,796	2,913	3,206
Minority interests	-	-	-	-	-
Total liabilities & equity	**8,241**	**9,356**	**9,553**	**9,931**	**10,333**
BVPS	**-**	**-**	**-**	**-**	**-**
y/y Growth	-	-	-	-	-
Net debt/(cash)	3,869	4,536	4,817	5,020	5,066
Cash flow from operating activities	**470**	**250**	**223**	**501**	**531**
o/w Depreciation & amortization	197	213	235	245	254
o/w Changes in working capital	18	(319)	(266)	(30)	(31)
Cash flow from investing activities	**(632)**	**(622)**	**(543)**	**(590)**	**(620)**
o/w Capital expenditure	(638)	(625)	(546)	(590)	(620)
as % of sales	*34.4%*	*27.9%*	*27.7%*	*32.5%*	*33.4%*
Cash flow from financing activities	**160**	**379**	**176**	**45**	**29**
o/w Dividends paid	(143)	(148)	(149)	(153)	(166)
o/w Net debt issued/(repaid)	268	538	259	160	(15)
Net change in cash	**(2)**	**7**	**(145)**	**(44)**	**(61)**
Adj. Free cash flow to firm	**(76)**	**(290)**	**(232)**	**10**	**15**
y/y Growth	*(73.3%)*	*281.6%*	*(19.8%)*	*(104.2%)*	*57.6%*

Ratio Analysis	FY20A	FY21A	FY22E	FY23E	FY24E
Gross margin	62.5%	57.7%	62.2%	70.3%	71.0%
EBITDA margin	21.8%	29.5%	30.9%	37.0%	38.2%
EBIT margin	11.1%	20.0%	18.9%	23.5%	24.6%
Net profit margin	10.4%	11.2%	10.4%	12.7%	13.4%
ROE	7.6%	9.7%	7.5%	8.1%	8.2%
ROA	2.4%	2.9%	2.2%	2.4%	2.5%
ROCE	2.9%	5.2%	4.0%	4.4%	4.5%
SG&A/Sales	40.7%	28.2%	31.4%	33.3%	32.7%
Net debt/equity	1.5	1.7	1.7	1.7	1.6
P/E (x)	19.7	15.3	18.8	17.1	16.4
P/BV (x)	-	-	-	-	-
EV/EBITDA (x)	16.8	11.1	12.8	12.0	6.1
Dividend Yield	3.4%	3.5%	3.7%	3.9%	4.1%
Sales/Assets (x)	0.2	0.3	0.2	0.2	0.2
Interest cover (x)	3.8	6.2	5.3	5.5	5.5
Operating leverage	728.0%	568.0%	139.2%	(177.8%)	308.2%
Revenue y/y Growth	(5.0%)	20.5%	(11.7%)	(8.0%)	2.2%
EBITDA y/y Growth	(19.7%)	63.4%	(7.7%)	10.3%	5.7%
Tax rate	12.3%	20.1%	20.5%	19.2%	19.2%
Adj. Net Income y/y Growth	1.8%	30.2%	(18.1%)	12.5%	7.9%
EPS y/y Growth	0.9%	29.2%	(18.9%)	10.3%	4.3%
DPS y/y Growth	5.1%	4.4%	5.4%	5.0%	5.0%

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Sep. o/w - out of which

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Southwest Gas Holdings Inc.: Summary of Financials

Income Statement - Annual	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	**3,299**	**3,680**	**4,609**	**4,874**	**5,115**
COGS	(343)	(431)	(574)	(572)	(572)
Gross profit	**3,250**	**4,035**	**4,302**	**4,543**	**0**
SG&A	(2,208)	(2,512)	**(2,961)**	**(3,132)**	**(3,319)**
Adj. EBITDA	**748**	**737**	**1,075**	**1,170**	**1,224**
D&A	(332)	(371)	(474)	(492)	(508)
Adj. EBIT	**416**	**366**	**600**	**678**	**716**
Net Interest	(111)	(119)	(204)	(232)	(237)
Adj. PBT	**305**	**247**	**396**	**446**	**478**
Tax	(66)	(40)	(91)	(99)	(108)
Minority Interest	(7)	(6)	(5)	(6)	(6)
Adj. Net Income	**232**	**247**	**310**	**341**	**365**
Reported EPS	4.14	3.39	4.55	4.92	5.09
Adj. EPS	**4.14**	**4.17**	**4.70**	**4.92**	**5.09**
DPS	**2.26**	**2.36**	**2.46**	**2.56**	**2.66**
Payout ratio	54.4%	69.5%	53.9%	51.9%	52.2%
Shares outstanding	56	59	66	69	72

Income Statement - Quarterly	1Q22A	2Q22E	3Q22E	4Q22E
Revenue	**1,267A**	**1,012**	**1,087**	**1,243**
COGS	(299)A	(76)	(64)	(135)
Gross profit	**1,009A**	**1,003**	**1,102**	**1,188**
SG&A	(676)A	(711)	(798)	(775)
Adj. EBITDA	**292A**	**224**	**226**	**333**
D&A	(123)A	(113)	(117)	(122)
Adj. EBIT	**170A**	**111**	**109**	**211**
Net Interest	(48)A	(51)	(51)	(54)
Adj. PBT	**121A**	**60**	**58**	**157**
Tax	(24)A	(15)	(18)	(35)
Minority Interest	(1)A	(1)	(1)	(1)
Adj. Net Income	**106A**	**44**	**39**	**121**
Reported EPS	1.58A	0.66	0.57	1.78
Adj. EPS	**1.74A**	**0.66**	**0.57**	**1.78**
DPS	**0.60A**	**0.62**	**0.62**	**0.62**
Payout ratio	37.6%A	94.5%	108.3%	34.8%
Shares outstanding	61A	67	68	68

Balance Sheet & Cash Flow Statement	FY20A	FY21A	FY22E	FY23E	FY24E
Cash and cash equivalents	83	223	0	0	0
Accounts receivable	522	707	756	756	756
Other current assets	265	685	700	746	792
Current assets	**871**	**1,615**	**1,456**	**1,502**	**1,548**
PP&E	6,176	7,594	8,000	8,427	8,839
Other non current assets	1,689	3,556	3,490	3,427	3,384
Total assets	**8,736**	**12,765**	**12,946**	**13,357**	**13,772**
Short term borrowings	147	2,206	3,000	3,079	3,164
Payables	231	353	257	257	257
Other short term liabilities	533	552	609	609	609
Current liabilities	**912**	**3,112**	**3,865**	**3,944**	**4,029**
Long-term debt	2,732	4,116	2,772	2,606	2,421
Other long term liabilities	2,251	2,387	2,501	2,601	2,708
Total liabilities	**5,895**	**9,615**	**9,138**	**9,151**	**9,158**
Shareholders' equity	2,841	3,151	3,808	4,205	4,613
Minority interests	0	0	0	0	0
Total liabilities & equity	**8,736**	**12,765**	**12,946**	**13,357**	**13,772**
BVPS	**50.66**	**53.17**	**57.81**	**60.63**	**64.29**
y/y Growth	*6.2%*	*5.0%*	*8.7%*	*4.9%*	*6.0%*
Net debt/(cash)	2,796	6,099	5,772	5,685	5,585
Cash flow from operating activities	**626**	**111**	**822**	**950**	**978**
o/w Depreciation & amortization	332	371	474	492	508
o/w Changes in working capital	99	(443)	(98)	(46)	(46)
Cash flow from investing activities	**(802)**	**(3,036)**	**(840)**	**(920)**	**(920)**
o/w Capital expenditure	(825)	(716)	(849)	(920)	(920)
as % of sales	*25.0%*	*19.4%*	*18.4%*	*18.9%*	*18.0%*
Cash flow from financing activities	**210**	**3,063**	**(857)**	**92**	**49**
o/w Dividends paid	(126)	(138)	(162)	(177)	(191)
o/w Net debt issued/(repaid)	306	1,208	(640)	36	6
Net change in cash	**34**	**139**	**(876)**	**122**	**107**
Adj. Free cash flow to firm	**(112)**	**(504)**	**131**	**210**	**242**
y/y Growth	*(68.2%)*	*351.8%*	*(125.9%)*	*61.2%*	*14.8%*

Ratio Analysis	FY20A	FY21A	FY22E	FY23E	FY24E
Gross margin	98.5%	109.6%	93.3%	93.2%	0.0%
EBITDA margin	22.7%	20.0%	23.3%	24.0%	23.9%
EBIT margin	12.6%	9.9%	13.0%	13.9%	14.0%
Net profit margin	7.0%	6.7%	6.7%	7.0%	7.1%
ROE	8.6%	8.2%	8.9%	8.5%	8.3%
ROA	2.7%	2.3%	2.4%	2.6%	2.7%
ROCE	5.9%	4.0%	4.9%	5.4%	5.5%
SG&A/Sales	66.9%	68.3%	64.2%	64.3%	64.9%
Net debt/equity	1.0	1.9	1.5	1.4	1.2
P/E (x)	21.9	21.8	19.3	18.4	17.8
P/BV (x)	1.8	1.7	1.6	1.5	1.4
EV/EBITDA (x)	9.4	14.4	10.0	9.4	9.0
Dividend Yield	2.5%	2.6%	2.7%	2.8%	2.9%
Sales/Assets (x)	0.4	0.3	0.4	0.4	0.4
Interest cover (x)	6.7	6.2	5.3	5.0	5.2
Operating leverage	156.7%	(104.2%)	253.8%	224.4%	112.5%
Revenue y/y Growth	5.7%	11.6%	25.2%	5.7%	4.9%
EBITDA y/y Growth	9.2%	(1.5%)	45.8%	8.9%	4.6%
Tax rate	21.6%	16.1%	23.0%	22.3%	22.5%
Adj. Net Income y/y Growth	8.6%	6.2%	25.5%	10.1%	7.0%
EPS y/y Growth	5.2%	0.5%	12.9%	4.6%	3.4%
DPS y/y Growth	4.6%	4.4%	4.2%	4.1%	3.9%

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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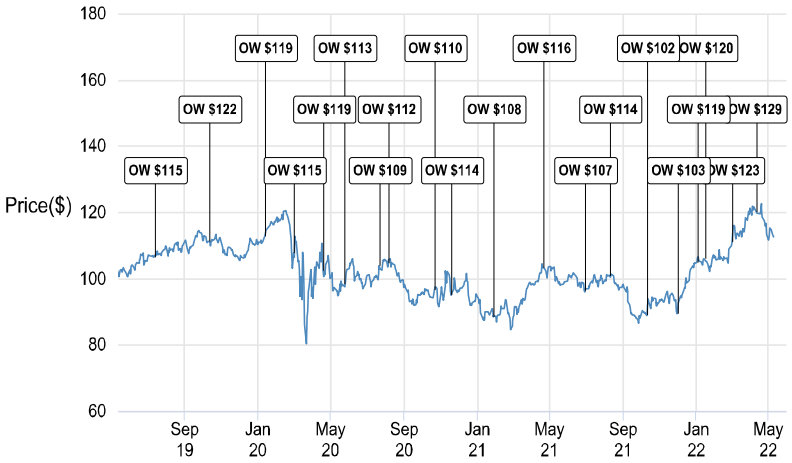
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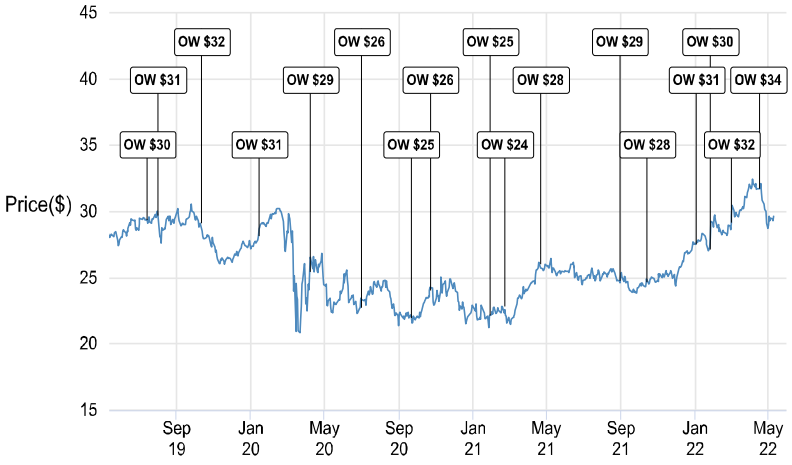
Atmos Energy (ATO, ATO US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Dec 18, 2006. All share prices are as of market close on the previous business day.

Date	Rating	Price ($)	Price Target ($)
15-Jul-19	OW	106.46	115
13-Oct-19	OW	111.36	122
15-Jan-20	OW	112.81	119
03-Mar-20	OW	107.89	115
21-Apr-20	OW	102.53	119
25-May-20	OW	98.33	113
23-Jul-20	OW	104.03	109
07-Aug-20	OW	104.70	112
23-Oct-20	OW	96.64	110
20-Nov-20	OW	95.10	114
29-Jan-21	OW	88.57	108
22-Apr-21	OW	103.39	116
30-Jun-21	OW	96.41	107
11-Aug-21	OW	100.89	114
12-Oct-21	OW	89.11	102
02-Dec-21	OW	89.43	103
04-Jan-22	OW	105.01	119
18-Jan-22	OW	106.05	120
03-Mar-22	OW	111.14	123
13-Apr-22	OW	120.20	129

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 ($)	Price Target ($)
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
31-Aug-21	OW	24.76	29
14-Oct-21	OW	24.69	28
04-Jan-22	OW	27.52	31
26-Jan-22	OW	27.14	30
03-Mar-22	OW	29.19	32
18-Apr-22	OW	31.75	34

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New Jersey Resources (NJR, NJR US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Dec 15, 2006. All share prices are as of market close on the previous business day.

Date	Rating	Price ($)	Price Target ($)
03-May-21	N	41.95	43
06-Jun-21	N	43.67	45
26-Jul-21	N	39.28	41
20-Oct-21	N	37.60	40
07-Dec-21	N	39.70	41
04-Jan-22	N	40.87	44
31-Jan-22	N	39.92	43
03-Mar-22	N	43.53	46
13-Apr-22	N	45.71	48

Spire Inc (SR, SR US) Price Chart

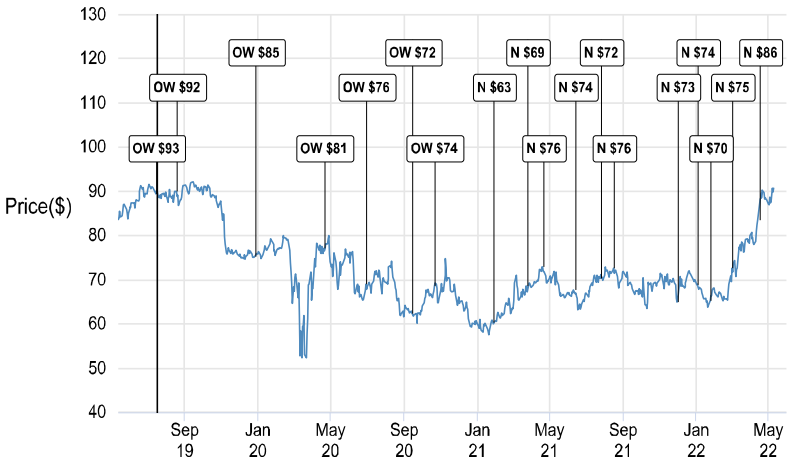


Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 20, 2013. All share prices are as of market close on the previous business day.

Date	Rating	Price ($)	Price Target ($)
30-Jul-19	UW	85.69	78
26-Nov-19	UW	76.93	69
17-Feb-20	UW	87.58	82
01-Jul-20	N	65.71	69
13-Sep-20	N	53.57	62
23-Oct-20	N	58.26	63
25-Nov-20	N	67.36	69
29-Jan-21	OW	60.46	67
17-Feb-21	OW	64.81	72
22-Apr-21	OW	77.38	82
02-Jun-21	OW	72.20	80
21-Jul-21	OW	71.00	78
12-Aug-21	OW	72.20	83
20-Oct-21	OW	63.22	76
16-Nov-21	N	63.61	70
07-Dec-21	N	63.86	67
04-Jan-22	N	65.23	71
03-Mar-22	N	67.13	73
18-Apr-22	N	75.49	76

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Southwest Gas Holdings Inc. (SWX, SWX US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Dec 15, 2006. All share prices are as of market close on the previous business day.

Date	Rating	Price ($)	Price Target ($)
17-Jul-19	OW	89.39	93
20-Aug-19	OW	89.99	92
30-Dec-19	OW	75.24	85
22-Apr-20	OW	77.05	81
01-Jul-20	OW	69.05	76
16-Sep-20	OW	62.32	72
23-Oct-20	OW	68.53	74
29-Jan-21	N	60.33	63
26-Mar-21	N	68.51	69
22-Apr-21	N	72.96	76
14-Jun-21	N	67.67	74
27-Jul-21	N	70.26	72
18-Aug-21	N	72.63	76
02-Dec-21	N	64.99	73
04-Jan-22	N	68.83	74
26-Jan-22	N	65.18	70
03-Mar-22	N	72.59	75
18-Apr-22	N	83.50	86

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NiSource Inc.

1Q22 Earnings Preview: Solar Update Set to Steal the Spotlight; Business Review Remains in the Backdrop

Overweight

NI, NI US

Price (14 Apr 22): $31.75

▲ **Price Target (Dec-22): $34.00**
Prior (Dec-22): $32.00

We update our estimates into 1Q, where solar appears set to dominate discussions in consideration of the recent Department of Commerce investigation. Given potential impacts to cost and in-service dates, we expect NI to address its exposure at a high level. NI retains significant regulatory flexibility around its solar projects, and we remain positive on prospects for a path forward that preserves value and NI's long-term growth outlook. Separately, NI's business review remains in the backdrop, where we await process updates and a timeline to completion. We include our detailed takeaways below.

- **Solar projects hit a patch of shade.** The recent Department of Commerce solar investigation has sparked questions around NI's projects and timeline. Given potential impacts to cost and in-service dates, we expect NI to address its exposure at a high level given the early stage of the investigation and nascent industry efforts to address panel sourcing challenges. 2022 JV projects under construction are Dunns Bridge I Solar ($240mm NI investment) and Crossroads Solar ($200mm), plus an additional four JV projects in 2023 ($1bn total NI investment). These projects contribute to the company's expected 2024 earnings step up, which may now partially shift into 2025. NI retains significant regulatory flexibility to seek multiple rate steps as projects enter service, and we remain positive on prospects for a path forward that preserves value and NI's long-term growth outlook through its latest round of IRP capex (currently outside of the company's capital plan). However, we expect rate case strategy to be in flux until greater clarity emerges on impacts to project timing. Analyst day timing, previously targeted for May, is now in question, although we see a delayed update here as positive in better aligning with the conclusion of NI's ongoing business review.
- **NI's business review remains in the backdrop.** As outlined on the 4Q call, CEO Lloyd Yates emphasized that every option is on the table under the company's comprehensive strategic review. We await process updates and a timeline to completion, plus the latest review considerations. On the review, we continue to see some combination of capex acceleration, cost cuts, and portfolio rotation as a base case outcome, but note questions around potential pressure from Elliott Investment Management's continued involvement in NI.
- **JPMe 1Q22 EPS of $0.77, flat YoY.** We estimate flat growth YoY given equity dilution headwinds (-9c) on strong forecast net income growth of +11%. Cost savings represent the largest potential swing factor on the quarter, in our view, versus anticipated rate relief (+9c) and normal course expense growth (-3c). Our 2022 EPS estimate of $1.45 remains within NI's $1.42-1.48 guidance range.
- **Our Dec-22 price target increases to $34** (from $32 prior), based upon our sum-of-the-parts analysis.

North American Utilities

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J.P. Morgan Securities LLC

Quarterly Forecasts (FYE Dec)

Adj. EPS ($)	2021A	2022E	2023E
Q1	0.77	0.77	
Q2	0.13	0.15	
Q3	0.11	0.14	
Q4	0.39	0.40	
FY	1.37	1.45	1.54

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	56	46	34	45	30
Growth	55	67	60	80	82
Momentum	10	45	71	50	71
Quality	36	76	82	88	36
Low Vol	28	28	35	60	45
ESGQ	5	1	33	27	22

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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North America Equity Research
18 April 2022

J.P.Morgan

Price Performance



	YTD	1m	3m	12m
Abs	15.4%	7.2%	12.1%	25.7%
Rel	23.2%	2.0%	17.9%	19.2%

Company Data

Shares O/S (mn)	409
52-week range ($)	32.59-23.65
Market cap ($ mn)	12,984.09
Exchange rate	1.00
Free float(%)	99.5%
3M - Avg daily vol (mn)	5.36
3M - Avg daily val ($ mn)	157.0
Volatility (90 Day)	18
Index	S&P 500
BBG BUY|HOLD|SELL	10|3|0

Key Metrics (FYE Dec)

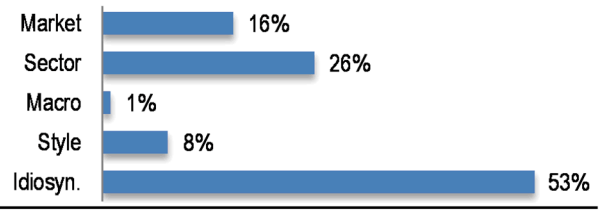
$ in millions	FY21A	FY22E	FY23E	FY24E
Financial Estimates				
Revenue	4,901	5,502	5,698	5,975
Adj. EBITDA	1,852	2,077	2,258	2,510
Adj. EBIT	1,104	1,297	1,417	1,624
Adj. net income	571	644	692	828
Adj. EPS	1.37	1.45	1.54	1.74
BBG EPS	1.36	1.45	1.55	1.74
Cashflow from operations	1,218	1,525	1,586	1,887
FCFF	(338)	(635)	(1,623)	198
Margins and Growth				
Revenue growth	4.3%	12.3%	3.6%	4.9%
EBITDA margin	37.8%	37.7%	39.6%	42.0%
EBITDA growth	1.4%	12.1%	8.7%	11.2%
EBIT margin	22.5%	23.6%	24.9%	27.2%
Net margin	11.7%	11.7%	12.1%	13.9%
Adj. EPS growth	3.7%	6.1%	5.9%	13.0%
Ratios				
Adj. tax rate	17.4%	24.2%	23.7%	23.8%
Interest cover	5.4	5.5	5.1	5.4
Net debt/Equity	1.3	1.4	1.6	1.4
Net debt/EBITDA	5.2	5.2	5.8	5.1
ROCE	5.6%	5.5%	5.4%	5.7%
ROE	8.7%	8.6%	8.7%	9.5%
Valuation				
FCFF yield	(2.6%)	(4.5%)	(11.4%)	1.3%
Dividend yield	2.8%	3.0%	3.1%	3.3%
EV/Revenue	3.5	3.3	3.7	3.6
EV/EBITDA	9.2	8.8	9.4	8.6
Adj. P/E	23.2	21.9	20.6	18.3

Summary Investment Thesis and Valuation

With renewables driving ~20% of the five-year capital plan, NI's "green hue" stands unique among LDCs. 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 $34/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 22.0x and 22.1x P/E multiples, respectively.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI US	0.31	0.35
Sect: Utilities	0.37	0.54
Ind: Utilities	0.37	0.54
Macro:		
Crude Oil	-0.20	-0.24
Credit Spread	0.43	0.12
Economic Surprise	0.01	0.05
Quant Styles:		
LowVol	0.25	0.24
Momentum	-0.37	-0.20
Value	0.31	0.20

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: $34.00)*

Investment Thesis

With renewables driving ~20% of the five-year capital plan, NI's "green hue" stands unique among LDCs. 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 raise our December 2022 price target to $34/share, from prior $32. 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 22.0x and 22.1x 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. The higher price target is due to increased peer average multiples.

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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NiSource Inc.: Summary of Financials

Income Statement - Annual	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	**4,697**	**4,901**	**5,502**	**5,698**	**5,975**
COGS	(1,109)	(1,392)	(1,760)	(1,760)	(1,760)
Gross profit	**3,587**	**3,509**	**3,743**	**3,938**	**4,216**
SG&A	(1,794)	(1,696)	**(1,666)**	**(1,681)**	**(1,705)**
Adj. EBITDA	**1,826**	**1,852**	**2,077**	**2,258**	**2,510**
D&A	(762)	(748)	(780)	(840)	(886)
Adj. EBIT	**1,064**	**1,104**	**1,297**	**1,417**	**1,624**
Net Interest	(371)	(341)	(375)	(439)	(466)
Adj. PBT	**693**	**763**	**922**	**978**	**1,159**
Tax	(127)	(132)	(223)	(231)	(275)
Minority Interest	(59)	(59)	(55)	(55)	(55)
Adj. Net Income	**508**	**571**	**644**	**692**	**828**
Reported EPS	1.32	1.37	1.45	1.54	1.74
Adj. EPS	**1.32**	**1.37**	**1.45**	**1.54**	**1.74**
DPS	**0.84**	**0.88**	**0.94**	**1.00**	**1.06**
Payout ratio	63.6%	64.3%	64.7%	64.8%	60.7%
Shares outstanding	384	417	443	450	476

Income Statement - Quarterly	1Q22E	2Q22E	3Q22E	4Q22E
Revenue	**1,872**	**1,120**	**1,013**	**1,497**
COGS	(725)	(313)	(222)	(500)
Gross profit	**1,148**	**807**	**791**	**998**
SG&A	(411)	(412)	(397)	(446)
Adj. EBITDA	**737**	**395**	**393**	**551**
D&A	(191)	(194)	(196)	(199)
Adj. EBIT	**546**	**201**	**197**	**352**
Net Interest	(89)	(92)	(95)	(98)
Adj. PBT	**457**	**110**	**102**	**254**
Tax	(106)	(29)	(26)	(61)
Minority Interest	(14)	(14)	(14)	(14)
Adj. Net Income	**337**	**66**	**62**	**179**
Reported EPS	0.77	0.15	0.14	0.40
Adj. EPS	**0.77**	**0.15**	**0.14**	**0.40**
DPS	**0.24**	**0.24**	**0.24**	**0.24**
Payout ratio	30.7%	156.5%	168.2%	58.8%
Shares outstanding	440	442	444	447

Balance Sheet & Cash Flow Statement	FY20A	FY21A	FY22E	FY23E	FY24E
Cash and cash equivalents	126	95	0	0	0
Accounts receivable	791	826	826	826	826
Other current assets	743	1,000	1,123	1,300	1,402
Current assets	**1,659**	**1,921**	**1,948**	**2,125**	**2,228**
PP&E	16,620	17,882	19,546	22,249	23,407
Other non current assets	3,762	4,354	4,354	4,354	4,354
Total assets	**22,041**	**24,157**	**25,848**	**28,729**	**29,989**
Short term borrowings	503	560	697	2,181	1,093
Payables	589	698	698	698	698
Other short term liabilities	1,187	1,488	1,430	1,430	1,430
Current liabilities	**2,279**	**2,746**	**2,826**	**4,309**	**3,221**
Long-term debt	9,220	9,183	10,092	10,942	11,792
Other long term liabilities	4,704	4,954	5,177	5,409	5,684
Total liabilities	**16,203**	**16,884**	**18,094**	**20,659**	**20,697**
Shareholders' equity	5,838	7,273	7,754	8,070	9,292
Minority interests	-	-	-	-	-
Total liabilities & equity	**22,041**	**24,157**	**25,848**	**28,729**	**29,989**
BVPS	**14.90**	**17.94**	**18.70**	**17.90**	**19.28**
y/y Growth	*(4.9%)*	*20.4%*	*4.2%*	*(4.3%)*	*7.7%*
Net debt/(cash)	9,597	9,649	10,789	13,122	12,885
Cash flow from operating activities	**1,104**	**1,218**	**1,525**	**1,586**	**1,887**
o/w Depreciation & amortization	726	748	780	840	886
o/w Changes in working capital	(249)	(260)	(122)	(177)	(102)
Cash flow from investing activities	**(879)**	**(2,205)**	**(2,444)**	**(3,544)**	**(2,044)**
o/w Capital expenditure	(1,758)	(1,838)	(2,444)	(3,544)	(2,044)
as % of sales	*37.4%*	*37.5%*	*44.4%*	*62.2%*	*34.2%*
Cash flow from financing activities	**(248)**	**956**	**687**	**475**	**1,244**
o/w Dividends paid	(322)	(400)	(387)	(423)	(508)
o/w Net debt issued/(repaid)	82	31	850	850	850
Net change in cash	**(23)**	**(31)**	**(232)**	**(1,483)**	**1,087**
Adj. Free cash flow to firm	**(351)**	**(338)**	**(635)**	**(1,623)**	**198**
y/y Growth	*(469.3%)*	*(3.7%)*	*87.8%*	*155.5%*	*(112.2%)*

Ratio Analysis	FY20A	FY21A	FY22E	FY23E	FY24E
Gross margin	76.4%	71.6%	68.0%	69.1%	70.6%
EBITDA margin	38.9%	37.8%	37.7%	39.6%	42.0%
EBIT margin	22.6%	22.5%	23.6%	24.9%	27.2%
Net profit margin	10.8%	11.7%	11.7%	12.1%	13.9%
ROE	8.6%	8.7%	8.6%	8.7%	9.5%
ROA	2.3%	2.5%	2.6%	2.5%	2.8%
ROCE	5.6%	5.6%	5.5%	5.4%	5.7%
SG&A/Sales	38.2%	34.6%	30.3%	29.5%	28.5%
Net debt/equity	1.6	1.3	1.4	1.6	1.4
P/E (x)	24.0	23.2	21.9	20.6	18.3
P/BV (x)	2.1	1.8	1.7	1.8	1.6
EV/EBITDA (x)	9.1	9.2	8.8	9.4	8.6
Dividend Yield	2.6%	2.8%	3.0%	3.1%	3.3%
Sales/Assets (x)	0.2	0.2	0.2	0.2	0.2
Interest cover (x)	4.9	5.4	5.5	5.1	5.4
Operating leverage	(22.1%)	87.0%	142.4%	261.8%	300.6%
Revenue y/y Growth	(9.4%)	4.3%	12.3%	3.6%	4.9%
EBITDA y/y Growth	3.8%	1.4%	12.1%	8.7%	11.2%
Tax rate	18.3%	17.4%	24.2%	23.7%	23.8%
Adj. Net Income y/y Growth	2.6%	12.6%	12.7%	7.4%	19.7%
EPS y/y Growth	(0.0%)	3.7%	6.1%	5.9%	13.0%
DPS y/y Growth	5.0%	4.8%	6.8%	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



Date	Rating	Price ($)	Price Target ($)
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
31-Aug-21	OW	24.76	29
14-Oct-21	OW	24.69	28
04-Jan-22	OW	27.52	31
26-Jan-22	OW	27.14	30
03-Mar-22	OW	29.19	32

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.

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IB clients**	52%	47%	36%
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J.P.Morgan
North America Equity Research
02 June 2022

Utilities and Midstream

Surveying the RNG Landscape II: Regulatory Groundwork Set to Enable a Customer-Driven RNG Wave

Among energy transition topics, RNG remains an area of growing investor interest, matching increased capital allocation and expanded aspirations to both regulated and non-regulated RNG efforts over the past year. Our second annual RNG survey builds on analysis from last year's inaugural survey and highlights considered industry efforts to secure the regulatory frameworks necessary to meet increasing RNG demand. We present updated company responses to a set of five RNG questions for an overview of RNG assets, capital investments, system activity, regulatory backdrop, and customer trends. Company thoughts follow for AEE, AGR, AQN CN, ATO, CMS, CNP, D, DTE, DUK, EMA CN, ENB CN, ES, FTS CN, KMI, NI, NJR, SO, SRE, SWX, TRP CN, UGI, WEC, and WMB.

- **Second annual RNG survey.** We sent five RNG questions to our coverage universe, adjusted to reflect select midstream companies and exclude electric-only utilities. Summary tables start on page 2 and individual company responses begin on page 8.

- **Industry efforts push regulatory changes to enable a customer-driven RNG wave.** Expanding regulatory mechanisms to create voluntary green tariffs, allow utilities to rate base RNG interconnections and other associated assets, and establish system blending targets all underpin an active industry push to increase RNG usage in initial steps to net decarbonize gas systems. Numerous filings remain active, and we expect RNG opportunities to continue expanding as companies tackle regulatory groundwork across jurisdictions. Observed customer interest appears to drive RNG demand in excess of supply, particularly as emissions reduction targets at large C&I customers, public authorities, and other end-use segments expand market opportunities beyond the traditional LCFS markets and broader transportation use. While survey responses highlighted significant regulatory work still to come, overall RNG activity levels have increased since last year's survey, with numerous projects approaching in-service dates into next year.

- **Utilities: customer-focused RNG tools continue to expand, although larger blending opportunities remain limited.** Active or planned regulatory filings from AQN, ATO, CMS, CNP, D, ES, FTS, NI, SO, SWX, and WEC, among others, stand to expand utility toolsets to meet RNG demand, with a particular focus on establishing voluntary green tariffs, defining capital recovery opportunities, and securing decarbonization benefits from increased RNG use. Local opportunities appear varied based on regional supply characteristics, policy objectives, and customer requirements. However, we highlight broad themes of corporate sustainability goals and emissions reduction targets ultimately driving end-user RNG demand for utilities to serve. Larger blending opportunities across service territories are currently more limited, but remain an item to monitor as legislation and policy evolves in the near to medium-term. On this front, state efforts in CA, MI, MN, NC, NH, NJ, NV, and TN stand out for AQN, CMS, CNP, D, DTE, DUK, NJR, SRE, SWX, and others.

- **Midstream: ENB, KMI, TRP and WMB actively connecting RNG to their systems, UGI efforts stands out.** Multiple midstream companies maintain interconnections between their gas pipeline systems and RNG production facilities. While RNG currently represents a small portion of the gas transported, existing

Utilities and Midstream

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pipeline networks should capture growing RNG volumes and interconnections over time. RNG likely represents an important avenue for midstreamers to decrease net carbon emissions. In some cases, midstreamers have moved further upstream in the RNG value chain, such as **KMI** and **ENB's** partnerships. Relative to the size of the company, **UGI** appears to have greater RNG leverage than most, with FY21-25 capex expectations of $1-1.25bn in RNG and renewables (RNG represents >90% of renewables investment committed to date). On the regulated side, UGI received PA PUC approval for a pilot program where RNG would initially represent 0.5% (~330,000 mcf annually) of the anticipated supply for purchase gas cost customers. Overall for the group, while we see growing appetite from midstreamers to increase RNG value chain involvement, aggressive activity from private equity and SPACs (with a lower cost of capital) can present a challenge.

Table 1: Key Takeaways

Company	Key Takeaways
AEE	No RNG capex in current plan, but sees opportunity in the landfill, agricultural, and livestock industries
AGR	Pilot projects continue, with in service dates through 4Q22; actively working on RNG strategy
AQN	Regulated: first RNG deliveries in late 2022. Non-reg: Sandhill acquisition set to close in 1H22, w/ 4 projects under dev
ATO	30 opportunities under evaluation; transports 8 Bcf/yr across the system
CMS	Pursuing a small pilot to build a biodigester facility, subject to regulatory approval (expects an order by Oct 2022)
CNP	Planning to file incremental investments under MN's NGIA later this year
D	Plans to spend $2bn on non-reg RNG through 2035; several utility programs either active or proposed
DTE	<50% of $1.0-1.5bn capex plan over next 5 years going to RNG
DUK	Minority investment in RNG developer SustainRNG; two announced NC landfill projects; CNG stations
EMA	PGS has three projects under contruction and NMGC is pursuing dairy farm RNG projects
ENB	<0.2% of current system moves RNG; seven operating/under construction utility projects & eight GTM projects planned
ES	Seeking authority to procure RNG and connect on-system projects for RNG injection (DPU 20-80 Future of Gas docket)
FTS	<1% RNG currently, but tracking to meet or exceed 15% by 2030; High customer interest given provincial policy
KMI	4.0 bcf of total annual capacity across four facilities by YE22; $146mm non-reg RNG capex
NI	Exploring potential opportunities from recent VA legislation enabling utility ownership of RNG assets
NJR	$35-39mm in its FY23 capital plan; RNG projects are in early stages and involve NJ landfills
SO	Growing RNG opportunities across the footprint include Nicor's new opt-in program
SRE	4% RNG deliveries in 2021 versus 20% by 2030 target; meaningful CPUC rulemaking work set to boost efforts
SWX	Voluntary NV procurement targets run 2025-2035; assets support AZ/CA facilities
TRP	Facilities support 20 Bcf/yr in the US, with an additional 14 Bcf/yr from future projects; transports 4 Bcf/yr in Canada
UGI	Active across the entire RNG value chain; $1.00-1.25bn 2021-2025 non-reg renewables capex includes RNG
WEC	Expects a 1-2% RNG blend from its project portfolio; meaningful WI supply opportunity from dairy herds
WMB	$200mm RNG capex through 2025; anticipates RNG to play meaningful role in decarbonization

Source: JP Morgan

- **What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?** Avangrid, Algonquin, Dominion, DTE Energy, Emera, Enbridge, Kinder Morgan, Southwest Gas, and TC Energy all highlighted company-owned or third party projects under construction, with many expected in service over the balance of 2022. Involvement continues to vary from traditional ownership of interconnections to production assets, both under regulated and non-regulated constructs.

Table 2: RNG Assets, Investments, and Value-Chain Scope

Company	RNG Assets Currently Owned; Investment Opportunities Under Pursuit; Value Chain Scope
AEE	Minimal owned RNG assets
AGR	None; work on pilot projects continues, with in service dates through 4Q22
AQN	Two contracts with NY RNG devs for interconnection services. Non-reg Sandhill dev acquisition set to close in 1H22
ATO	None; 30 opportunities under evaluation
CMS	None; pursuing a small pilot to build a biodigester facility, subject to regulatory approval (expects an order by Oct 2022)
CNP	No traditional assets currently owned; holds legacy RNG interconnections in MN, IN, OH, and TX
D	Largest agriculture based RNG developer in the US
DTE	DTE Vantage targets a number of agricultural waste and landfill projects
DUK	Minority investment in RNG developer SustainRNG; two announced NC landfill projects; CNG stations
EMA	None. PGS has three projects under contruction and NMGC is pursuing dairy farm RNG projects
ENB	Utility: seven projects operating or under construction. GTM: eight projects planned under Vanguard partnership
ES	None
FTS	Typically the pipeline interconnect and meter station/odorization; upgrading equipment owned in select instances
KMI	One operational landfill facility (50% own, 0.8 bcf/yr), three additional facilities online by YE22 (100% own, 3.5 bcf/yr)
NI	None
NJR	Interest spans both company-owned infrastructure and RNG purchases through offtake agreements
SO	Exploring opportunities to integrate additional RNG after the 2021 acquisition of the Meadow Branch Landfill facility
SRE	None; typically does not own the interconnection pipeline between RNG sites and the LDC system
SWX	Owns interconnection assets for three facilities, with two additional facilities expected online by YE22
TRP	US RNG interconnections: 11 in service, 8 under construction. 10 RNG hubs contemplated. 2 interconnects in Canada
UGI	Supply source contracts and end-use customers in CA, RNG production investments, RNG via midstrea/ute footprint
WEC	Pursuing interconnection assets from RNG sites to the LDC network
WMB	Natgas pipelines interconnect with seven different RNG facilities including four landfill and three dairy farm connections

Source: JP Morgan

- **How much regulated and non-regulated capex does RNG represent in your current plan?** Capital plans remain generally consistent from last year's survey, with Dominion ($800mm through 2026), DTE Energy (<50% of $1.0-1.5bn five-year non-reg capital plan), and UGI (RNG included in its $1.00-1.25bn five-year non-reg renewables capex) standing out on an absolute dollars basis.

Table 3: RNG Capex in Current Plan

Company	Regulated and Non-regulated RNG capex in Current Plan
AEE	None
AGR	None; developers are covering full cost of pilot projects
AQN	Undisclosed
ATO	None; any investment must match company's regulated business model
CMS	<1% regulated; 0% non-reg
CNP	Plan contemplates limited regulated RNG capex w/ projects still in early stage
D	Has $800mm of capex in its 2022-2026 plan and targets $2bn on RNG through 2035 (net to Dominion)
DTE	<50% of $1.0-1.5bn capital target for non-regulated business over next five years
DUK	$275mm through 2026
EMA	Current capital plan includes regulated RNG investments at PGS
ENB	Regulated/non-reg investments remain small versus consolidated capital plan
ES	None
FTS	$145mm of regulated RNG capex in current plan
KMI	$146mm non-reg RNG capex for three facilities
NI	None
NJR	Regulated investments total $35-39mm in FY23 capital plan
SO	Potential additional investment in Meadow Branch, limited funding of Nicor interconnection projects
SRE	Minimal RNG capex
SWX	Nominal capex by YE22 to support four AZ RNG interconnections
TRP	N/A
UGI	$1.00-1.25bn 2021-2025 non-reg renewables capex includes RNG and renewable LPG development
WEC	Less than $50mm
WMB	Up to $200mm in non-reg RNG through 2025; completed interconnections were done through reimbursable deals

Source: JP Morgan

- **How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?** Most companies continue to carry low system RNG levels of <1%, if at all. As a result, Sempra's 4% in 2021 stands out on a relative basis.

Table 4: RNG in System and Carbon Emission Reduction Goal

Company	RNG Currently in System and Amount Contemplated in Carbon Emission Reduction Goal
AEE	In 2021, RNG volume flowing into system total 1,256,796 MMBtu, or less than 1% of AEE IL's total load
AGR	No RNG on its system or formal target; actively working on RNG strategy
AQN	Four initial Sandhill projects to produce 500-600 MMBtu/d when fully operational
ATO	Transporting 8 Bcf/year
CMS	No internally produced RNG
CNP	Current volume is minimal; potential emission offsets are still under consideration
D	Slightly over 1,400 dth/day flowing on the LDC systems
DTE	None currently on the system; no specific goals
DUK	No RNG currently displaces natural gas at the LDCs
EMA	PGS: no RNG; NMGC: minimal volumes; EMA expects to incorporate RNG into emissions reduction targets
ENB	Less than 0.2% of system currently moves RNG
ES	None
FTS	FortisBC's gas supply consists of less than 1% RNG currently; targets 15% by 2030
KMI	4.0 bcf of total annual capacity across four facilities by YE22
NI	Transports 1.6 bcf/yr for producers (no impact to end customers of company emissions)
NJR	None
SO	Aggregate maximum injection of 560 mcfh from three 3rd-party facilities
SRE	Targets delivering 20% of total SCG gas deliveries from RNG by 2030 vs. ~4% in 2021. Net zero by 2045
SWX	Ten million therms across five projects by YE22; NV voluntary RNG procurement target of 1% in 2025 to 3% in 2035
TRP	Facilities support 20 Bcf/yr in the US, with an additional 14 Bcf/yr from future projects; transports 4 Bcf/yr in Canada
UGI	PA pilot program targets 0.5% of anticipated supply (~330,000 mcf annually)
WEC	Little RNG currently on system; expects a 1-2% RNG blend from its project portfolio
WMB	13mmcfpd of RNG flows through gas pipeline system; no publicly quantified RNG targets; expects meaningful role though

Source: JP Morgan

- **Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?** While authorized voluntary green tariffs remain limited, active efforts seek to add this tool to meet customer RNG demand, alongside numerous related regulatory proceedings for RNG infrastructure recovery, procurement programs, and other RNG frameworks.

Table 5: Green Tariff Status, Regulatory/Legislative Needs, and Cost Recovery Considerations

Company	Green Tariff Status, Regulatory/Legislative Needs, and Cost Recovery Considerations
AEE	No voluntary green tariff. Needs include guidelines on RNG's benefits, greater cost recovery certainty, and incentives
AGR	No voluntary green tariff. Proceedings have included RNG discussions
AQN	Expects all jurisdictions will offer voluntary RNG in the future. Potential NH and recent MO legislation stands out
ATO	Pursuing voluntary carbon credit tariffs with initial filings in VA and TN
CMS	Pursuing a small pilot to build a biodigester facility, subject to regulatory approval (expects an order by Oct 2022)
CNP	Planning to file incremental investments under MN's NGIA later this year
D	Voluntary RNG: UT; voluntary carbon offsets: UT, NC*, OH* (*not yet approved); other RNG programs in NC, OH
DTE	Voluntary resi and small comm program utilitizes a 95% /5% mix of forestry carbon offsets and RNG
DUK	GreenEdge program to launch this summer (RNG/carbon offsets to resi and small business customers)
EMA	No voluntary green tariff (currently exploring). RNG tariff in FL supports RNG for customer agreements
ENB	Voluntary RNG program (VRNG) at Enbridge Gas; currently no regulatory approval to pay a premium for RNG
ES	Seeking authority to procure RNG and connect on-system projects for RNG injection (DPU 20-80 Future of Gas docket)
FTS	Voluntary customer purchases via RNG program; pending applications for new customer RNG supply and blending
KMI	No voluntary RNG sales currently
NI	Expects to replicate recent PA and VA green tariff filings in other states
NJR	No voluntary green tariff. Prospective NJ legislation would require the BPU to create programs for clean gas technologies
SO	Nicor voluntary opt-in program for RNG/carbon offsets to begin in July; RNG-related tariffs pending/filed elsewhere
SRE	Voluntary RNG tariff approved, but planning efforts to advance this program in 2022
SWX	No voluntary RNG tariffs; RNG tariffs in place across all three jurisdictions; voluntary carbon offsets program in NV
TRP	N/A
UGI	PA pilot program allows RNG purchases for gas customers (approved in FY22)
WEC	No voluntary green tariffs; requesting WI and IL approvals to recover interconnection costs
WMB	No voluntary green tariff; LCFS market expansion and continued federal RINS support could boost efforts

Source: JP Morgan

- **What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?** Local opportunities appear varied based on regional supply characteristics, policy objectives, and customer requirements. However, we highlight broad themes of corporate sustainability goals and emissions reduction targets ultimately driving end-user RNG demand for utilities to serve. Larger blending opportunities across service territories are currently more limited.

Table 6: Customer Interest

Company	Customer Interest
AEE	Producer and developer interest continues to rise
AGR	Economic development interest is not a notable driver
AQN	Accelerating interest from large C&I customers, transportation, and higher ed/health case/large consumer segments
ATO	N/A
CMS	Moderate interest from companies with net zero emission goals
CNP	N/A
D	Demand includes transportation decarbonization, LDCs, and thermal/power/industrial applications
DTE	Notable interest from transportation, industrial, and institutional customers
DUK	Growing interest overall, including sustainability goals driving industrial interest
EMA	In FL, growing C&I interest from sustainability goals. In NM, potential to target an underused state tax credit
ENB	Residential and C&I interest continues to grow, including obligated emitters under the Ontario EPS program and powergen
ES	N/A
FTS	Provincial policy and GHG remissions reduction targets for government authorities and public entities drive high interest
KMI	Voluntary market interest continues to grow, with demand in excess of current domestic supply
NI	Customers surveys indicate a majority are interest in RNG, although higher costs are a partial deterrent
NJR	Expects customers interest will grow in response to the associated emissions reduction opportunities
SO	Growing market interest from natural gas retailers/utilities, corporates, and public agencies
SRE	Expects incremental demand from local governments, municipalities, education, and hospital customers
SWX	Increasing interest from C&I customers
TRP	Quebec's commitment to reach 5% RNG by 2025 drives growing interest in Canada
UGI	Growing interest from large customer carbon reduction targets and LDC compliance in certain states
WEC	Some interet in voluntary RNG use
WMB	LDC and power generation customers remain a source of interest; Pacific Northwest state programs drive interest as well

Source: JP Morgan

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Company RNG Summary

Ameren (AEE)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

Ameren owns minimal RNG assets. The company's facilities primarily consist of regulator stations (pressure regulators, metering, and quality measurement equipment) where gas enters AEE's system. AEE is not currently pursuing RNG investments. However, RNG producers or agriculture, livestock, and/or landfill businesses typically propose projects.

How much regulated and non-regulated capex does RNG represent in your current plan?

AEE has no RNG capex in its current plan.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

During 2021, system RNG volumes totaled 1,256,796 MMBtu, or less than 1% of AEE IL's total load, representing equivalent usage of 16,000 customers. AEE does not have specific RNG targets and continues to monitor RNG-related regulations.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

AEE does not have a green tariff for voluntary RNG usage. Needs include guidelines surrounding RNG's benefits (specifying carbon attributes versus broader pushes to ban natural gas), greater cost recovery certainty, and RNG investment incentives. Absent these changes, the company expects RNG producer funding will remain necessary to advance projects. AEE is monitoring FERC's rejection of RNG language that another gas company sought in its tariff.

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

Producer and developer interest continues to rise.

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Avangrid Inc (AGR)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

AGR does not own any RNG assets. Company assets are the associated distribution facilities for RNG injection, including mains and meter/regulator equipment. Among pilots in NYSEG's service territory, Lawnhurst Farms entered service in October 2021, and the company anticipates 4Q22 in-service dates for Sprucehaven Farms and Marks Farms.

How much regulated and non-regulated capex does RNG represent in your current plan?

AGR has no RNG capex in its current plan. Developers cover the cost of pilot projects, including capital and ongoing O&M.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

AGR has no RNG on its system or formal target. The company is actively working on its RNG strategy.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

AGR does not have a green tariff to purchase RNG. The company expects to work with regulators and legislators on use cases, benefits, and pilot program education to meet decarbonization goals in a cost effective manner. Proceedings have included RNG discussions, but there are currently no local policies.

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

Economic development interest is not a notable RNG driver. The company supports RNG as a path to decarbonizing the existing gas system given economic justice issues and the financial impacts of decarbonization alternatives.

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Algonquin Power & Utilities (AQN CN)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

Regulated opportunities comprise NH, MA, and GA applications to purchased RNG and recover associated interconnection costs, and these projects may include some combination of interconnection and production assets depending on jurisdiction. NY has approved AQN's RNG Gas Transportation Operations Procedure (GTOP), setting quality and injection operating standards. Liberty has also executed two contracts with NY RNG developers for interconnection services, targeting other jurisdictions in 2H22. The company expects RNG injection in NY and NH beginning in late 2022.

For its non-reg efforts, AQN announced the Sandhill (RNG developer) acquisition in December 2021. Sandhill's portfolio has four WI projects, two of which are currently under construction (first production targeted for late 1Q23), with the remaining two projects in late stage development. AQN expects to close the acquisition in 1H22.

How much regulated and non-regulated capex does RNG represent in your current plan?

Undisclosed.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

At the utilities, AQN anticipates first RNG deliveries in late 2022. On the non-reg side, the company expects its four initial Sandhill projects to produce 500-600 MMBtu/d when fully operational.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

AQN anticipates all jurisdictions will offer a voluntary RNG program in the future, similar to opt-in provisions across its current three filings. The company is also monitoring various state and provincial legislation, such as SB424 in NH (allows LDCs to procure RNG up to 5% of annual volumes, if passed) and recent MO legislation (authorizes investment in and cost recovery of RNG assets).

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

AQN sees interest accelerating, including large C&I customers executing letters of interest in support of state regulatory filings, a maturing transportation opportunity (where RNG is becoming the dominant fuel for CNG), and across higher education, health care, and large consumer products in particular. Additionally, the company's residential and small commercial market analysis indicates growing interest as well.

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Atmos Energy (ATO)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

ATO does not own any RNG assets. However, the company is evaluating ~30 opportunities, all on ATO's side of the meter.

How much regulated and non-regulated capex does RNG represent in your current plan?

ATO has no RNG capex in its current plan. Any investments must fit within the company's regulated operations.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

ATO is currently transporting ~8 Bcf a year. While the company is evaluating opportunities across its footprint versus system proximity, ATO has no stated RNG target.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

The company is pursuing voluntary carbon credit tariffs with two initial filings in VA and TN. However, there are no active or proposed tariffs in place for voluntary RNG usage.

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

N/A.

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CMS Energy (CMS)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

CMS does not own any RNG assets at this time. However, the company has its first partnership with a MI farm and is actively pursuing other partners to support the state's decarbonization. Prospective involvement could span the full RNG value chain beyond actual feedstock production.

How much regulated and non-regulated capex does RNG represent in your current plan?

<1% regulated and 0% non-regulated.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

No internally produced RNG currently.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

CMS has an agreement with Swisslane Farms to build a biodigester facility for agricultural waste, subject to regulatory approval. CMS is requesting recovery of this small pilot in its current gas rate case and expects an order by October 2022.

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

Companies with net zero emission goals have expressed moderate interest.

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CenterPoint Energy (CNP)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

Consistent with the 2021 survey, CNP does not currently own any traditional assets such as landfills or farms, but receives a small volume of RNG from RNG suppliers. CNP also holds legacy interconnections that connect RNG to its system in MN, IN, OH, and TX, with MN offering the only interconnect tariff right now of the group. Current and future assets typically go up to the site and terminate with interconnection equipment (i.e. meter, regulator, gas quality monitoring, etc.) at a mutually agreed location on the customer's premise.

How much regulated and non-regulated capex does RNG represent in your current plan?

Consistent with the 2021 survey, CNP's plan contemplates limited regulated RNG capex, and many projects are still in an early state. Capex primarily covers pipes and interconnections to connect RNG supplies to CNP's system.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

Consistent with the 2021 survey, current volume and associated emissions reductions are both minimal, as capacity ramps. CNP and MN regulators are in alignment on in-state RNG as the preferred option versus green credit purchases. Meanwhile, CNP is analyzing potential emissions impacts.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

CNP intends to file for incremental investments under MN's Natural Gas Innovation Act (NGIA) later this year and expects to rate base associated investments plus collect revenue for the receipt of RNG into CNP's system.

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

N/A.

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Dominion Energy (D)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

D is the largest agriculture based RNG developer in the US. At its second RNG project, D recently commenced first injection. Similarly, the company expects an additional five projects online this year. Beyond these seven projects, D also has a project pipeline in various stages of development.

How much regulated and non-regulated capex does RNG represent in your current plan?

$800mm of capex in its 2022-2026 plan, plus up to $2bn by 2035 (all non-reg). D targets utility or better returns with high quality counterparties under medium contract tenors.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

D has a little over ~1,400 dth/day flowing on its LDC systems.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

D broadly targets work with regulators and legislators to promote RNG development and enable customer RNG purchases, including allowing interconnection costs in rate base and increasing the percentage of RNG procured for customers. UT programs include the GreenTherm RNG tariff (voluntary customer purchase of RNG credits since 2019) and CarbonRight (voluntary customer purchase of carbon emissions offsets for natural gas use). The company is also pursuing voluntary carbon offset programs in NC and OH. Separately, several states have RNG RPS carve outs (including NC) or allow rate basing of RNG interconnections (OH). LCFS market expansion, such as in OR, could support RNG as well.

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

Expected RNG demand includes transportation decarbonization, LDCs, and for thermal/power/industrial applications. Favorable data points include the Biden Administration's Methane Reduction Plan, which supports manure-based anaerobic digestion and biogas development.

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DTE Energy Company (DTE)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

DTE Vantage targets a number of agricultural waste and landfill projects.

How much regulated and non-regulated capex does RNG represent in your current plan?

Less than 50% of DTE's 5-year, $1.0-1.5bn P&I capex.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

None currently on DTE's system. DTE has not yet addressed specific goals.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

The company's voluntary residential and small commercial program utilizes a 95%/5% mix of forestry carbon offsets and RNG. While the legislature recently passed a bill ordering a state-wide RNG supply study, the state needs additional legislative action to ultimately increase RNG usage, potentially through a Renewable Gas Standard (RGS) mandating utility RNG procurement at a set percentage (similar to CA and OR programs).

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

Notable interest includes transportation, industrial, and institutional customers. Local dynamics remain standard permitting and government project approvals.

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Duke Energy (DUK)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

DUK retains a minority investment in RNG developer SustainRNG, has announced two NC landfill projects, and is piloting RNG usage at Nashville CNG stations (with plans to extend across its publicly accessible fueling stations). DUK's LDCs also work with developers to transport RNG on its system.

How much regulated and non-regulated capex does RNG represent in your current plan?

RNG capex totals $275mm through 2026.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

Investments to date are under DUK's Commercial Gas entity. While no RNG currently displaces natural gas at the LDCs, DUK sees opportunities to purchase RNG for its net-zero methane goal by 2030 and green gas tariff programs.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

Following recent NCUC approval, DUK expects its GreenEdge program to launch this summer (voluntary green tariff providing option carbon reduction via RNG/carbon offsets to residential and small business customers). Separately, TN recently passed legislation allowing IOU investments in low-to-zero emission capital projects that include RNG and hydrogen, plus procurement from third parties. The bill includes annual revenue requirement caps of 2% and 3% for associated capex and incremental third party commodity costs, respectively.

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

DUK sees growing interest overall, including sustainability goals driving industrial interest.

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Emera Inc (EMA CN)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

PGS and NMGC are pursuing RNG projects but currently own no RNG assets. PGS has three projects under construction that include biogas production and conditioning plus interconnection infrastructure. NMGC is pursuing dairy farm RNG projects and assessing a potential food waste-to-RNG project.

How much regulated and non-regulated capex does RNG represent in your current plan?

EMA's current capital plan includes regulated RNG investments at PGS.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

PGS has no RNG on its system, and NMGC has minimal volumes. While EMA expects to incorporate RNG into emissions reduction targets going forward, current targets do not contemplate RNG.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

EMA does not currently have any voluntary green tariffs but is exploring potential programs. In FL, PGS has a RNG tariff allowing RNG investment supported by customer agreements. In NM, the company sees significant legislative interest in a clean fuel standard and some interest in RNG-specific legislation.

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

In FL, sustainability goals are driving growing C&I interest (particularly dairy farms, food waste companies, landfills, co-ops, and municipalities). EMA expects this interest to grow as RNG facilities come online in 2022. In NM, agricultural RNG and large commercial dairies could target an underused state tax credit. The company sees RNG displacement of methane as consistent with state environmental policy.

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Enbridge Inc. (ENB CN)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

Utility projects total seven operating or under construction, plus 50+ in development. Separately, ENB has up to eight GTM projects planned under its Vanguard partnership. While currently focused on regulated injection, ENB expects the partnership to move upstream into digestion and biogas cleaning for landfills. These facilities typically sign long-term contracts with utility and municipal counterparties.

How much regulated and non-regulated capex does RNG represent in your current plan?

Regulated and non-regulated investments remain small versus ENB's consolidated capital program.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

Less than 0.2% of ENG's utility system capacity, plus some small volumes on the gas transmission system that ENB does not explicitly track. Studies indicate the potential for a 10% RNG blend by 2030 in Canada. Emissions targets do not include scope 3, although ENB discloses scope 3 reductions and is working to support scope 3 reporting standards.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

At Enbridge Gas, Ontario Energy Board approval is necessary for changes to the Voluntary RNG program (VRNG) or to set an RNG blend mandate (currently no regulatory approval to pay a premium for RNG). Advocacy continues through ENB's membership in the RNG Coalition and the Canadian Biogas Association.

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

Residential and C&I interest in RNG continues to grow, including obligated emitters under the Ontario Emissions Performance Standards (EPS) program and powergen using conventional natural gas. US customers are LDCs, some of which have announced voluntary or mandated RNG blending targets, and marketers/shippers.

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Eversource (ES)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

None.

How much regulated and non-regulated capex does RNG represent in your current plan?

None.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

None.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

In MA, ES is seeking authority to procure RNG and connect on-system projects for RNG injection (DPU 20-80 Future of Gas docket).

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

N/A.

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Fortis (FTS CN)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

FortisBC is currently purchasing RNG both off-system and on-system. The company has no ownership of off-system projects, which move RNG onto the system by displacement. On-system projects include several landfills, where FortisBC builds the pipeline interconnect and meter station/odorization. In select instances, FTS owns and operates the upgrading equipment.

How much regulated and non-regulated capex does RNG represent in your current plan?

FTS has regulated RNG capex of ~$145mm.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

FortisBC's gas supply consists of less than 1% RNG currently, having tripled annual RNG supply in 2021 (with a similar gain expected in 2022). The company remains on track to meet or exceed its 15% by 2030 target. Long-term efforts contemplate 75% RNG or low carbon natural gas supply by 2050.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

Efforts include, 1) the company's RNG program, which enables voluntary customer purchases, 2) a pending application to supply all new residential gas customers with 100% RNG for the life of the building, and 3) a proposal to begin blending RNG for all customers in 2024, subject to increasing provincial requirements. Recent legislation introduced a cap on building and industry GHG emissions (creating a gas utility reduction obligation) and carbon neutral new building construction mandate by 2030.

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

Customer RNG demand is high given provincial policy and GHG emissions reduction targets that include a carbon neutral requirement for government authorities and public entities. FTS sees RNG as a more cost effective source than electrification, although select local efforts have pushed electrification and natural gas bans. However, the company sees growing interest from local governments to expand RNG and expects increased transportation fuel demand from BC's LCFS market.

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Kinder Morgan Inc. (KMI)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

KMI has one operational landfill facility (50% ownership, 0.8 bcf/yr) and expects three additional landfill facilities online by YE22 (100% ownership, 3.5 bcf/yr). RNG interconnections, transportation, and delivery on EPNG, TGP, and CIG can move 25 mmcfd. Active discussions currently target multiple RNG development opportunities.

How much regulated and non-regulated capex does RNG represent in your current plan?

Non-regulated RNG capex totals $146mm for three facilities.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

KMI expects 4.0 bcf of total annual capacity across four facilities by YE22. The company's emissions reduction goals do not incorporate a specific RNG target.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

While there are no voluntary RNG sales currently, KMI anticipates this changing as the company’s RNG supply grows beyond the initial four facilities (no legislation needed).

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

Interest includes LDCs, utilities, universities, and industrial customers seeking to meet emission reduction targets. Voluntary market interest continues to grow, with demand in excess of current domestic supply. KMI expects this dynamic will persist and create transportation and voluntary markets opportunities.

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NiSource (NI)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

While NI does not current own any RNG-related assets, it is exploring potential opportunities from recent VA legislation enabling utility ownership of these assets.

How much regulated and non-regulated capex does RNG represent in your current plan?

None.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

The company transports 1.6 bcf/yr for producers (no impact to end customers or NI's emissions).

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

NI expects to replicate recent PA and VA green tariff filings in other states. Ex VA, the company needs legislative or regulatory changes to purchase RNG for system supply or recover RNG costs. NI sees higher prices as a consideration in stakeholder discussions.

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

The company's customer surveys indicate a majority are interested in RNG, although higher costs are a partial deterrent.

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New Jersey Resources (NJR)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

Early stage targets are primarily NJ landfills, with potential assets running from processing through interconnection. Interest spans both company-owned infrastructure and RNG purchases through offtake agreements. NJR already purchases RNG attributes to offset the company's facility usage.

How much regulated and non-regulated capex does RNG represent in your current plan?

Regulated RNG investments total $35-39mm of NJNG's FY23 capital plan.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

No RNG is currently on NJR's system.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

No green tariff for voluntary RNG usage. NJR sees existing regulatory authority enabling investments in RNG processing and facilities, including interconnection to NJNG's system. The company expects to ultimately reduce the overall customer cost of RNG through utility ownership. Prospective NJ legislation would require the BPU to create programs for investments in and procurement of clean gas technologies, including RNG and hydrogen, if passed (no NJ Senate/Assembly committee agendas are currently advancing this legislation).

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

NJR expects customer interest will grow in response to the associated emissions reduction opportunities.

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The Southern Company (SO)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

SO owns the Meadow Branch Landfill Methane Recovery Facility, which produced 368,000 MMBtu of RNG in 2021. SO is exploring opportunities to integrate additional RNG into its portfolio.

How much regulated and non-regulated capex does RNG represent in your current plan?

Considerations include potential additional investment in Meadow Branch, assumed limited funding of Nicor Gas interconnection projects under the recently approved Renewable Gas Interconnection Pilot program ($16mm authorized capex through July 2023). 2023-2024 plans remain subject to regulatory approvals and any statutory changes across SO's jurisdictions.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

Three third-party RNG facilities interconnected to the AGL system have agreements supporting an aggregate maximum injection of 560 mcfh. Overall, there are no specific throughput targets for integrating RNG, although the company is focusing on reducing emissions to achieve net zero GHG emissions by 2050 (includes Southern Company Gas).

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

Atlanta Gas Light has a tariff to support the transportation and delivery of RNG, which producers currently utilize. Nicor Gas has an interconnection pilot program with $3.2mm in per project capital cost incentives to attract regional RNG projects. Additionally, Nicor will begin a voluntary opt-in program in July that bundles RNG and carbon offsets to reduce emissions. In VA, SO has filed a sustainable gas program for RNG purchases and an interconnection tariff similar to Nicor's. Finally, recent TN and VA legislation enables RNG investment and purchase.

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

SO has seen growing voluntary market interest of late, particularly natural gas retailers/utilities, corporates, and public agencies seeking to decarbonize thermal footprints. The company expects thermal use to quickly scale versus current RNG end-use skewed towards transportation.

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Sempra Energy (SRE)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

SRE does not own any RNG assets and typically does not own the interconnection pipeline between RNG sites and its network. However, SoCalGas focuses on T&D infrastructure to support RNG, hydrogen, and other clean energy.

How much regulated and non-regulated capex does RNG represent in your current plan?

Minimal RNG capex.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

In 2021, SRE achieved 4% RNG deliveries to core customers and is working to reach 20% by 2030. SoCalGas targets net zero GHG emissions by 2045.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

The CPUC approved SoCalGas' voluntary RNG tariff in Dec 2020, and SRE intends to advance this program in 2022 following SB 1440-related rulemaking. Here, the CPUC established an RNG procurement standard in Feb 2022 covering short- and medium-term targets for utilities to procure RNG for 12.2% of 2020 annual core gas demand by 2030.

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

SRE anticipates incremental RNG demand from local governments, municipalities, education, and hospital customers, whereas transportation end-uses primarily utilize system RNG currently. Separately, SB 1383 requires certain in-state recycling that includes RNG from diverted organic waste for all CA cities and counties beginning in 2022, which should advance development of this RNG feedstock going forward.

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Southwest Gas Holdings (SWX)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

SWX currently owns interconnection assets for two AZ RNG production facilities and one CA facility (assets run to the facilities' outlets). The company expects two additional facilities online by YE22 and is pursuing other RNG opportunities that include building/owning/operating a biogas to RNG upgrading facility and associated interconnection assets.

How much regulated and non-regulated capex does RNG represent in your current plan?

Nominal capex by YE22 to support four AZ RNG interconnections (cost plus return covered in individual agreements). CA is a developer passthrough as a contribution in aid of construction.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

Ten million therms across five projects by YE22. NV's NRS 704.997 underpins a voluntary RNG procurement target of 1% in 2025, 2% in 2030, and 3% in 2035. SWX has regulatory approval to meet the 2030 target, although must file future applications with its proposed plan for achieving the 2030 and 2035 targets. Separately, Southwest Gas has a 20% reduction by 2025 goal for its fleet and building emissions.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

No voluntary RNG tariffs, although the company has tariffs for RNG across all three jurisdictions. NV has approved the company's Move2Zero voluntary carbon offsets program (utilizing certified carbon offset credits for GHG emissions from customers' natural gas usage), and applications are pending in CA and AZ.

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

C&I customers have shown increasing interest in purchasing RNG. Other than approved NV targets, Southwest Gas cannot purchase and recover RNG at above market prices other than through special purchase agreements with NV and AZ customers.

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TC Energy Corp (TRP CN)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

In the US, RNG interconnections total eleven in service and eight under construction. TRP's LOI with GreenGasUSA contemplates development of up to ten RNG hubs over the next 3-4 years alongside the company's 32,700mi US natural gas pipeline system (2Q23 in-service target for the first hub). In Canada, TRP has two RNG interconnections, dating to 2003 and 2014. Currently, TRP only transports RNG but is exploring other commercial opportunities along the RNG value chain.

How much regulated and non-regulated capex does RNG represent in your current plan?

N/A.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

In service facilities support 20 Bcf/year in the US, and TRP anticipates an additional 14 Bcf/year from future projects placed in-service. In Canada, TRP transports 4 Bcf/year on its system.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

N/A.

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

In Canada, TRP is seeing growing commercial interest in RNG, including from Quebec's commitment to reach 5% RNG by 2025. Demand currently outpaces available supply.

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UGI Corporation (UGI)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

Active across the entire RNG value chain, UGI has supply source contracts and end-use customers in CA, invests in RNG production from dairy and food waste, uses its midstream and utility distribution assets for RNG logistics, and grows RNG consumption across its footprint.

How much regulated and non-regulated capex does RNG represent in your current plan?

2021-2025 non-regulated renewables capex of $1.00-1.25bn includes RNG and renewable LPG development. Over 90% of the company's committed investments to date are in RNG.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

UGI's PA pilot program, approved in FY22, targets 0.5% of its anticipated supply (~330,000 mcf annually).

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

In PA, the PUC approved a first-of-a-kind, five-year pilot program in FY22, allowing UGI to purchase RNG for the company's gas customers.

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

Large customer carbon reduction targets and LDC compliance in certain states is driving growing RNG interest. Full purchased gas clause recovery in select states could further increase demand.

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WEC Energy Group (WEC)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

WEC is pursuing interconnection assets from RNG sites to its LDC network.

How much regulated and non-regulated capex does RNG represent in your current plan?

Less than $50mm.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

WEC currently has little RNG on its system. WEC expects its project portfolio will bring the company to a 1-2% blend.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

The company does not currently have voluntary green tariffs, and is requesting approval in WI and IL to enable recovery of interconnection costs (MI likely pursued in the next rate case; MN under evaluation). Additionally, WEC expects a 2Q22 PSCW decision on a pilot tariff proposal related to interconnections.

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

WEC has seen some interest in voluntary RNG use. Separately, WI's large dairy herd, second only to CA, presents a meaningful supply opportunity.

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Williams Companies (WMB)

What RNG related assets do you currently own? What RNG investment opportunities are you actively pursuing, and where do these opportunities fall on the value chain from project development to interconnection infrastructure, or other supporting assets? How far upstream do your assets go, up to the RNG site or into the site?

No owned assets, although WMB's pipelines currently interconnect with seven RNG facilities. Northwest Pipeline interconnections include two landfills and three dairy farms. Additionally, two landfills connect into the company's G&P systems. Williams New Energy Ventures is pursuing additional interconnection opportunities and evaluating potential partial ownership in RNG production facilities.

How much regulated and non-regulated capex does RNG represent in your current plan?

Up to $200mm in non-regulated RNG investments through 2025. WMB's existing RNG interconnections required no capex as reimbursable deals.

How much RNG is currently on your system, and what target levels do your emissions reduction goals contemplate?

13 MMcf/d from seven interconnections, for which the company receives no environmental or financial benefit. While WMB expects RNG will meaningfully contribute to the company's decarbonization goals and net zero by 2050 ambition, it has not publicly quantified any RNG targets.

Do you have a green tariff for voluntary RNG usage? Are there any regulatory or legislative needs to assist your RNG efforts? Do your jurisdictions allow for RNG pipelines and interconnection equipment capital cost recovery? How much regulatory/legislative progress have you seen on this front over the past ~12 months?

The company does not have a green tariff for voluntary RNG usage. LCFS market expansion and continued federal RINS support could reduce market volatility and improve supply/demand dynamics. Additionally, the company sees continued voluntary market evolution as a potential opportunity, with LDCs and power generators seeking lower carbon-intensive fuels. While WMB does not have mechanisms for RNG capital recovery (nor has FERC moved in support), some of its customers have state-level programs to rate base RNG investments.

What level of customer interest are you seeing in RNG (residential, commercial, industrial, public/government authorities & other)? Are there any other local dynamics that you can highlight?

LDC and power generation customers remains a source of RNG interest. Additionally, state-level programs in the Pacific Northwest drive interest from Northwest Pipeline customers. WMB sees the Northeast market ultimately lagging behind the PNW.

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May 09, 2022

Energy: Renewable Electricity

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We recap our takeaways from week 2 of earnings and provide an update on where the AD/CVD investigations stand. DoC issued a clarification on the scope of the investigation and also extended the deadline for submitting initial comments. In other news, Shell is buying a renewables platform in India, SEDG reported strong European demand, the industry tackles the question of waste from solar panels and wind turbines, ES announced that it is evaluating a sale of its offshore wind portfolio, BOEM is hosting a lease sale off the coast of NC/SC and also completes environmental review for Humboldt Bay offshore CA, Secretary Granholm discusses the U.S.'s uranium strategy following the war in Europe, DOE announced $3B in funding for domestic battery manufacturing, CA could see power shortages each year through 2025, and MO Senate approved eminent domain reform that could clear the way for the Grain Belt transmission project. **Scroll down for a recap of our earnings notes, an industry comp sheet, YTD relative performance, and our chart of the week on MISO Capacity Auction Prices.**

Earnings Calendar

1Q earnings wrapping up: AY and **CEG** are scheduled to report this week. Our recently published preview includes our thesis, expectations, and estimates for our coverage.

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Highlights from Week 2 of Earnings

D provided a detailed rundown of its thinking around the potential impact of the tariffs. It appears that the impact even beyond 2022 should be manageable for the large-cap utilities. **WEC** provided a reference point for costs saying that it expects industry-wide prices for solar equipment prices to increase 20-30% in the near term and potentially 30-40% longer term before even pricing in any additional potential tariffs from the DoC investigation.

Regulatory News

AD/CVD Investigation Update: The DoC issued a memo providing clarification on the scope of the pending investigation and in another memo has extended the deadline for initial comments to May 19 (from May 5). NEE and TSLA made filings with the DoC outlining their position, and a bipartisan group of senators is urging the administration for a speedy ending to the investigation.

- The DoC issued some clarification on the pending investigation. The memo outlines the certification process that it has used in prior CV inquiries where the department has made affirmative determinations. The memo also says that wafers produced outside China with polysilicon sourced from China are not subject to the CV inquiries. Commerce clarified that if Chinese origin wafers are used in the completion of solar cells or modules in the four targeted counties and were supplied by a Chinese manufacturer under specific rate structures, and if the DoC makes an affirmative determination, the cash deposit for the relevant imports will be the same as that currently applied for that Chinese manufacturer or the exporter's company-specific rate. The memo, in our opinion, provides some boundaries on what an affirmative determination could entail for importers.
- The DoC has extended the deadline for parties to file initial comments. Per a DoC memo, the new deadline is May 19, versus an earlier deadline of May 9. The extension was granted following a request from Hanwha and Auxin. This in itself is unlikely to delay the current timeline for a preliminary determination that has an August 29 deadline.
- TSLA and NEE made filings with Commerce. TSLA called the investigation overly broad and based on false assumptions and offered proof that the components in solar cells imported from the four mentioned countries are not always produced using Chinese inputs. NEE argued that the process of cell production is complicated, highly technical, and exceeds the legal bar of minor manufacturing that is needed to prove circumvention.
- A bipartisan group of 22 senators has written a letter to the president to request an expedited outcome in the pending AD/CVD investigations initiated by the DoC. The letter requests that the administration make an expedited preliminary determination and that the determination make careful consideration regarding policy ramifications and reject the request for retroactive tariffs. The four Southeast Asian countries subject to the investigation contribute more than 80% of the CSPV panel imports into the U.S. and

more than half of the total U.S. panel supply. Thus far, it appears that there has been no change in the DoC's schedule and the deadline for a preliminary determination remains August 29. Based on our expert call, a deliberate process will be time-consuming and a determination is unlikely before the August 29 deadline.

- Earnings commentary from companies in our coverage thus far has been consistent—2022 projects are on track, and the industry may hit an air pocket in six to nine months, potentially delaying 2023 schedules or warranting a pivot from solar to wind. NiSource (Not Covered), however, expects a delay in the development of several solar projects, including two under construction, and will postpone the retirement of two coal-fired units in IN (~722 MW) that were previously scheduled to be retired in 2023. NiSource management said that it expects a delay of 6-18 months for most solar projects scheduled for COD in 2022/2023.

Companies and Markets

Shell buys a renewables platform for $1.55B: Shell is buying a renewables platform, Spring Energy, from private equity firm Actis for $1.55B. Spring Energy was established in 2017 to provide wind and solar energy in India and has a current portfolio of 2.9 GW and a pipeline of 7.5 GW. The transaction triples Shell's renewable capacity in operation. *Source*

SolarEdge reports strong European demand: Inverter maker SEDG reported strong demand in Europe in what tends to be a seasonally slower quarter. The strength in European demand echoes what ENPH reported — higher power prices and supportive government policies are boosting demand. According to management, it is facing challenges in meeting component availability, China's COVID-related shutdowns are impacting material supplies and supply chain logistical challenges are leading to longer lead times. The company is looking to diversify its supplier network to alleviate the pressures.

Solar News

Tackling waste from the boom in solar panels: It is still early days to be talking about the afterlife of solar panels given that they are intended to have a life of 25-30 years, but it would behoove the industry to start thinking about the possibility of these panels ending up in landfills. Companies including AGR parent Iberdrola is forming a partnership with waste companies to create an industry around recycling panels in Spain. Without regulations, it will be hard to incentivize the industry to recycle. Just like it is for common recyclables, recycling is often more expensive than landfill. Under EU laws, solar panels are considered electronic waste that falls under rules that determine the recycling rate. According to BNEF, 95% of the material by weight in a solar panel can be recycled using current technology. FSLR is contemplating setting up standalone recycling centers as more panels reach the end of their useful life. The semiconductor can be used for new panels, glass for bottles, and laminate for various products including rubber mats. *Source*

Wind News

ES made a surprise announcement that it is evaluating the sale of its offshore wind portfolio: ES, in partnership with Orsted, was among the early entrants into the NE offshore wind market. It is currently involved in three projects with a total capacity of ~1.8 GW and has an interest in ~175K acres offshore MA. See our note here where we estimate a preliminary value for the portfolio. This will be the first major offshore asset divestiture in offshore wind and the valuations will likely set markers for others including AGR that have similar acreage and projects in the NE.

BOEM is holding a lease sale off the coast of NC and SC: BOEM will hold a WEA on May 11 for two lease areas in the Carolina Long Bay Area offshore NC and SC. The acreage has the potential for at least 1.3 GW of wind power. Both the lease areas (OCS-A 0545 and OCS-A 0546) have similar characteristics and acreage (~55K acres each). As a proxy, the average winning bid at the recent NY Bight auction was for $9K/acre. We expect the lease sale to be watched closely after the frenzied interest in the NY Bight lease sale where existing industry participants Orsted, Equnor, and Avangrid all opted out as the bidding went into multiple rounds. It appears that BOEM has approved 16 potential bidders for the Carolina Long Bay auction including DUK, BP, Shell, and Avangrid. Avangrid is building the Kitty Hawk project off NC for which it paid less than $100/acre in 2017.

BOEM completes Environmental Review of one WEA offshore CA: BOEM issued a finding of no significant impact after conducting an environmental review of the Humboldt WEA, offshore northern CA. This report will clear the way for the next step toward a potential lease sale. The Humboldt WEA has the potential to site 1.6 GW of turbines. In the meantime, BOEM extended the deadline for comments on the other CA WEA — Morro Bay WEA, by 10 days to May 16.

Seeking a second life for wind turbine blades: Turbine blades are making their way to landfills at the end of their useful life. Even though the blades are designed to last 20-30 years, they are often replaced sooner for larger or more efficient designs to improve performance — partly fueled by U.S. tax credits for repowering projects. The early generation wind blades are being used in kilns at cement factories to make clinker, which is currently the best large-scale alternative to land-fills. How we look at this is a relative question. It costs U.S. companies 20-30% more to send the blades to cement plants than to landfills since they have to pay the cement makers to buy them. On the other hand, burning the blades results in a 25-30% emission reduction compared to burying them in landfills. *Source*

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Nuclear News

Secretary Granholm discusses Uranium strategy at Congressional hearing: DOE Secretary Granholm said that the U.S. was working on a strategy to ensure a steady uranium supply for U.S. customers and was working on a broad uranium strategy that is still undergoing interdepartmental review. As we have written previously, the U.S. relies on Russia, Uzbekistan, and Kazakhstan for ~50% of the uranium needed for the nuclear power industry. The Department is putting special focus on developing a supply chain for HALEU that will be used to fuel the emerging SMRs, including TerraPower's Natrium reactor. According to the Secretary, DOE will make available 20 tons of HALEU in the coming years.

Other News

DOE announced $3.1B in funding for domestic battery manufacturing: The DOE announced that it will allocate $3.1B from the Bipartisan Infrastructure Bill to increase the production of batteries and components in the U.S. and bolster domestic supply chains. The investments will support the creation of new, and retrofitted factories, manufacturing demos, and battery recycling. The DOE is adding a separate $60M to support second life applications for EV batteries and for new processes to bring recycled materials and bring them back to the battery supply chain.

MO Legislature approves eminent domain reform that could take the Grain Belt transmission line to completion: The MO Senate passed a compromise bill that will allow developer Invenergy easements on landowners' property in MO necessary to build the 4 GW transmission line. The transmission project is intended to run 800 miles from SW KS to IN and transport renewable power.

CA could see power deficits each summer through 2025: According to media reports, CAISO representatives believe that CA could face a power shortage every year until 2025 with the deficit increasing from 1.7 GW in 2022 to 1.8 GW by 2025. Delays caused by supply chain challenges and other issues have delayed 600 MW of new projects (we recently wrote about the delayed installation of battery storage that EIX had planned to be ready for summer 2022 and PCG recently energized a 730 MWh battery complex that was delayed).

Chart of the Week

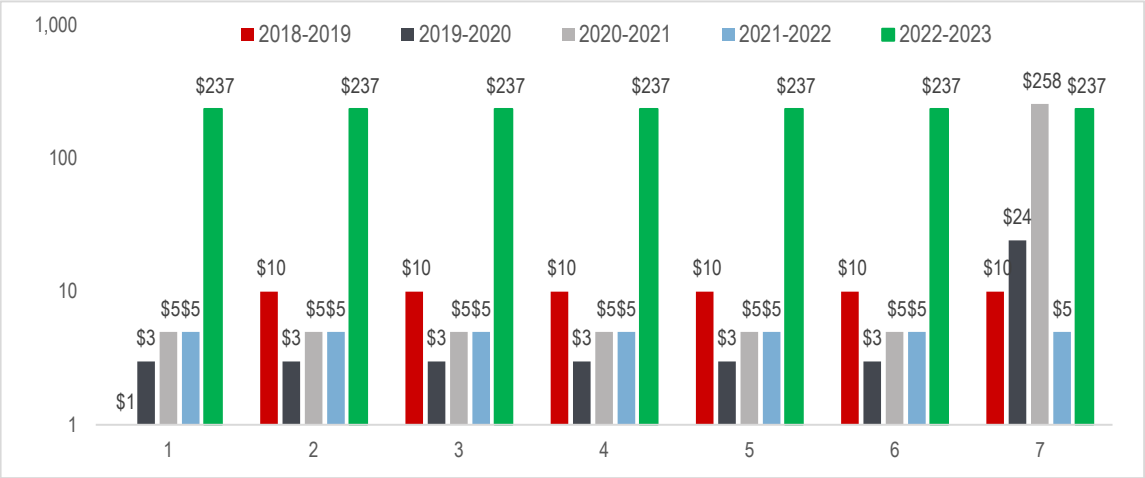
In our chart of the week, we show the results of MISO's 2022-23 capacity auction. Results of the 2022-2023 auction showed capacity shortfalls in MISO's north and central regions. Northern MISO came up 1.3 GW short on capacity, which drove the clearing prices in MISO Zones 1-7 to $236.66/MWd for the 2022-23 planning year (starting June 1). In the previous year, the clearing price was $5/MWd. We believe that among the factors contributing to this outcome are increased electrification rising demand, the retirements of dispatchable generation bidding for capacity (in favor of rising renewables), and rising fuel costs. The fact that the most populous zones within MISO cleared at the cost of new entry (CONE) sends a strong signal of the need for additional generation and storage to make up for the loss of baseload generation to retirements. We believe that this backdrop creates a strong incentive for investments in battery storage (as well as gas generation) as it can effectively compete at the high clearing prices, thus improving their investment payback periods.

In a summer readiness assessment, MISO is projecting that it will not have sufficient firm resources to cover peak summer loads. In what is expected to be a warmer than normal summer, MISO expects that emergency resources and non-firm imports will be needed to maintain system reliability with the outside chance of having to shed load. The summer peak forecast is 124 GW with 119 GW of projected regularly available generation within MISO. MISO is contemplating a proposal to move to a seasonal resource adequacy construct that could help alleviate some issues with the 2022 auction in that resources available for part of the year could still participate in the auction.

In the chart below we show the clearing prices in MISO Zones 1-7 over the past five years. Note that we are charting the data on a logarithmic scale and show the absolute values of the clearing capacity prices at the last five Planning Resource Auctions. Notably, Zone 7 has cleared above the minimum price before and even cleared at CONE in 2020-21, this is the first time that all 7 zones in the north and central MISO have cleared at CONE. MISO is the largest RTO by geography and covers 15 U.S. States and Manitoba.

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Figure 1 - MISO Capacity Auction Prices Zones 1-7



Source: MISO, Industry Reports, KBCM

Earnings Recap

RUN — RUN reported a surprisingly upbeat quarter, exceeding consensus and our expectations on most key metrics and raising FY guidance. The Company has demonstrated and discussed pricing power against rising energy costs, operational resiliency with respect to working through the backlog of orders and securing inventory, as well as its ongoing ability to access capital. We believe strong 1Q results and constructive commentary will help alleviate recent investor fears with respect to the resi solar outlook. See our note here.

HASI — HASI reported a mostly in-line quarter and reiterated the long-term growth rate of 10-13% for distributable EPS and 5-8% for dividends. Thus far, the Company has navigated the rising rate environment and inflationary backdrop effectively as it has not seen spread compression. That said, the ongoing AD/CVD investigations could potentially involve a pivot away from solar to other technologies if the investigation continues on the current timeline. See our note here.

FSLR — FSLR reported a slow start to the year as the Company recorded a low shipment quarter. The pace of shipments is expected to pick up as the year progresses, and the Company has reaffirmed its FY22 guidance. A healthy pace of bookings and de-risked contract structure should be LT positives. See our note here.

NOVA — NOVA reported a mixed quarter, which was, however, largely in line with our expectations of a slow start to 2022. Despite NT headwinds on the supply chain and regulatory front that NOVA continues to navigate, the Company has reiterated its FY guidance. Higher energy costs across NOVA's target markets in the U.S. support the Company's pricing power and should be sufficient to preserve the spread at or above the long-term target of 500 bps. Despite NT uncertainties, we believe NOVA's long-term investment thesis is intact. We note that at the current level the shares are not pricing in growth, and appear to discount the deployed portfolio at ~8.5%, which we view as excessive. See our note here.

ENPH — ENPH reported strong 1Q results, which were ahead of our and consensus estimates on most metrics, and introduced 2Q22 guidance above the Street/our estimates. The Company reported no significant disruptions to its supply chain at the moment, offered a measured assessment of the U.S. solar policy implications, and highlighted growth opportunities in Europe. See our note here.

NEP — NEP reported in-line results and maintained its YE22 run-rate guidance for EBITDA and CAFD. Management reiterated its 12-15% annual distribution growth target. Movement in interest rates and the challenges faced by renewable developers (solar investigations, supply chain challenges, and rising inflation) are all headwinds. However, we reiterate that NEP, with its long-dated, contracted cash flows through PPAs and access to NEER's project pipeline (as illustrated by the storage acquisition), a mostly de-risked 2022-23 guidance, and access to attractive financing options, is positioned strongly to weather this storm. See our note here.

Renewable Electricity

Figure 2 - Renewables Comp Sheet

								KBCM Forecasts									Consensus								
								EV/Revenue			Price / Earnings			EV/EBITDA			EV/Revenue			Price / Earnings			EV/EBITDA		
Equipment		Market Cap ($B)	Rating	Target Price	Current Price	Daily Vol (M)	Yield	'22E	'23E	'24E	'22E	'23E	'24E	'22E	'23E	'24E	'22E	'23E	'24E	'22E	'23E	'24E	'22E	'23E	'24E
CSIQ	Canadian Solar Inc	1.8	NC	NA	$28.12	1.0	0.0%	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.5x	0.5x	0.4x	15.6x	8.7x	8.9x	6.6x	5.1x	4.6x
ENPH	Enphase Energy Inc	22.4	Overweight	$220	$165.89	3.1	0.0%	9.3x	9.4x	10.4x	NA	42.2x	36.1x	33.1x	34.2x	37.6x	8.4x	8.0x	8.5x	48.5x	39.3x	32.8x	31.9x	30.4x	32.7x
FSLR	First Solar Inc	7.7	Sector Weight	NA	$72.14	1.6	0.0%	2.6x	1.8x	1.5x	NA	30.4x	19.1x	18.3x	10.4x	7.6x	2.8x	2.1x	1.6x	NA	34.9x	17.4x	29.1x	13.2x	7.7x
SEDG	Solaredge Technologies Inc	13.9	NC	NA	$251.81	1.0	0.0%	NA	NA	NA	NA	NA	NA	NA	NA	NA	4.8x	3.7x	3.6x	38.1x	26.3x	22.6x	29.2x	19.3x	20.5x
STEM	Stem Inc	1.4	NC	NA	$8.79	4.0	0.0%	NA	NA	NA	NA	NA	NA	NA	NA	NA	4.2x	2.6x	1.8x	NA	NA	79.9x	NA	NA	NA
SPWR	SunPower Corp	2.9	NC	NA	$16.90	3.6	0.0%	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.0x	1.6x	1.2x	54.8x	24.3x	15.1x	32.3x	17.6x	10.8x
TSLA	Tesla Inc	896.8	NC	NA	$865.65	26.3	0.0%	NA	NA	NA	NA	NA	NA	NA	NA	NA	9.3x	6.9x	6.9x	70.3x	54.4x	49.3x	39.1x	28.9x	26.5x
					Average:			**6.0x**	**5.6x**	**6.0x**	**NA**	**36.3x**	**27.6x**	**25.7x**	**22.3x**	**22.6x**	**4.6x**	**3.6x**	**3.4x**	**45.4x**	**31.3x**	**32.3x**	**28.0x**	**19.1x**	**17.1x**

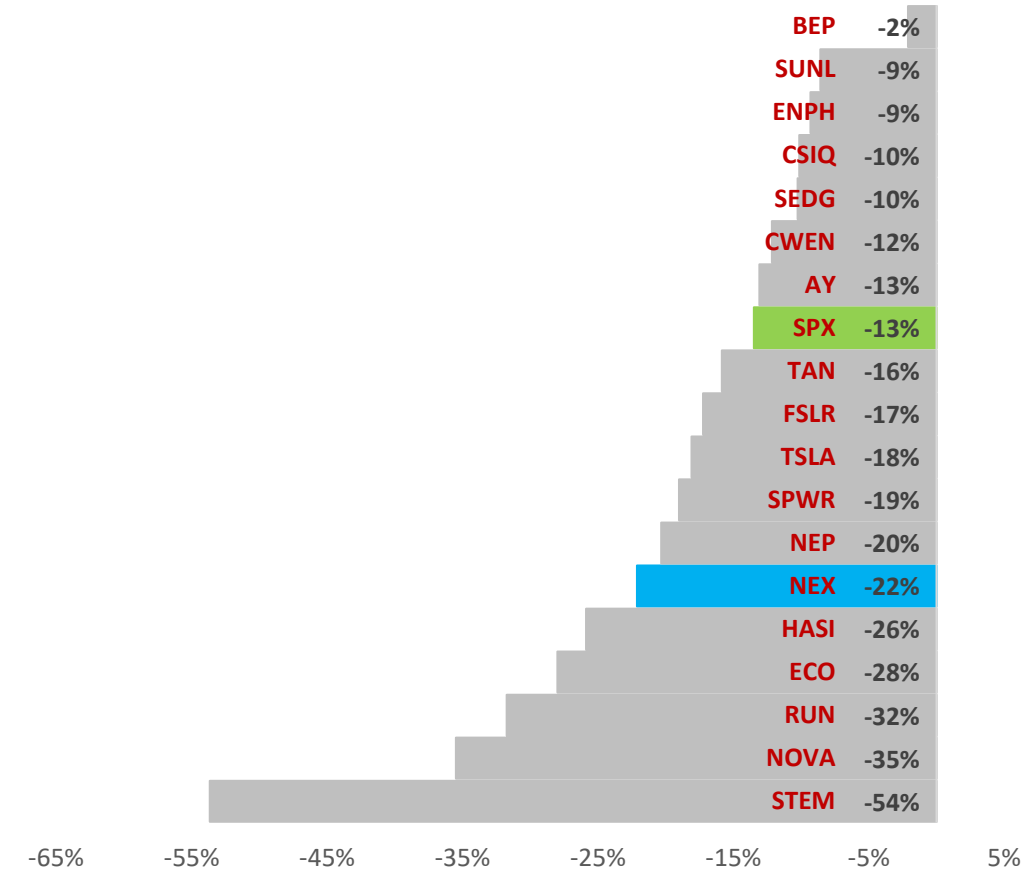
								KBCM Forecasts									Consensus								
								EV/Revenue			Price / Earnings			EV/EBITDA			EV/Revenue			Price / Earnings			EV/EBITDA		
Resi Solar/Finance		Market Cap ($B)	Rating	Target Price	Current Price	Daily Vol (M)	Yield	'22E	'23E	'24E	'22E	'23E	'24E	'22E	'23E	'24E	'22E	'23E	'24E	'22E	'23E	'24E	'22E	'23E	'24E
HASI	Hannon Armstrong Sustainable	3.4	Sector Weight	NA	$39.37	0.8	3.8%	21.8x	21.4x	14.7x	20.2x	18.2x	16.4x	NA	NA	NA	39.7x	36.6x	24.8x	19.7x	17.9x	16.6x	31.4x	27.1x	14.9x
SUNL	Sunlight Financial Holdings Inc	0.6	NC	NA	$4.37	1.2	0.0%	NA	NA	NA	NA	NA	NA	NA	NA	NA	3.7x	3.0x	2.7x	18.8x	13.6x	9.8x	NA	NA	NA
NOVA	Sunnova Energy International Inc	2.1	Overweight	$39	$18.01	3.0	0.0%	18.3x	15.2x	14.4x	NA	NA	NA	51.7x	37.1x	30.1x	17.9x	15.4x	15.2x	NA	NA	NA	51.3x	37.0x	37.1x
RUN	Sunrun Inc	4.9	Sector Weight	NA	$23.41	7.2	0.0%	7.8x	7.6x	7.0x	NA	NA	NA	30.9x	23.0x	17.3x	7.2x	7.3x	6.6x	NA	NA	NA	NA	NA	83.6x
					Average:			**16.0x**	**14.7x**	**12.0x**	**20.2x**	**18.2x**	**16.4x**	**41.3x**	**30.0x**	**23.7x**	**17.1x**	**15.6x**	**12.3x**	**19.3x**	**15.8x**	**13.2x**	**41.3x**	**32.1x**	**45.2x**

								KBCM Forecasts									Consensus								
								EV/Revenue			Price / Earnings			EV/EBITDA			EV/Revenue			Price / Earnings			EV/EBITDA		
Yield Cos		Market Cap ($B)	Rating	Target Price	Current Price	Daily Vol (M)	Yield	'22E	'23E	'24E	'22E	'23E	'24E	'22E	'23E	'24E	'22E	'23E	'24E	'22E	'23E	'24E	'22E	'23E	'24E
AY	Atlantica Sustainable Infrastructur	3.5	Sector Weight	NA	$31.08	0.6	5.8%	7.2x	6.8x	6.4x	NA	31.4x	30.8x	11.0x	9.8x	9.2x	7.6x	6.9x	6.3x	60.9x	37.0x	36.5x	11.1x	10.0x	9.2x
BEP	Brookfield Renewable Partners LF	9.7	NC	NA	$35.04	0.4	3.7%	NA	NA	NA	NA	NA	NA	NA	NA	NA	10.6x	10.1x	8.8x	NA	NA	NA	18.8x	18.0x	19.6x
CWEN	Clearway Energy Inc	6.2	NC	NA	$31.65	0.7	4.5%	NA	NA	NA	NA	NA	NA	NA	NA	NA	9.2x	8.8x	8.7x	32.3x	31.5x	37.3x	10.8x	10.7x	10.8x
NEP	Nextera Energy Partners LP	5.6	Overweight	$83	$67.24	0.5	4.5%	13.2x	12.2x	12.3x	36.2x	33.3x	31.6x	10.9x	9.8x	9.9x	12.4x	11.3x	9.8x	25.0x	34.2x	31.2x	10.5x	10.1x	9.6x
					Average:		**4.6%**	**10.2x**	**9.5x**	**9.3x**	**36.2x**	**32.3x**	**31.2x**	**10.9x**	**9.8x**	**9.6x**	**9.9x**	**9.3x**	**8.4x**	**39.4x**	**34.2x**	**35.0x**	**12.8x**	**12.2x**	**12.3x**

Source: Company reports, KBCM Estimates, Thomson Reuters
Note: Our EV calculation for NEP includes NCI
Note: NC - Not Covered

Source: Company Reports, KBCM Estimates, Thomson Reuters

Figure 3 - Stock Price Performance - 2022 YTD



Source: Thomson Reuters, KeyBanc Capital Markets Inc.

Note: Results presented cannot and should not be used as an indicator of future performance.

Select Recent Research

Riding the Solar Coaster: AD/CVD Investigation, Legislation, and Beyond — Expert Call Takeaways and Reference Guide

Utilities 1Q22 Earnings Preview: Boring Is Good

Multi-Utilities: Refreshing Sector Views in Light of Recent Outperformance

HASI: Notes from Meetings with Management

Solar Tariffs Are Back in the News (NEE, NEP, FSLR)

CEG: Thesis Refresh in Light of Crisis in Eastern Europe, Reiterating OW, Raising PT

Movers and Shakers: Alternative Energy Earnings Recap

Utilities Earnings Halftime Report: Is Renewable Capex at Risk?

CEG: Room to Grow — Initiating Coverage with an OW Rating and $51 Price Target

CA Net Metering Proceedings: Takeaways from our Discussion with an Industry Expert

AY: Notes from Management Meetings

Renewables 2022 Sector Outlook: Another Tough Year Ahead

RUN: CA PD Valuation Implications Too Wide for Comfort - Downgrading to SW

It Was Good While It Lasted: California ALJ Calls for Substantial Changes to Solar Net Metering Framework

U.S. ITC Says Safeguard Measures Continue to Be Necessary for PV Cells

ENPH: Expect Constructive Analyst Day to Sustain Positive Momentum

Federal Court Rules Against the Government on Bifacial Solar Panel Exclusion

AY: Focus on US Investments; 3Q Update

ENPH: Strong 3Q Reinforces Our Bullish Stance; Reiterate Overweight, PT to $216

Notes from Section 201 Tariffs Hearings

Greener Pastures: Expanding Alternative Energy Coverage (ENPH, FSLR, HASI, AY, NEP)

Alternative Energy Primer

Disclosure Appendix

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Please refer to the analysts' recently published reports for company-specific valuation and risks.

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Distribution of Ratings/IB Services Firmwide and by Sector

KeyBanc Capital Markets

Rating	Count	Percent	IB Serv/Past 12 Mos. Count	IB Serv/Past 12 Mos. Percent
Overweight [OW]	306	53.03	90	29.41
Sector Weight [SW]	259	44.89	59	22.78
Underweight [UW]	12	2.08	1	8.33

Energy

Rating	Count	Percent	IB Serv/Past 12 Mos. Count	IB Serv/Past 12 Mos. Percent
Overweight [OW]	33	51.56	14	42.42
Sector Weight [SW]	29	45.31	14	48.28
Underweight [UW]	2	3.12	1	50.00

Rating System

Overweight - We expect the stock to outperform the analyst's coverage sector over the coming 6-12 months.

Sector Weight - We expect the stock to perform in line with the analyst's coverage sector over the coming 6-12 months.

Underweight - We expect the stock to underperform the analyst's coverage sector over the coming 6-12 months.

Disclosure Appendix (cont'd)

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Morningstar Equity Research
May 12, 2022

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Utilities With Constructive Regulation Should Outperform Their Peers

As we have previously warned (Inflation Unraveling U.S. Utilities' Safety Net), rising interest rates and inflation should have utilities investors rushing for the exits. Instead, utilities are up 9% since late February, beating the market's 6% decline. We think the market's defensive rotation adds one more risk for long-term utilities investors on top of interest rates and inflation: stretched valuations. Utilities trade at an 8% premium to our fair value estimates as of mid-May. With long-term risks building for utilities, rate regulation is more important than ever.

Utilities' earnings growth, dividends, and long-term returns depend on constructive regulation. If the market's defensive rally unwinds, utilities with constructive regulation and good management teams should fare better than their peers. Constructive regulation such as timely cost recovery and higher-than-average allowed returns on investment help offset inflation and interest rate risk. Utilities with less-constructive regulation face more risk and slower earnings and dividend growth.

Key Takeaways

Utilities with regulatory structures that allow them to adjust customer rates for higher costs and higher returns on investments can better offset inflation, rising interest rates, and premium valuations. We assess utilities regulation based on four factors:

1) Regulatory allowed returns on equity relative to market costs of capital.
2) Cost recovery through rates that adjust with limited regulatory litigation.
3) Management's ability to keep operating expenses within regulatory allowances.
4) Stability of the regulatory environment.

Utilities Best Positioned in Inflationary Environment

Dominion Energy: Significant rate-rider recovery reduces regulatory risk at higher allowed returns.
Entergy: Constructive regulation in the energy-hungry Southeast supports growth.
NextEra Energy: Top-notch Florida regulation and leading renewable energy growth.
NiSource: Transition to clean energy in Midwest offers long runway of growth.

Utilities With Regulatory Challenges Ahead

Avangrid, Eversource Energy, and Pinnacle West have large capital investment plans and a history of regulatory challenges.

Exhibit 1 Best Positioned Utilities in an Inflationary Environment Have Capital Investment Programs Supported by Constructive Regulation



Dominion Energy (D)
Rating: ★★★
Price: $81.96
Fair Value: $82
Yield: 3.2%
Moat: Wide

Dominion has transitioned to a predominantly rate-regulated utility operating in highly constructive regulatory environments. The company's five-year $37 billion capital investment plan focusing on clean energy supports our 6.5% annual earnings growth forecast. Virginia is the company's most important subsidiary and has the most constructive regulation. Dominion expects 90% of its capital investment in the region will be eligible for rate riders, reducing regulatory risk in an inflationary environment.



Entergy (ETR)
Rating: ★★
Price: $116.31
Fair Value: $112
Yield: 3.4%
Moat: Narrow

We think Entergy has several advantages over its peers in an inflationary environment. The company's five Southeast utilities should benefit from a jump in U.S. energy demand, constructive state regulation, and substantial opportunities for clean energy growth. More than 90% of Entergy's investments flow through customer rates with little regulatory lag. This minimizes the impact from inflation. We expect Entergy to invest $4 billion annually through 2025 to upgrade its expansive grid and replace coal generation with mostly solar. This supports our annual earnings growth estimate at the high end of management's 7%-9% target.



NextEra Energy (NEE)
Rating: ★★★
Price: $70.01
Fair Value: $78
Yield: 2.2%
Moat: Narrow

Constructive regulation in Florida supports industry-leading returns and growth. Florida's highly constructive rate-setting mechanisms support investment in the state. NextEra benefits from one of the highest allowed returns in the industry, with a midpoint return of 10.6%. The utility also has among the lowest electricity bills and highest customer growth across its peer group, helping protect itself in an inflationary environment. At the company's competitive renewable business, NextEra's pace of renewable energy is set to pick up. A U.S. Department of Commerce anti-circumvention investigation regarding the import of solar panels from certain Asian countries creates uncertainty to the company's near-term development program



NiSource (NI)
Rating: ★★★
Price: $29.32
Fair Value: $31
Yield: 3.2%
Moat: Narrow

NiSource's transition from coal to renewable energy in Indiana along with regulatory support in the states where it operates natural gas systems should support more than $10 billion of investment over the next four years and 8% annual earnings growth, among the highest in the sector. We think this is an opportunity to buy a high-growth utility at a discount to recent market acquisitions involving similar natural gas distribution utilities. New CEO Lloyd Yates could shake up NiSource's portfolio to capitalize on those market valuations while boosting the share of earnings from its high-growth electric business.

Source: Morningstar. Data as of May 10, 2022.

Exhibit 2 Morningstar Utilities Regulatory Rankings (Sorted by Average Score, Highest to Lowest)

Company	Allowed ROE Vs. 10-year U.S. Treasury	Non-fuel rate-adjustment mechanisms Rate base mix (wtd avg)	Management Ability to manage op/cap costs	Regulatory & Political Environment (5 = low, 1 = high)	Average
NextEra Energy Inc NEE	5	4	5	5	4.8
Atmos Energy Corp ATO	4	5	4	5	4.5
WEC Energy Group Inc WEC	4	4	5	5	4.5
Dominion Resources Inc D	4	4	4	4	4.0
Entergy ETR	3	4	4	5	4.0
NiSource Inc NI	4	4	3	5	4.0
Alliant Energy Corp LNT	3	4	3	4	3.5
Edison International EIX	4	4	4	2	3.5
New Jersey Resources Corp NJR	2	4	4	4	3.5
Public Service Enterprise Group Inc PEG	3	4	3	4	3.5
Sempra Energy SRE	4	3	4	3	3.5
Southern Co SO	4	4	3	3	3.5
CenterPoint Energy Inc CNP	3	4	3	3	3.3
Duke Energy Corporation DUK	3	4	3	3	3.3
Fortis FTS	3	3	3	4	3.3
Ameren Corp AEE	2	3	4	3	3.0
American Electric Power Co Inc AEP	2	3	4	3	3.0
CMS Energy Corp CMS	3	2	4	3	3.0
DTE Energy Holding Co DTE	3	2	4	3	3.0
Emera EMA	3	3	3	3	3.0
Evergy EVRG	3	2	3	3	2.8
Exelon Corp EXC	2	3	3	3	2.8
Hawaiian Electric HE	2	3	3	3	2.8
Hydro One H	3	3	3	2	2.8
PG&E Corp PCG	4	4	2	1	2.8
Portland General Electric Co POR	2	2	3	4	2.8
PPL Corp PPL	3	3	2	3	2.8
Consolidated Edison Inc ED	2	3	3	2	2.5
Eversource Energy ES	3	2	3	2	2.5
FirstEnergy Corp FE	3	3	2	2	2.5
Xcel Energy Inc XEL	2	3	3	2	2.5
Avangrid AGR	2	3	2	2	2.3
OGE Energy Corp OGE	3	2	2	2	2.3
Pinnacle West Capital Corp PNW	1	3	3	1	2.0
Average	**3.0**	**3.3**	**3.3**	**3.1**	**3.2**

Source: Morningstar. Data as of May 10, 2022.

Ranking Utilities' Regulatory Environments

Most regulators understand that long periods of poor rate regulation and shareholder value destruction are detrimental to a utility's ability to raise capital and maintain system reliability. However, regulators also face direct or indirect political pressure from ratepayers to keep utility bills low in the jurisdiction they serve. This conflict makes it essential for investors to understand the regulatory dynamics for each utility. We assess each company's regulatory environment on four primary factors (Exhibit 3).

Exhibit 3 The Four Pillars of Constructive Utilities Rate Regulation

Allowed ROE	Pre-approved rate adjustments	Management execution	Regulatory and political stability
A utility with a 9.5%-10.0% allowed ROE receives an average score. Subsequent 50-basis-point bands below and above this range make up the other rankings. All else equal, higher allowed returns give a utility a better chance of earning returns on invested capital above its cost of capital. Lower allowed returns make it more challenging for a utility to earn its cost of capital.	The timing difference between when a utility invests and when it recovers that investment through customer rates has a big influence on a utility's ability to earn returns on capital consistently above its cost of capital. This regulatory lag can be reduced and cash flow improved if a utility can negotiate rate adjustments that trigger as the utility makes investments.	Management often can control two key variables that determine returns on capital: keeping operating and capital expenses within regulatory approved budgets and building constructive relationships with regulators and customers.	If a utility's regulatory and political environment has stabilized within the last five years, we assign the utility an average score. A utility receives a higher score if it demonstrates regulatory and political stability beyond our five-year outlook. Utilities with deteriorating or consistently poor regulatory and political environments receive lower scores.

Source: Morningstar.

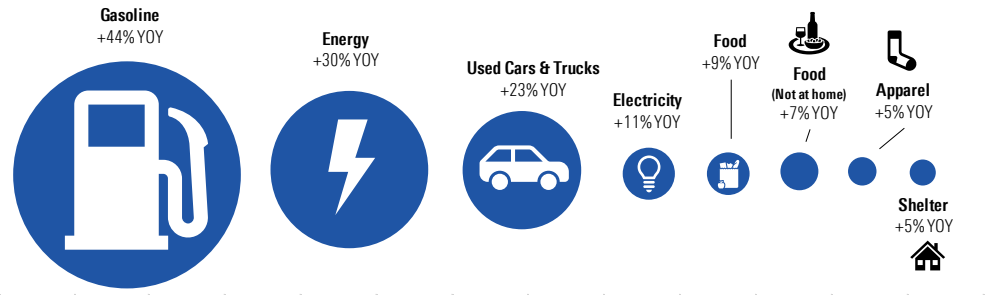
Utilities Versus Inflation, Interest Rates, and Valuation

Regulation can help or hurt utilities as they deal with macroeconomic risks. Our regulatory analysis is critical as utilities face increasing risk from high inflation, rising interest rates, and rich valuations.

Inflation: Threat to Utilities' Long-Term Growth

Utilities investors should be worried after the U.S. Bureau of Labor Statistics' inflation report released May 11 showed another month of unusually high inflation (Exhibit 4). Inflation heightens regulatory risk because utilities have large capital and labor costs but no pricing power. Fixed revenues and rising costs pinch utilities' margins and returns on capital. Regulators also feel more political pressure to minimize utility bill increases when inflation is running hot across the economy, especially energy prices.

Exhibit 4 April Inflation Report Showed Another Month of Huge Energy Price Increases



Source: U.S. Department of Labor.

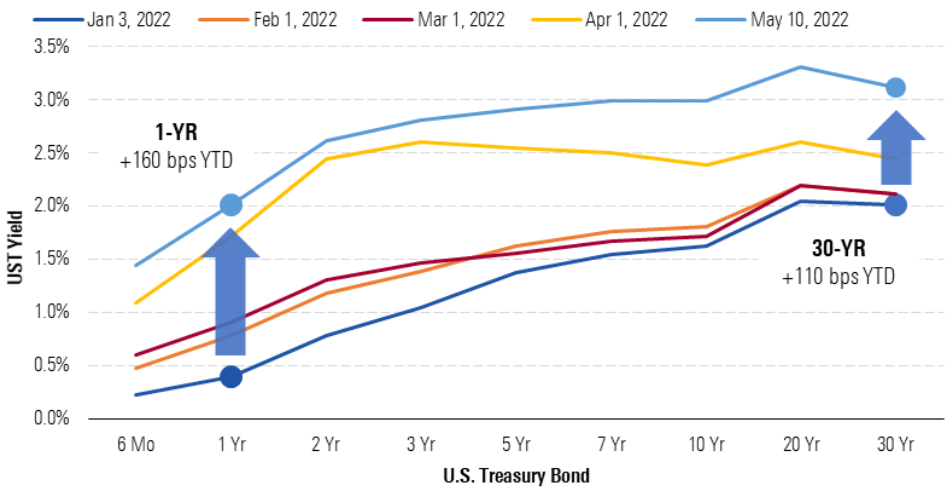
Related Research: Inflation Unraveling U.S. Utilities' Safety Net

The market has shrugged off the long-term impact of sustained high inflation. Morningstar's macroeconomists also believe that inflation will moderate in the coming months and the U.S. economy will keep humming (U.S. Economic Update: Rate Hikes Should Help Tame Inflation, but Recession Remains Unlikely). This could result in a soft, albeit underwhelming landing for utilities as the defensive rotation unwinds and valuations moderate.

Interest Rates: Income Investors Beware

Rising interest rates also have yet to spook utilities investors. We attribute this to the shift in the yield curve rather than absolute interest rate increases. Utilities have more exposure to long-term rates given their financing needs for long-lived capital assets. Long-term interest rates are up but not nearly as much as short-term rates (Exhibit 5). A flatter yield curve and associated recession fears have helped defensive sectors like utilities.

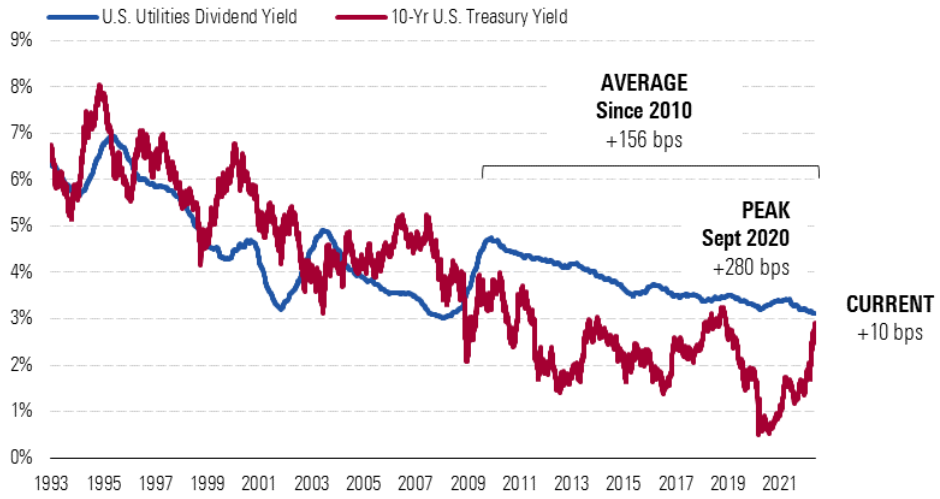
Exhibit 5 Market More Worried About Flat Yield Curve Than Rising Long-Term Rates



Source: U.S. Department of the Treasury. Data as of May 10, 2022.

If the market's defensive rotation eases, utilities could have a long way to fall. Earnings growth could stall and dividend yields will be much less attractive on a real basis. Already utilities' dividend yield premium is nearly erased, offering little cushion for income investors (Exhibit 6).

Exhibit 6 Utilities No Longer Offer Much Dividend Yield Premium

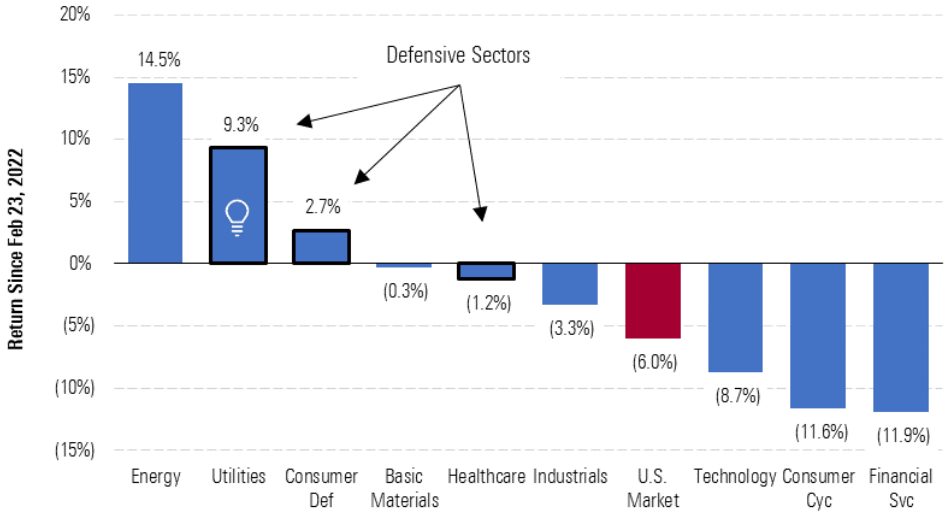


Source: Morningstar. Data as of May 10, 2022.

Valuations: Market Ignoring Utilities' Risks

Market uncertainty has powered all defensive sectors--especially utilities--since late February (Exhibit 7). However, we think this will be a fleeting love affair given the macro headwinds that utilities face.

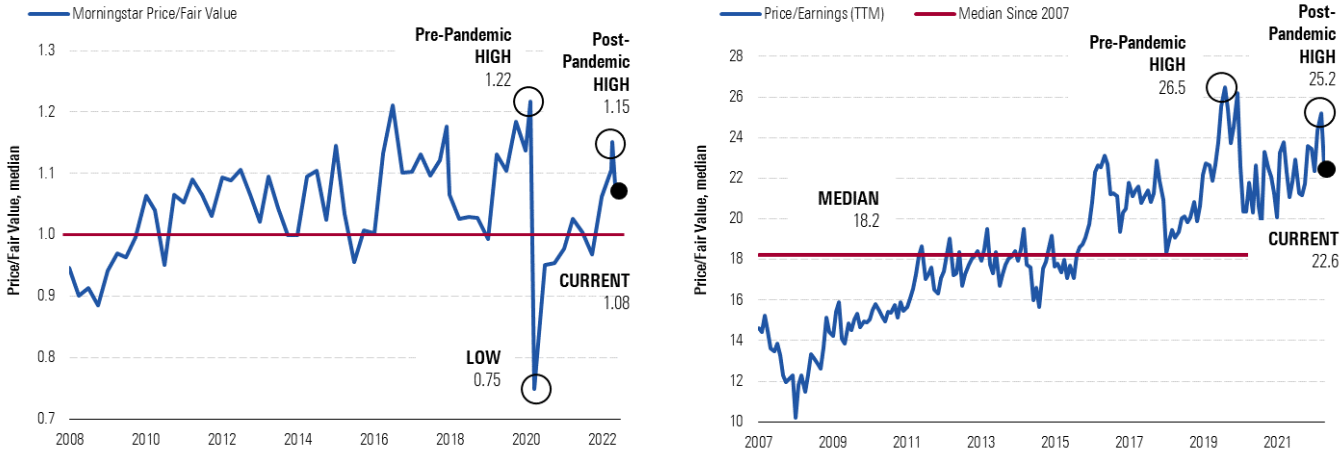
Exhibit 7 Utilities, Healthcare, and Consumer Defensive Are Top-Performing Sectors Since February



Source: Morningstar. Data as of May 10, 2022.

Utilities' valuations remain well above our fair value estimates. Only a few utilities have traded below our fair value estimates during the last two months, similar to early 2020 when the sector median price-to-fair value estimate peaked at 1.22 before the pandemic crash. U.S. utilities' median 23 P/E ratio is still well above the 15-year median (Exhibit 8). Multiple compression is a big risk.

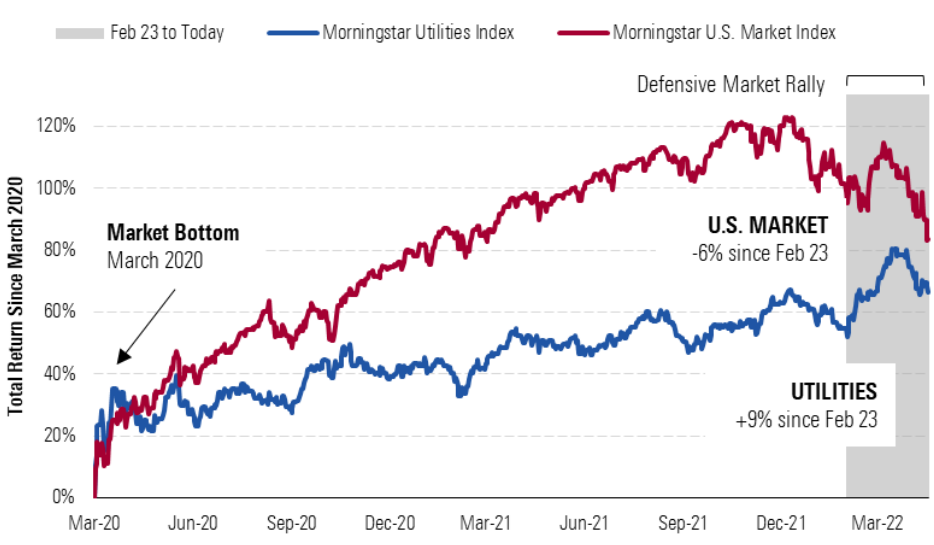
Exhibit 8 Utilities' Valuations Near Post-Pandemic High, Valuation Contraction a Big Risk for Long-Term Investors



Source: Morningstar. Data as of May 10, 2022.

We think utilities' under-performance between the March 2020 market bottom and late February, shows what might happen if the defensive rally reverses. U.S. utilities underperformed the Morningstar market index by 43 percentage points through February before the defensive rally started (Exhibit 9).

Exhibit 9 We Expect Utilities to Lag If Recession Fears Abate, Similar to the Post-Pandemic Recovery



Source: Morningstar. Data as of May 10, 2022.

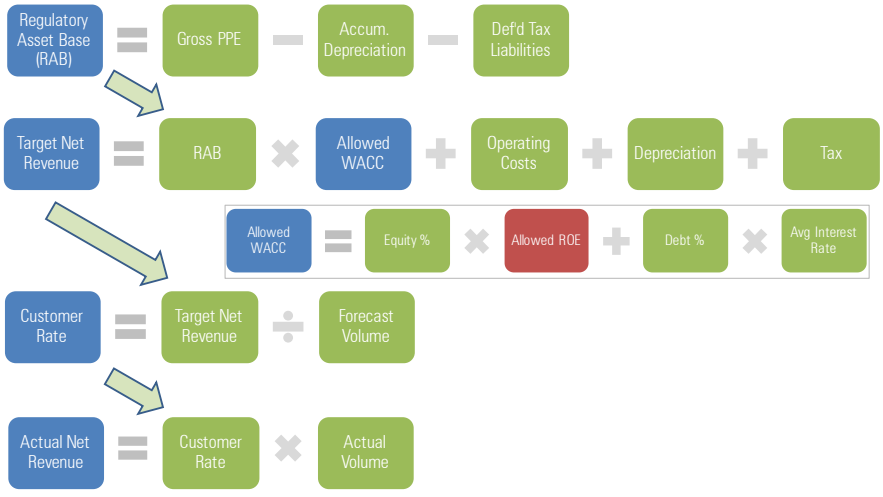
Constructive Regulation Critical in Inflationary Environment

How Utility Regulation Works; Supports Utilities' Economic Moats

For fully regulated utilities, service territory monopolies and efficient scale advantages are the primary sources of economic moats. State and federal regulators typically grant regulated utilities monopoly rights to charge customers rates that allow the utilities to earn a fair return on and return of the capital invested to build, operate, and maintain their electric, gas, or water distribution networks. In an inflationary environment, regulators typically increase revenue for recovery of higher costs. In exchange for regulated utilities' service territory monopolies, state and federal regulators set rates at levels that aim to minimize customer costs while offering fair returns for capital providers.

Utilities regulatory ratemaking begins with a utility's regulatory asset base, which grows annually through investments less depreciation and deferred taxes. This rate base, the utility's capital structure, and operating costs determine net revenue. Usage-based customer rates are calculated using forecast demand. Regulators set allowed operating expenses, and management can achieve lower costs to shareholders' benefit (Exhibit 10).

Exhibit 10 Utilities' Regulatory Rate-Setting Model Recognizes Need for Investors to Earn Fair Return of Capital



Source: Morningstar.

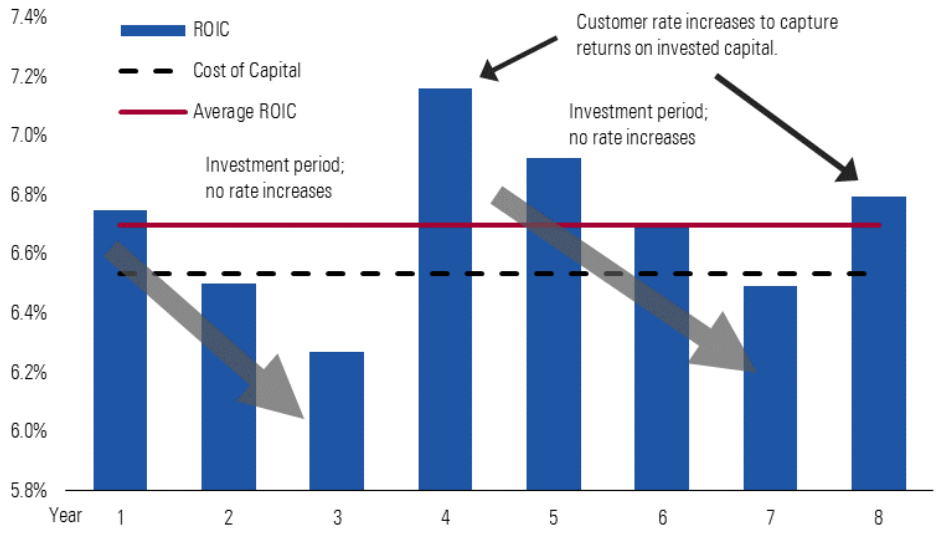
This implicit contract between regulators and capital providers, on balance, gives us confidence that most regulated utilities will outearn their costs of capital in the long run and that the threat of material value destruction is low, usually supporting narrow economic moats.

However, the regulatory environment and management's ability to operate within its specific regulatory construct are critical to assessing whether a utility's excess normalized returns are more likely than not to be positive 10 years from now, that standard for a narrow moat rating. For no moat regulated utilities, we have identified situations in the regulatory environment that lead us to believe there is a material chance of a multiyear period of value destruction. Certain utilities perpetually struggle to earn their regulatory allowed returns and often underearn their cost of capital for many years. We incorporate this as a key factor into our moat analyses for regulated utilities.

The Regulatory Cycle and How It Can Go Wrong

Regulated utilities operating in a standard regulatory structure typically demonstrate a cyclical pattern of returns based on the timing of operating costs, capital costs, and customer rate changes. ROICs will fall below costs of capital as required operating and capital costs rise while rates remain fixed. Regulators true up these costs and capital investments during rate reviews, typically leading to ROICs that exceed costs of capital. Regulatory approval for customer rate adjustments can take months—if not years—to litigate. On average, a utility's ROIC should be slightly higher than its cost of capital over many cycles to encourage investment in the network (Exhibit 11).

Exhibit 11 Regulated Utilities' Returns Go in Cycles Based on Regulation, Investments, and Cost Management



Source: Morningstar.

If things go wrong, utilities might never capture those positive economic returns immediately following a rate adjustment, resulting in so-called regulatory lag. Higher-quality regulatory jurisdictions aim to implement rate structures that anticipate a utility's future costs, improving cash flow.

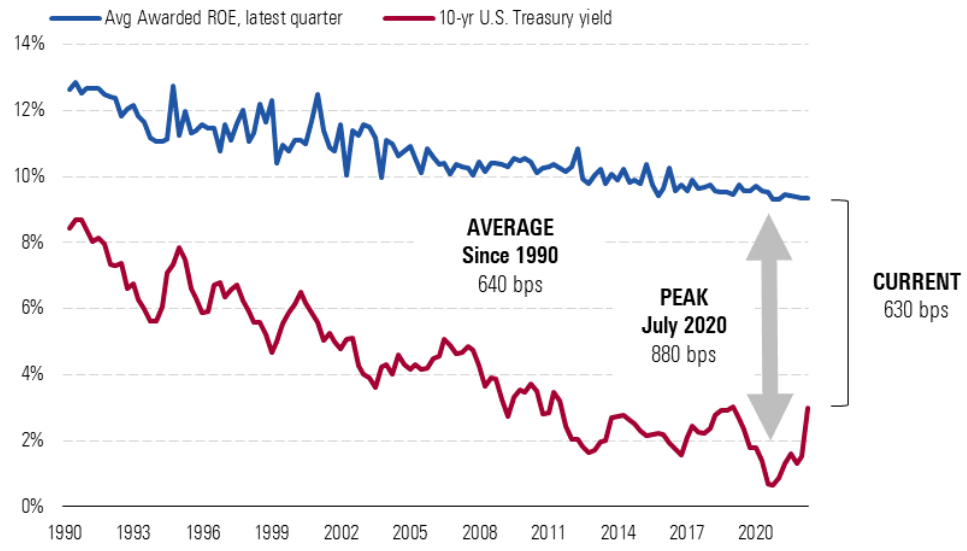
How Higher Costs Impact Utilities in the Regulatory Framework

Regulatory issues that could erode a regulated utility's ability to earn its cost of capital in an inflationary environment include:

Lower Allowed Returns

Inflation might lead regulators to reduce allowed returns on equity to limit customer bill increases. If a utility is investing more than the cash it recovers through rates—which is typical of all utilities—low allowed returns create a significant drag on earnings growth. Regulators typically adjust allowed returns with an eye on interest rates, but regulators have been slow to adjust as interest rates have fallen. This is a function of lower energy costs flowing through customer bills and incentives for utilities to invest in infrastructure. This widening spread has boosted earnings growth and value-creation opportunities for utilities. Even after the recent jump in interest rates, utilities still enjoy a 630 basis point spread between the average awarded allowed ROE last quarter and the 10-year U.S. Treasury yield (Exhibit 12).

Exhibit 12 Higher Interest Rates Have Cut the Spread Between Utilities' Allowed Returns and Costs of Capital



Source: Morningstar as of May 10, 2022.

Increased Regulatory Lag

Typically, an asset must be "used and useful" before regulators allow utilities to include the capital investment in customer rates. This creates the risk that regulators will determine ex post that the utility overspent on the asset and disallow recovery of some of the investment. The unrecoverable capital depresses ROICs and, ultimately, shareholder returns. Utilities with already-high customer bills face

more scrutiny from regulators as they consider future capital investments. Reduced rate recovery or project cancellations could threaten earnings growth.

Tighter Operating Cost Budgets

Management might struggle to keep operating costs in line with the level that regulators approve for rate recovery, particularly if costs are accelerating in an inflationary environment. Sometimes this is because regulators set unreasonably low operating cost budgets to keep customer rates low or don't adequately allow for increased costs. It can also be attributed to poor management, who could allow costs to climb above a previous estimate that regulators approved.

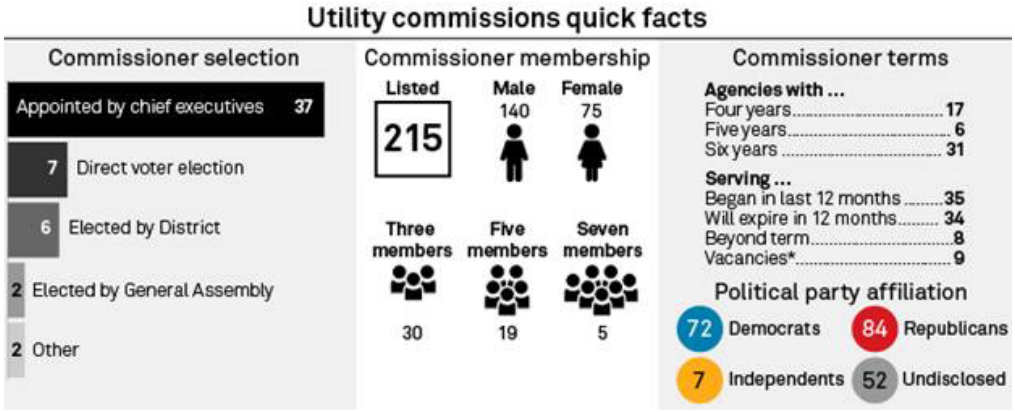
Rate Freezes

Because nearly all utilities are perpetual net new investors, fixed net revenue and a rising capital base lead to lower ROICs. Rate freezes often make it more challenging for a utility to earn its allowed returns and economic profits unless it can find ways to cut operating or capital costs. Regulators could freeze customer rates as one way to keep customer bills low.

Utility Regulators Could Face Increasing Political Pressure as Utility Bills Rise

The regulatory process is political, creating external pressure on regulators in an inflationary environment. In most states, governors appoint utility regulators for terms ranging from four to six years with limited oversight (Exhibit 13).

Exhibit 13 Most State Utility Regulators Are Appointed by State Governors



Source: RRA, as of December 2021.

Regulatory and political stability is a key factor in our regulatory rankings. Utilities in states with regulatory commissions that have a long history of allowing fair cost recovery and returns on capital should face less inflation and interest rate risk. We consider Florida, Wisconsin, Texas, and Virginia among the states that have the best regulatory and political environments for utilities.

Over the past decade, low natural gas and electricity prices have reduced regulatory and political risk for all utilities. Lower energy prices that utilities pass through to customers with no markup kept customer bills low and regulators and politicians happy. This has allowed regulators to support utilities' capital investments and earnings growth with little impact on total customer bills.

However, rising energy costs, taxes and other pass through fees are raising customers' utility bills with no benefit for utilities. Electricity costs are up 11% year-over-year and have climbed in six of the last seven months through April, according to the most recent consumer price index report from the U.S. Bureau of Labor. Utility gas service prices are up 23% year-over-year and have climbed each of the last three months, according to the CPI report. These higher energy prices put more pressure on regulators to limit customer bill increases by limiting rate increases that compensate a utility for its operating costs, capital costs, interest, income taxes, and dividends.

Morningstar Regulatory Ranking: Top Utilities

Regulatory Winners

Dominion Energy, Entergy, NextEra Energy, and NiSource are the clear winners in our regulatory analysis. While all utilities trade above our fair value estimates as of late April, these four utilities are among the least expensive in our coverage. These utilities have leading constructive regulatory environments, giving us confidence that regulators will support customer rates that allow these utilities to consistently earn returns on capital greater than their costs of capital. This is important because like all utilities, these utilities have large capital investment plans, and regulatory support will be critical in an inflationary environment to support their sector-leading earnings and dividend growth outlooks.

Dominion Energy D

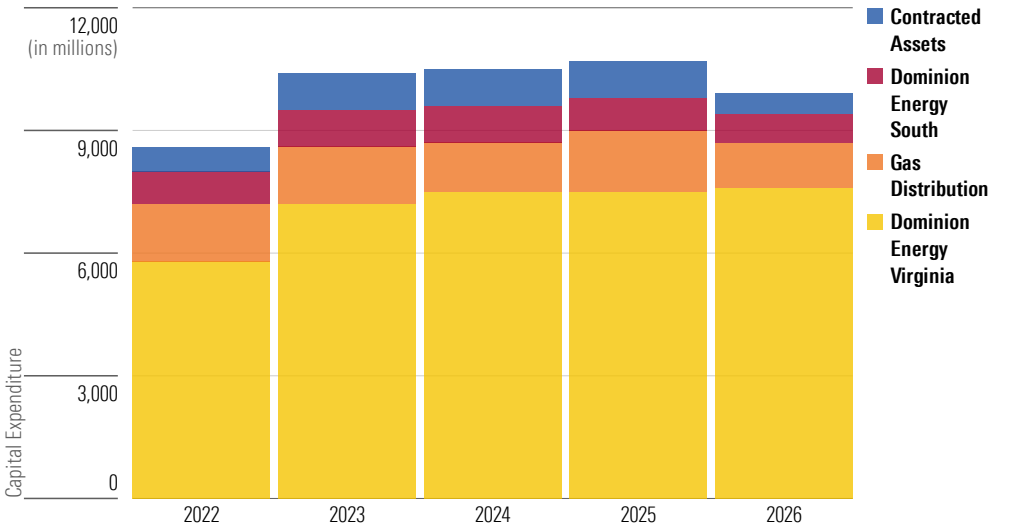
Significant Rate Rider-Eligible Investment Reduces Dominion Energy's Regulatory Risk

Star Rating: ★★★ | P/FV: **1.0** | Moat Rating: **Narrow** | Uncertainty: **Low**

After exiting its oil and gas exploration and production business, selling and retiring its no-moat merchant generation business, and selling its Questar pipelines, Dominion is a predominantly regulated utility that operates in highly constructive regulatory environments. Its five-year $37 billion capital investment plan through 2026, up $5 billion from its previous plan, supports the company's earnings growth. Roughly 85% of its investments are targeted to reduce emissions as the company continues to improve its environmental, social, and governance profile. Beyond 2026, management sees an additional $41 billion of emission-reduction investments.

Dominion benefits from constructive regulation for its aggressive decarbonization plans in Virginia, its largest subsidiary. Forecast annual electricity growth near 2% in the state should help limit individual customer bill increases. Much of Dominion's growth investment in Virginia will be recovered through rate riders, which adjust customer bills as Dominion makes investments. This reduces regulatory risk and locks in returns at a higher rate than the returns it earns on its base capital investments. Over 90% of Dominion's capital investment in the region over the next five years will be eligible for customer rate riders, which significantly reduce regulatory risk in an inflationary environment. Over 70% of the company's $36.5 billion five-year capital investment program is recovered under constructive Virginia regulation (Exhibit 14).

Exhibit 14 Majority of Dominion's Capital Investment Allocated to Rider-Heavy Virginia



Source: Morningstar, company filings.

Dominion is installing offshore wind to meet Virginia's aggressive renewable energy portfolio standards. Unlike its peers, the company is recovering a return on and return of the project investment through regulated customer rates. This significantly reduces risk for shareholders relative to merchant offshore wind projects. Management recently estimated its $10 billion, 2.6-gigawatt offshore wind project is on track to achieve a levelized cost of electricity of $87 per megawatt-hour, well below the $125/MWh benchmark that Virginia regulators set. This gives shareholders a wide margin of safety if costs continue to rise. Costs above the benchmark would need regulatory approval.

The company's remaining regulated businesses in Utah, Ohio, and the Carolinas benefit from significant rate rider mechanisms and higher allowed returns than Dominion's peers. The balance of earnings will come from contracted assets with long-term agreements with mostly investment-grade counterparties that provide steady, regulated like returns.

Related Research: Dominion Energy Analyst Research Report

Entergy ETR

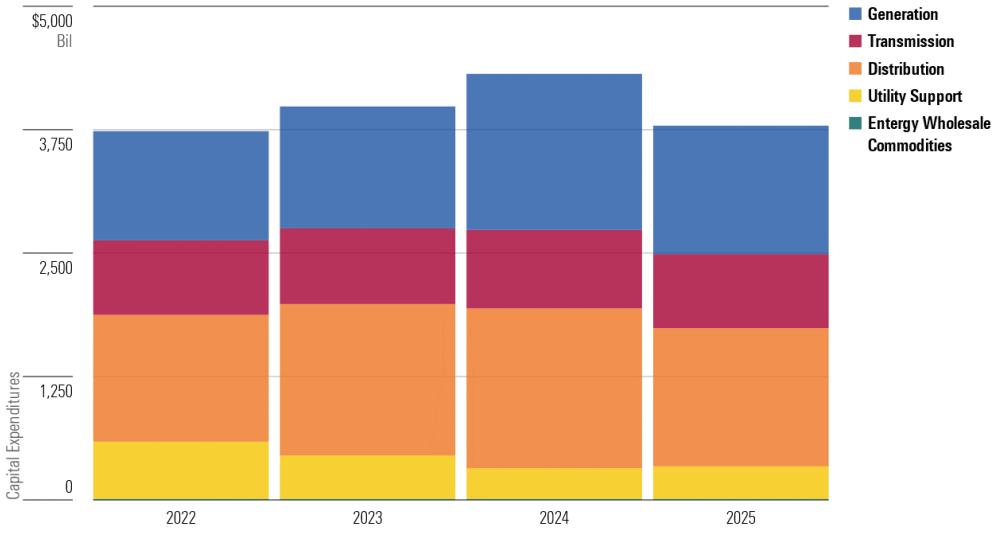
Constructive Regulation Supports Renewed Focus On Gulf Coast Investment

Star Rating: ★★ | P/FV: **1.06** | Moat Rating: **Narrow** | Uncertainty: **Low**

Entergy's six regulated utilities in the Southeast and Gulf Coast regions enjoy constructive state rate regulation, above-average customer growth, and low energy costs. These benefits set it apart from most other utilities. In total, Entergy recovers through customer rates a return of and return on more than 90% of its investments within 12 months.

We forecast annual earnings growth at the high end of management's 5%-7% range based on electricity sales growth and $16 billion of capital investment over the next four years (Exhibit 15). Entergy's growth investments include upgrades to its expansive grid and transitioning its power generation fleet from fossil fuels to renewable energy. Entergy's large industrial customers support investments in clean energy and reliability, easing regulatory pressure.

Exhibit 15 Entergy's Investment Plan Covers Everything From Renewable Energy to Local Distribution



Source: Morningstar.

Energy use in Entergy's Southeast service territories has rebounded from the pandemic drop-off. Global energy exports from the Gulf Coast region could further boost electricity demand. Weather-adjusted electricity sales jumped 2.9% during the first quarter of 2022, including a 6.5% jump in industrial demand, Entergy's largest customer segment. We expect similar growth the rest of the year and greater than 1% annual electricity demand growth long term. Entergy also benefits from among the lowest customer energy costs in the United States, easing customer bill pressure.

Entergy will always face devastating storms that test its regulatory relationships, but it has established regulatory precedents that protect shareholder value. This is being tested again as Entergy tries to collect as much as $4 billion in 2020-21 storm repair costs and lost revenue.

Related Research: Entergy Analyst Research Report

NextEra Energy NEE

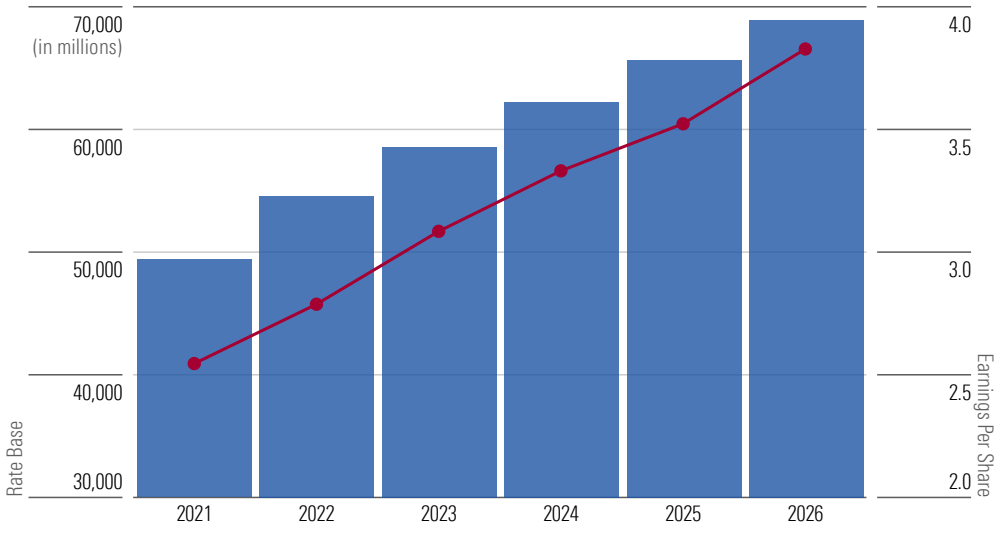
Best In Class Florida Regulation gives NextEra our highest regulatory ranking.
Star Rating: ★★★ | P/FV: **0.90**| Moat Rating: **Narrow** | Uncertainty: **Medium**

Florida provides an excellent regulatory framework for utilities. NextEra subsidiary Florida Power & Light has proved adept at operating within this framework while providing customers with the lowest electricity bills in the state. The midpoint of FPL's allowed return on equity range is 10.6% and the high end is 11.7%, one of the highest in the country. Through its operating prowess, management consistently earns near the upper end of its allowed return range. Automatic base rate adjustments for the company's new generation effectively eliminate regulatory lag on investments. Usage-based rates prevent NextEra from attaining the highest ranking for nonfuel rate-adjustment mechanisms.

NextEra received a very constructive outcome in its most recent 2021 regulatory filing, effective 2022, supporting our favorable outlook. NextEra Energy's four-year rate structure will allow for a higher-than-average allowed return and rate increases of $692 million and $560 million in 2022 and 2023, respectively. The outcome also highlights not only the constructive regulatory environment in Florida, but the favorable treatment NextEra Energy continues to enjoy relative to peer utilities in the state. Duke Energy Florida received a 9.85% allowed return on equity midpoint, and Emera's Tampa Electric received a 9.95% in its recent settlement. We believe NextEra enjoys this more favorable treatment in part due to its management execution and continued ability to deliver operating efficiencies.

Florida's strong economy and population growth support our forecast for nearly 7% rate base growth through 2026 (Exhibit 16). FPL's goal is to increase solar to 20% of its energy mix by 2030, a goal the company will likely exceed. Investors will earn an immediate return on those investments under automatic customer rate adjustments. Management aims to pair battery storage with its solar installations. Florida legislation also supports ongoing storm hardening investments.

Exhibit 16 Florida Rate Base Growth Supports 8% Earnings Growth



Source: Morningstar, company filings.

FPL is one of the best-managed utilities in our coverage universe. It consistently has electric bills that are the lowest in Florida and nearly a third below the national average, a key consideration, given the unit's large capital investment program. Regulators have rewarded management by supporting 10% annual increases in regulatory capital employed over the past decade. Management also increased its goodwill with Florida regulators by acquiring Gulf Power, where customer rates had increased over 30% since 2008 while FPL had kept its customer rates flat.

The highly contracted competitive energy business, NextEra Energy Resources, is well positioned to benefit from the renewable energy transition. Management's continued execution on its Energy Resources development program leaves us confident that NextEra will deliver on its four-year, 23-30 GW development target range in 2021-24. The recent announcement by the U.S. Department of Commerce to initiate an anti-circumvention investigation regarding the import of solar panels from certain Asian countries creates uncertainty to the company's development program. We expect an update to management's four-year development outlook at the company's investor day in June.

Our near-term profit outlook accounts for forecast rate increases at FPL and investments through 2026, additional wind and solar generation investments at NEER, normal weather, and continued strong demand and economic growth in Florida. We forecast management will earn at the high end of its 6%-8% annual earnings growth target through 2024. At FPL, we assume an 11.5% long-term allowed return on equity, give management's ability to consistently achieve the high end of its allowed range. We estimate the company will invest roughly $15 billion annually on average through 2026.

Related Research: NextEra Energy Analyst Research Report

NiSource NI

Will new CEO shake up NiSource's portfolio of gas utilities?

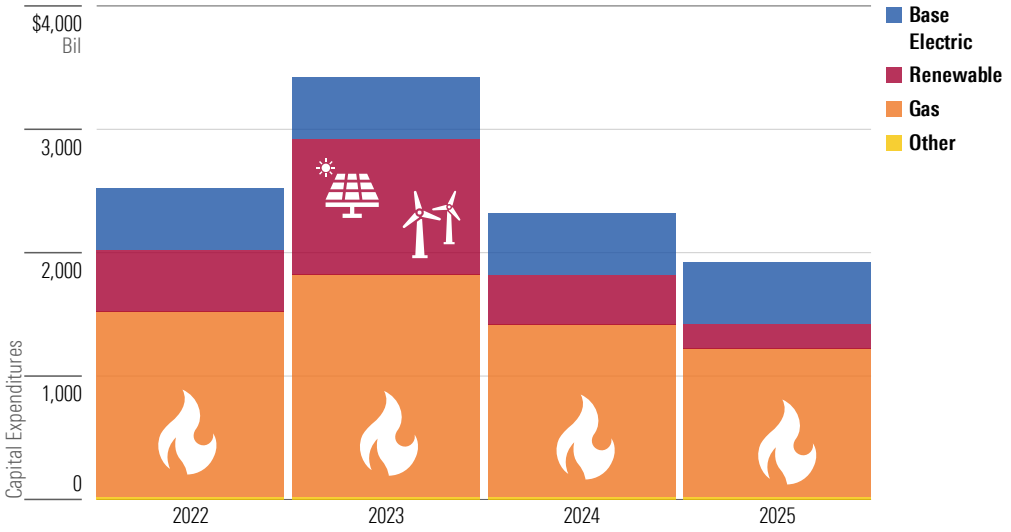
Star Rating: ★★★ | P/FV: **0.96** | Moat Rating: **Narrow** | Uncertainty: **Low**

The Midwest utility is best known for its gas distribution businesses in six states. It rarely gets credit for the 40% of earnings that now come from its Indiana electric distribution business after it spun off its gas midstream business in 2015 and sold its Massachusetts gas distribution business in 2020. New CEO Lloyd Yates recently suggested NiSource might continue shedding gas assets given premium market valuations and a shift toward capital investment at its electric utility.

NiSource's utilities have constructive regulatory frameworks that allow it to collect a cash return of and on the bulk of its capital investments within 18 months. We expect NiSource to invest $4.5 billion at its electric utility during the next four years, including at least $3 billion on renewable energy projects. NiSource’s electric utility plans to close its last coal-fired power plant in 2028 and replace the capacity with wind, solar, and energy storage. Although these plans have been pushed back slightly due to solar market uncertainty, we still expect NiSource to execute its full investment plan.

Investment in the gas distribution systems, primarily for pipeline replacement, should remain well above maintenance-level spending. In total, we expect NiSource to invest $10 billion at its gas and electric businesses during the next four years (Exhibit 17).

Exhibit 17 Despite Possible Solar Delays, We Still Expect NiSource To Execute Its Four-Year Investment Plan



Source: Morningstar.

Over the next 20 years, NiSource has identified $40 billion of infrastructure improvement projects. Half these investments are safety-related at its natural gas distribution utilities to replace steel and cast-iron pipe with plastic pipe. The other half will be at its electric utility to continue growing and integrating renewable energy. We expect almost all of these investments will receive favorable regulatory treatment. This allows NiSource to earn returns on these investments near its regulatory allowed returns and consistently above its cost of capital, supporting earnings and dividend growth.

Earnings are set to rebound quickly from their low in 2020 when COVID-19 pandemic costs, lower energy use, the Massachusetts utility sale, and a large equity issuance weighed on earnings. We expect modest customer growth combined with NiSource's infrastructure growth investments to support 8% annual earnings growth from 2022 to 2026. The key factor in our earnings growth outlook is a favorable outcome in NiSource's planned 2023-24 electric rate case in Indiana.

NiSource has grown its dividend nearly 40% since the 2015 Columbia Pipeline Group spin-off, but the growth has not been consistent. We expect a smoother dividend growth trajectory in line with the 5% increases in 2020 and 2021. We expect dividend growth might pick up in 2024 once NiSource is past the peak of its five-year capital spending plan and its equity needs shrink. We expect a long-term payout ratio near 60% is a secure target.

Related Research: NiSource Analyst Research Report

California Utilities

California's utility rate regulation checks many of the boxes as one of the most constructive in the country: higher-than-average allowed returns, forward-looking ratesetting, timely cost recovery, usage-decoupled rates, and a history of constructive regulatory decisions. However, regulatory uncertainty in California is building as the state's two largest utilities--Edison International and PG&E--face critical regulatory proceedings in 2022-23 against the backdrop of higher energy prices. In addition, three of the five CPUC commissioners, including the president, were appointed in 2021 and have yet to issue a decision that could have a material impact on any of the state's utilities.

An imminent ruling on each utility's 2022 cost of capital proceeding wouldn't have a substantial earnings impact, but it could lead to questions about how regulators will rule on more significant proceedings such as the utilities' 2023-25 cost of capital proceeding, Edison's proposal to recover up to $7.5 billion of 2017-18 wildfire liabilities, and PG&E's first combined gas and electric GRC in 2023. PG&E will need regulatory support to accomplish its 10,000-mile undergrounding proposal, which could cost $30 billion over 10 years.

Another risk for California utilities, especially PG&E, is wildfire season. The National Weather Service issued its first red flag fire danger warning in PG&E's service territory on April 10, the earliest ever. We are confident the state's $21 billion insurance fund created in 2019 provides adequate financial protection, but it has yet to be tested.

Related Research: California Utilities: Time to Take Another Look

Edison International EIX

Star Rating: ★★★ | P/FV: **0.97** | Moat Rating: **Narrow** | Uncertainty: **Medium**

Edison remains one of the cheapest U.S. utilities even though it trades near our fair value estimate. Edison trades at 15 times our 2022 earnings estimate and has a 3.9% dividend yield, among the highest in the sector. The dividend is well covered and likely will grow 6% annually for at least the next three years, extending an 18-year consecutive streak of dividend growth. Our growth estimate is based on regulatory support for its four-year, $24 billion capital investment plan for renewable energy, electric vehicles, energy storage, building electrification, and wildfire safety.

PG&E PCG

Star Rating: ★★★ | P/FV: **1.04** | Moat Rating: **None** | Uncertainty: **Medium**

PG&E also trades at a valuation discount to its peers but a premium to our fair value estimate. Our 8% annual earnings growth outlook for PG&E is based on regulatory support for its five-year, $46.5 billion investment plan for similar clean energy and wildfire safety initiatives. It remains on track to initiate a dividend as soon as late 2023.

Utilities Facing Regulatory Challenges

Avangrid AGR

Difficult Northeast Regulation Creates Challenges for Management

Star Rating: ★★★ | P/FV: **1.0** | Moat Rating: **Narrow** | Uncertainty: **Low**

Avangrid's regulated utility segment, Networks, operates eight regulated electric and natural gas utilities across New York, Maine, Connecticut, and Massachusetts. While its jurisdictions have favorable regulatory rate riders and rate decoupling, Avangrid has struggled to earn its allowed returns. Regulators in the Northeast tend to be overly punitive. Maine regulators cut allowed returns for 18 months, and Avangrid has struggled to recover storm costs from recent 2018-19 storms. Avangrid's new management had shown some progress in closing the gap between earned and allowed returns, but recent setbacks in the failed $8.3 billion bid for PNM Resources and a Maine referendum stalling the company's New England Clean Energy Connect project are troubling. Management risk has since increased, when Dennis Arriola, who became CEO in mid-2020, unexpectedly announced his departure in early March, effective May 28, 2022. Replacing Arriola is Pedro Azagra Blazquez, who was Iberdrola's chief development officer, indicating that Iberdrola, which owns 81.5% of Iberdrola, will continue to play a critical role going forward.

The company's aggressive plans for offshore wind are also a concern, particularly in an inflationary environment. While state renewable policies support offshore generation, unlike regulated peer Dominion, Avangrid is developing offshore wind with no guaranteed returns of capital. The company's Vineyard Wind project has set power purchase agreements that leave little room for increases if costs rise. The company also recently received approval for the offshore Park City Wind project. Given better economics on onshore wind and solar, we think there is less risk of cost overruns being reflected in market power price agreements.

Related Research: Avangrid Analyst Research Report

Eversource Energy ES

Divesting Offshore Wind Would Reduce Risk But Slow Growth

Star Rating: ★★ | P/FV: **1.27** | Moat Rating: **None** | Uncertainty: **Low**

Eversource is well positioned to benefit from the infrastructure investment that will be required as the Northeast moves toward a carbon-free energy mix. Offsetting this growth potential is a challenging regulatory environment that we don't think the market appreciates.

Eversource's electric, gas, and water utilities plan to invest $18 billion during the next five years to serve customer growth, integrate new energy sources, and strengthen the grid. The utilities should be able to support 5% annual average earnings and dividend growth at least through 2024 after accounting for the storm-related financial penalties in Connecticut.

Connecticut has a long history of favoring customers over Eversource's investors. The most recent example is a regulatory review of storm-related power outages in 2020 that led to penalties that will slow earnings growth in 2022 and could depress returns for several years. Eversource has reached constructive regulatory outcomes in its most recent rate cases and should benefit from legislation that supports clean energy investments, but we think it's too early to suggest the regulatory environment has improved.

Eversource management recently suggested they are considering divesting their offshore wind partnership stake with Orsted, which includes three contracted projects and the potential to add more projects. Although this could save Eversource what we estimate will be $4 billion of investment during the next five years, it also will eliminate the step-up in earnings growth we expected as the projects enter service through 2025. The offshore wind investments offer higher returns than Eversource's core regulated utilities, but they come with more financial and logistical risk. Inflation and global supply chain constraints could raise costs and slow development for offshore wind projects, squeezing returns for shareholders.

Related Research: Eversource Energy Analyst Research Report

Pinnacle West Capital PNW

A Regulatory Setback in Arizona Takes Shine off Fast-Growing Southwest Utility

Star Rating: ★★★ | P/FV: **0.96** | Moat Rating: **Narrow** | Uncertainty: **Low**

With fast-growing customer and energy usage in Arizona, Pinnacle West had been earning solid returns and rewarding shareholders with dividend increases for several years. That will become more difficult if regulatory relationships remain contentious. Regulators' decision last year to cut Pinnacle West's allowed return on equity to 8.7% from 10%, in part contributing to a $200 million rate cut starting in 2022, means earnings are unlikely to reach 2021 levels again until 2025, even if customer and usage growth remain robust. The state has a history of contentious rate negotiations, but Pinnacle West had mostly avoided any major setbacks until the most recent ruling.

We expect population growth and a strong Phoenix economy to result in 2% annual electricity sales growth through the decade. Although Arizona regulations can be challenging, in part because state commissioners are elected, we expect strong customer and sales growth along with management's record of cost controls to allow Pinnacle West to consistently earn near its cost of capital. Pinnacle West also should benefit from rooftop solar net metering rate changes that regulators approved in 2017, eliminating a drag on Pinnacle West's returns.

Before the 2021 rate decision, management had been targeting 6% dividend growth, in line with its dividend growth the last four years. However, the customer rate cut in 2021 could lead to little or no dividend growth for several years as the company brings down its payout ratio. In November, management raised the dividend 2% to $3.40 per share annualized, representing an 80% payout ratio based on our 2022 earnings estimate. We think dividend growth will rebound to 5% annually once the payout ratio gets below 70%, likely by 2025.

Related Research: Pinnacle West Capital Analyst Research Report

U.S. Utilities Coverage List

Company	Ticker	Star Rating	Market Cap ($mil)	Stock Price	Price / Fair Value	Fair Value Est.	Economic Moat	Uncertainty Rating	P/E (Forward)	Dividend Yield	Analyst E-mail
NextEra Energy	NEE	★★★	137,495	$ 69.99	**0.90**	$ 78.00	Narrow	Medium	24.8	2.3%	andrew.bischof@morningstar.com
The AES Corporation	AES	★★★	13,330	$ 19.96	**0.91**	$ 22.00	None	Medium	12.7	3.2%	andrew.bischof@morningstar.com
Pinnacle West Capital	PNW	★★★	8,206	$ 72.62	**0.94**	$ 77.00	Narrow	Low	17.7	4.7%	travis.miller@morningstar.com
NiSource	NI	★★★	11,898	$ 29.32	**0.95**	$ 31.00	Narrow	Low	20.2	3.2%	travis.miller@morningstar.com
Edison International	EIX	★★★	25,727	$ 67.49	**0.95**	$ 71.00	Narrow	Medium	14.1	4.2%	travis.miller@morningstar.com
Dominion Energy	D	★★★	66,492	$ 81.96	**1.00**	$ 82.00	Wide	Low	20.0	3.3%	andrew.bischof@morningstar.com
FirstEnergy	FE	★★★	24,008	$ 42.05	**1.00**	$ 42.00	Narrow	Low	17.4	3.7%	andrew.bischof@morningstar.com
Avangrid Inc	AGR	★★★	17,058	$ 44.12	**1.00**	$ 44.00	Narrow	Low	19.1	4.0%	andrew.bischof@morningstar.com
PG&E	PCG	★★★	23,393	$ 11.77	**1.02**	$ 11.50	None	Medium	10.7	NA	travis.miller@morningstar.com
Portland General Electric	POR	★★★	4,216	$ 47.25	**1.03**	$ 46.00	Narrow	Low	17.0	3.8%	travis.miller@morningstar.com
Essential Utilities Inc	WTRG	★★	10,692	$ 42.26	**1.03**	$ 41.00	Narrow	Low	23.7	2.5%	travis.miller@morningstar.com
Entergy	ETR	★★	23,654	$ 116.31	**1.04**	$ 112.00	Narrow	Low	18.3	3.5%	travis.miller@morningstar.com
PPL Corp	PPL	★★★	20,811	$ 28.28	**1.05**	$ 27.00	Narrow	Medium	19.1	2.8%	andrew.bischof@morningstar.com
Hawaiian Electric Ind.	HE	★★	4,526	$ 41.36	**1.06**	$ 39.00	Narrow	Low	18.4	3.4%	andrew.bischof@morningstar.com
Vistra Energy Corp	VST	★★★	10,554	$ 24.44	**1.06**	$ 23.00	None	High	16.2	2.9%	travis.miller@morningstar.com
Public Svc Ent Grp	PEG	★★	34,114	$ 68.33	**1.07**	$ 64.00	Narrow	Low	19.2	3.2%	travis.miller@morningstar.com
WEC Energy Group	WEC	★★	31,752	$ 100.66	**1.07**	$ 94.00	Narrow	Low	23.2	2.9%	andrew.bischof@morningstar.com
Evergy Inc	EVRG	★★	15,249	$ 66.45	**1.07**	$ 62.00	Narrow	Low	19.0	3.5%	travis.miller@morningstar.com
Alliant Energy	LNT	★★	14,555	$ 58.03	**1.07**	$ 54.00	Narrow	Low	20.9	3.0%	andrew.bischof@morningstar.com
OGE Energy	OGE	★★	7,756	$ 38.74	**1.08**	$ 36.00	None	Low	20.4	4.2%	travis.miller@morningstar.com
Duke Energy	DUK	★★	83,850	$ 108.91	**1.08**	$ 101.00	Narrow	Low	19.9	3.6%	andrew.bischof@morningstar.com
CenterPoint Energy	CNP	★★	19,186	$ 30.48	**1.09**	$ 28.00	Narrow	Low	22.4	2.2%	andrew.bischof@morningstar.com
American Electric Power	AEP	★★	50,882	$ 99.08	**1.09**	$ 91.00	Narrow	Low	19.9	3.2%	andrew.bischof@morningstar.com
Emera Inc	EMA	★★	16,585	C$ 63.15	**1.09**	C$ 58.00	Narrow	Low	20.9	4.2%	andrew.bischof@morningstar.com
American Water Works	AWK	★★	26,091	$ 143.55	**1.10**	$ 131.00	Narrow	Low	32.1	1.8%	andrew.bischof@morningstar.com
Sempra Energy	SRE	★★	49,830	$ 158.54	**1.11**	$ 143.00	Narrow	Medium	18.5	2.9%	andrew.bischof@morningstar.com
Atmos Energy	ATO	★★	15,724	$ 113.11	**1.11**	$ 102.00	Narrow	Low	18.8	2.4%	andrew.bischof@morningstar.com
New Jersey Resources	NJR	★★	4,216	$ 43.85	**1.12**	$ 39.00	Narrow	Low	18.2	3.3%	travis.miller@morningstar.com
Southern Co	SO	★★	77,777	$ 73.20	**1.13**	$ 65.00	Narrow	Low	20.9	3.7%	travis.miller@morningstar.com
DTE Energy	DTE	★★	24,878	$ 128.41	**1.13**	$ 114.00	Narrow	Low	21.9	2.8%	travis.miller@morningstar.com
Ameren	AEE	★★	23,987	$ 92.89	**1.13**	$ 82.00	None	Low	22.8	2.5%	andrew.bischof@morningstar.com
Fortis Inc	FTS	★★	30,530	C$ 63.99	**1.14**	C$ 56.00	Narrow	Low	21.2	3.3%	andrew.bischof@morningstar.com
NRG Energy	NRG	★★★	9,892	$ 41.69	**1.16**	$ 36.00	None	High	12.2	3.4%	travis.miller@morningstar.com
Consolidated Edison	ED	★★	32,825	$ 92.65	**1.19**	$ 78.00	None	Low	21.0	3.4%	travis.miller@morningstar.com
Exelon	EXC	★★	45,831	$ 46.76	**1.20**	$ 39.00	Narrow	Low	21.2	2.9%	andrew.bischof@morningstar.com
Hydro One Ltd	H	★★	21,003	C$ 35.08	**1.21**	C$ 29.00	None	Medium	21.9	3.2%	andrew.bischof@morningstar.com
Eversource Energy	ES	★★	30,739	$ 89.13	**1.26**	$ 71.00	None	Low	22.1	2.9%	travis.miller@morningstar.com
CMS Energy	CMS	★	19,810	$ 68.28	**1.29**	$ 53.00	Narrow	Low	23.8	2.7%	travis.miller@morningstar.com
Xcel Energy	XEL	★	40,027	$ 73.49	**1.29**	$ 57.00	Narrow	Low	23.0	2.7%	travis.miller@morningstar.com
Total N. American Utilities coverage (median)			23,393		**1.08**				20.0	3.2%	

Source: Morningstar. As of May 10, 2022.

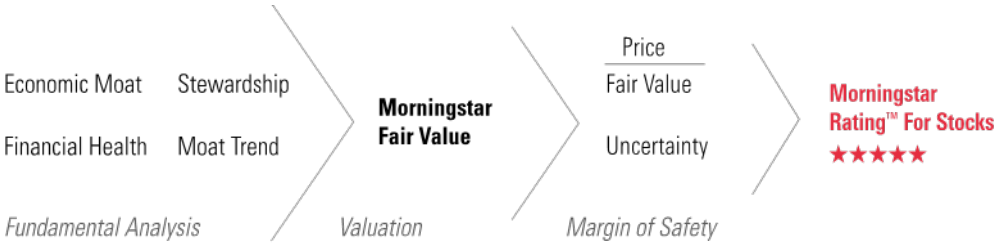
Methodology for Valuing Companies

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. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (for example, mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss short-term market-price movements), but we believe these negatives are mitigated by deep analysis and our long-term approach.

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 a 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.

Morningstar Research Methodology



Source: Morningstar.

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.

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.

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.

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, or 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 (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. 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.

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 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, and other company-specific factors.

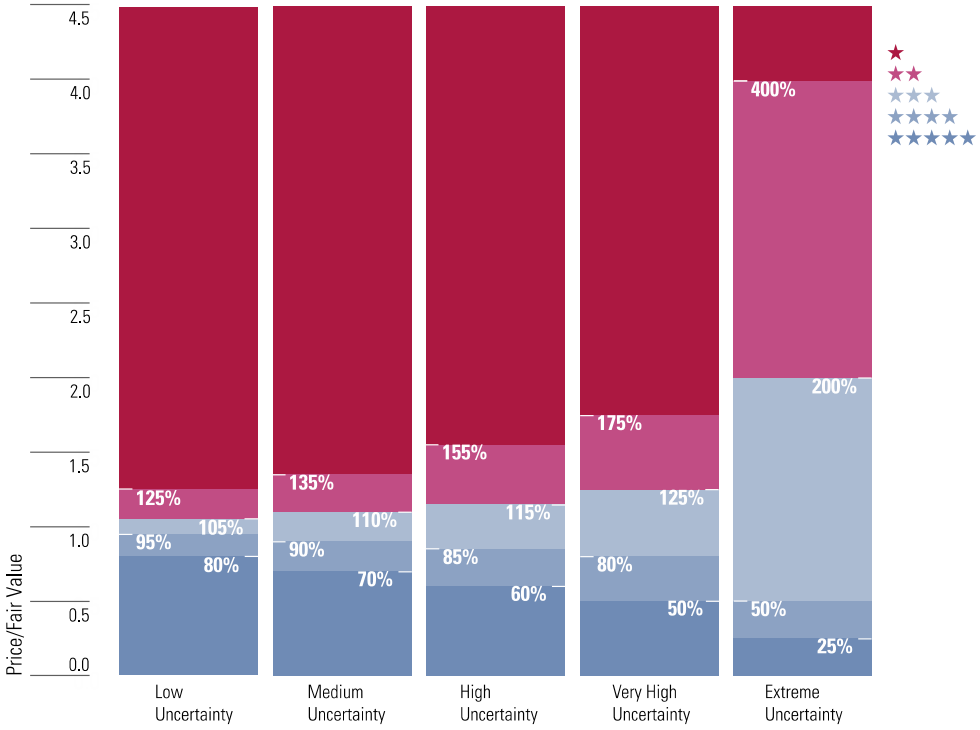
Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate.

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.**

Morningstar Equity Research Star Rating Methodology



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 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. Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted.

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. Scenario analysis developed by our analysts indicates that 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. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

Risk Warning
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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]
31.42 USD	31.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

Biden Pauses Potential Solar Tariffs; Utilities' Solar Growth Plans on Track as We Expected

Travis Miller
Strategist
Morningstar

Analyst Note 06 Jun 2022

We are reaffirming our fair value estimates, moat ratings, and moat trend ratings for all utilities after the Biden administration announced it would not apply solar panel tariffs on East Asian countries for at least the next two years. Some utilities' management teams had suggested that potential tariffs resulting from a U.S. Department of Commerce anticircumvention investigation would slow their growth plans. We never thought the investigation would have a material impact on our long-term outlooks given the Biden administration's and most states' support for renewable energy. The Biden administration also announced plans to boost U.S. solar panel manufacturing, which will support solar growth.

Two of our top utilities picks, NextEra Energy and NiSource, were among those utilities whose stocks took the hardest hit because of the solar tariff fears. The management team of each firm said it was postponing a portion of its large solar growth plans because of tariff-related supply concerns. AES and Alliant Energy are among many other utilities that have made solar key parts of their growth plans.

NextEra's stock fell as much as 16% in the three weeks after management said that it might delay up to 2.8 gigawatts of a possible 15 GW solar project pipeline. The stock has since rebounded to near our $78 fair value estimate. We are reaffirming our 8% annual earnings growth outlook. NiSource's stock fell 11% in late April before management said $500 million of its planned solar investments could be delayed. The stock has since rebounded to near our $31 per share fair value estimate. We continue to assume NiSource invests $8 billion in 2022-24, including $2 billion on renewable energy, supporting our 7% annual earnings growth outlook.

Solar panel tariffs remain a risk pending the outcome of the

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Research as of 06 Jun 2022
Estimates as of 23 Mar 2022
Pricing data through 03 Jun 2022 00:00
Rating updated as of 03 Jun 2022 00:00

[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.
Rating as of 01 Jun 2022 00:00

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

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Methodology for Valuing Companies

Vital Statistics

Market Cap (USD Mil)	12,750
52-Week High (USD)	32.58
52-Week Low (USD)	23.65
52-Week Total Return %	26.9
YTD Total Return %	15.5
Last Fiscal Year End	31 Dec 2021
5-Yr Forward Revenue CAGR %	4.4
5-Yr Forward EPS CAGR %	7.6
Price/Fair Value	1.01

Valuation Summary and Forecasts

Fiscal Year:	2020	2021	*2022(E)*	*2023(E)*
Price/Earnings	17.4	20.2	*21.8*	*20.3*
EV/EBITDA	16.0	12.8	*12.3*	*11.2*
EV/EBIT	37.1	22.3	*20.6*	*18.4*
Free Cash Flow Yield %	-7.3	-5.5	*-8.9*	*-13.9*
Dividend Yield %	3.7	3.0	*3.0*	*3.2*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2020	2021	*2022(E)*	*2023(E)*
Revenue	4,682	4,900	*5,171*	*5,395*
Revenue YoY %	-10.1	4.7	*5.5*	*4.3*
EBIT	551	1,007	*1,160*	*1,299*
EBIT YoY %	-38.2	82.8	*15.2*	*12.0*
Net Income, Adjusted	507	572	*623*	*688*
Net Income YoY %	2.5	12.7	*9.1*	*10.3*
Diluted EPS	1.32	1.37	*1.44*	*1.55*
Diluted EPS YoY %	0.3	3.8	*4.9*	*7.9*
Free Cash Flow	457	-765	*-229*	*-1,461*
Free Cash Flow YoY %	-190.7	-267.4	*-70.1*	*538.9*

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 renewable energy.

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Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
31.42 USD	31.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

DOC's investigation into whether Chinese manufacturers sidestepped tariffs by shipping panels through tariff-free Asian countries. We expect an initial DOC report this fall.

For more on our long-term solar growth outlook for U.S. utilities, see our report, "U.S. Utility-Scale Solar: Top Picks Hiding In Shadows." Our most recent utilities sector report, "Constructive Utility Regulation Critical to Reduce Inflation Risk," addresses key issues that we think will impact our top utilities picks, including NextEra Energy and NiSource.

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Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2019	2020	2021	Forecast 2022	Forecast 2023	5-Year Proj. CAGR
Revenue	*-1.4*	1.9	-10.1	4.7	*5.5*	*4.3*	*4.4*
EBIT	*100.6*	614.3	-38.2	82.8	*15.2*	*12.0*	*10.8*
EBITDA	*34.3*	122.0	-20.6	37.5	*11.1*	*9.7*	*9.3*
Net Income	*7.3*	6.8	2.5	12.7	*9.1*	*10.3*	*9.3*
Diluted EPS	*1.8*	1.2	0.3	3.8	*4.9*	*7.9*	*7.6*
Earnings Before Interest, after Tax	—	-417.7	10.7	10.8	*16.7*	*13.2*	*9.7*
Free Cash Flow	—	-65.5	-190.7	-267.4	*-70.1*	*538.9*	—

Profitability	3-Year Hist. Avg	2019	2020	2021	2022	2023	5-Year Proj. Avg
Operating Margin %	*16.5*	17.1	11.8	20.6	*22.4*	*24.1*	*25.9*
EBITDA Margin %	*31.3*	30.9	27.3	35.8	*37.7*	*39.7*	*41.9*
Net Margin %	*10.7*	9.5	10.8	11.7	*12.1*	*12.7*	*13.9*
Free Cash Flow Margin %	*-5.2*	-9.7	9.8	-15.6	*-4.4*	*-27.1*	*-0.8*
ROIC %	*3.7*	4.5	2.1	4.6	*4.9*	*5.1*	*5.2*
Adjusted ROIC %	*4.1*	4.9	2.3	5.0	*5.3*	*5.4*	*5.6*
Return on Assets %	*0.3*	0.1	-1.7	2.3	*2.5*	*2.6*	*2.8*
Return on Equity %	*1.2*	0.6	-7.5	10.3	*10.9*	*11.0*	*11.7*

Leverage	3-Year Hist. Avg	2019	2020	2021	2022	2023	5-Year Proj. Avg
Debt/Capital	*0.61*	0.62	0.63	0.59	*0.58*	*0.60*	*0.59*
Total Debt/EBITDA	*6.40*	6.00	7.63	5.58	*5.54*	*5.82*	*5.37*
EBITDA/Interest Expense	*4.28*	4.24	3.44	5.15	*5.16*	*5.09*	*5.11*

Valuation Summary and Forecasts

	2020	2021	2022(E)	2023(E)
Price/Fair Value	0.80	0.92	—	—
Price/Earnings	17.4	20.2	*21.8*	*20.3*
EV/EBITDA	16.0	12.8	*12.3*	*11.2*
EV/EBIT	37.1	22.3	*20.6*	*18.4*
Free Cash Flow Yield %	-7.3	-5.5	*-8.9*	*-13.9*
Dividend Yield %	3.7	3.0	*3.0*	*3.2*

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	-230	-1.0	-0.52
Present Value Stage II	4,859	20.5	11.07
Present Value Stage III	19,109	80.5	43.53
Total Firm Value	**23,738**	**100.0**	**54.07**
Cash and Equivalents	95	—	0.22
Debt	0	—	-22.33
Preferred Stock	-1,547	—	-3.52
Other Adjustments	905	—	2.06
Equity Value	**13,389**	**—**	**30.50**
Projected Diluted Shares	439		
Fair Value per Share (USD)	**31.00**		

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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Morningstar Analyst Forecasts

Income Statement (USD Mil)

Fiscal Year Ends in December	2019	2020	2021	Forecast 2022	Forecast 2023
Revenue	**5,209**	**4,682**	**4,900**	***5,171***	***5,395***
Cost of Goods Sold	1,535	1,109	1,392	*1,411*	*1,429*
Gross Profit	**3,674**	**3,572**	**3,507**	***3,760***	***3,966***
Selling, General & Administrative Expenses	1,355	1,586	1,456	*1,502*	*1,517*
Other Operating Expense (Income)	711	710	296	*308*	*309*
Other Operating Expense (Income)	—	—	—	—	—
Depreciation & Amortization (if reported separately)	717	726	748	*790*	*840*
Operating Income (ex charges)	**891**	**551**	**1,007**	***1,160***	***1,299***
Restructuring & Other Cash Charges	297	299	—	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**594**	**252**	**1,007**	***1,160***	***1,299***
Interest Expense	379	371	341	*378*	*421*
Interest Income	-5	-211	41	*30*	*10*
Pre-Tax Income	**210**	**-331**	**707**	***812***	***889***
Income Tax Expense	124	-17	118	*130*	*142*
Other After-Tax Cash Gains (Losses)	—	—	—	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	—	—	—
(Minority Interest)	—	-3	-4	*-4*	*-4*
(Preferred Dividends)	-55	-55	-55	*-55*	*-55*
Net Income	**31**	**-372**	**530**	***623***	***688***
Weighted Average Diluted Shares Outstanding	376	384	417	*434*	*444*
Diluted Earnings Per Share	**0.08**	**-0.97**	**1.27**	***1.44***	***1.55***
Adjusted Net Income	495	507	572	*623*	*688*
Diluted Earnings Per Share (Adjusted)	**1.32**	**1.32**	**1.37**	***1.44***	***1.55***
Dividends Per Common Share	0.79	0.84	0.83	*0.94*	*1.00*
EBITDA	**1,311**	**978**	**1,755**	***1,950***	***2,139***
Adjusted EBITDA	**1,608**	**1,277**	**1,755**	***1,950***	***2,139***

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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]
31.42 USD	31.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

Morningstar Analyst Forecasts

Balance Sheet (USD Mil)

Fiscal Year Ends in December	2019	2020	2021	Forecast 2022	Forecast 2023
Cash and Equivalents	148	126	95	*419*	*87*
Investments	—	—	—	—	—
Accounts Receivable	857	791	826	*878*	*857*
Inventory	425	401	499	*502*	*470*
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	424	341	502	*350*	*350*
Current Assets	**1,854**	**1,659**	**1,921**	***2,149***	***1,764***
Net Property Plant, and Equipment	16,912	16,620	17,882	*19,612*	*22,392*
Goodwill	1,486	1,486	1,486	*1,486*	*1,486*
Other Intangibles	—	—	—	—	—
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,014	1,795	2,286	*1,800*	*1,800*
Long-Term Non-Operating Assets	394	481	582	*582*	*582*
Total Assets	**22,660**	**22,041**	**24,157**	***25,630***	***28,024***
Accounts Payable	666	589	698	*580*	*587*
Short-Term Debt	1,787	526	618	*618*	*1,068*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,293	1,164	1,430	*1,200*	*1,200*
Current Liabilities	**3,746**	**2,279**	**2,746**	***2,398***	***2,855***
Long-Term Debt	7,856	9,220	9,183	*10,183*	*11,383*
Deferred Tax Liabilities (Long-Term)	1,485	1,471	1,659	*1,800*	*1,970*
Other Long-Term Operating Liabilities	2,352	1,904	1,843	*2,000*	*2,000*
Long-Term Non-Operating Liabilities	1,234	1,329	1,452	*1,452*	*1,452*
Total Liabilities	**16,673**	**16,203**	**16,884**	***17,834***	***19,661***
Preferred Stock	880	880	1,547	*1,720*	*1,720*
Common Stock	4	4	4	*4*	*4*
Additional Paid-in Capital	6,666	6,890	7,204	*7,504*	*7,804*
Retained Earnings (Deficit)	-1,371	-1,765	-1,581	*-1,343*	*-1,075*
(Treasury Stock)	-100	-100	-100	*-100*	*-100*
Other Equity	-93	-157	-127	*-70*	*-70*
Shareholder's Equity	**5,987**	**5,752**	**6,947**	***7,716***	***8,283***
Minority Interest	—	86	326	*80*	*80*
Total Equity	**5,987**	**5,838**	**7,273**	***7,796***	***8,363***

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Morningstar Analyst Forecasts

Cash Flow (USD Mil)

Fiscal Year Ends in December	2019	2020	2021	Forecast 2022	Forecast 2023
Net Income	383	-14	589	*682*	*747*
Depreciation	717	726	748	*790*	*840*
Amortization	—	—	—	—	—
Stock-Based Compensation	26	17	24	*25*	*25*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	118	-29	112	*141*	*170*
Other Non-Cash Adjustments	414	653	5	—	—
(Increase) Decrease in Accounts Receivable	188	-4	-40	*-53*	*21*
(Increase) Decrease in Inventory	-2	-2	-113	*-4*	*33*
Change in Other Short-Term Assets	-23	-236	-132	*152*	—
Increase (Decrease) in Accounts Payable	-300	-30	55	*-118*	*8*
Change in Other Short-Term Liabilities	62	22	-30	*-230*	—
Cash From Operations	**1,583**	**1,104**	**1,218**	***1,385***	***1,843***
(Capital Expenditures)	-1,802	-1,758	-1,838	*-2,520*	*-3,620*
Net (Acquisitions), Asset Sales, and Disposals	—	—	1	—	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-120	879	-368	*643*	—
Cash From Investing	**-1,922**	**-879**	**-2,205**	***-1,877***	***-3,620***
Common Stock Issuance (or Repurchase)	244	211	1,140	*300*	*300*
Common Stock (Dividends)	-299	-322	-345	*-385*	*-420*
Short-Term Debt Issuance (or Retirement)	-204	-1,270	57	—	*450*
Long-Term Debt Issuance (or Retirement)	681	1,106	-44	*1,000*	*1,200*
Other Financing Cash Flows	-56	27	150	*-156*	*-84*
Cash From Financing	**366**	**-248**	**957**	***759***	***1,445***
Exchange Rates, Discontinued Ops, etc. (net)	0	0	—	*57*	—
Net Change in Cash	**27**	**-23**	**-30**	***324***	***-332***

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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

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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.

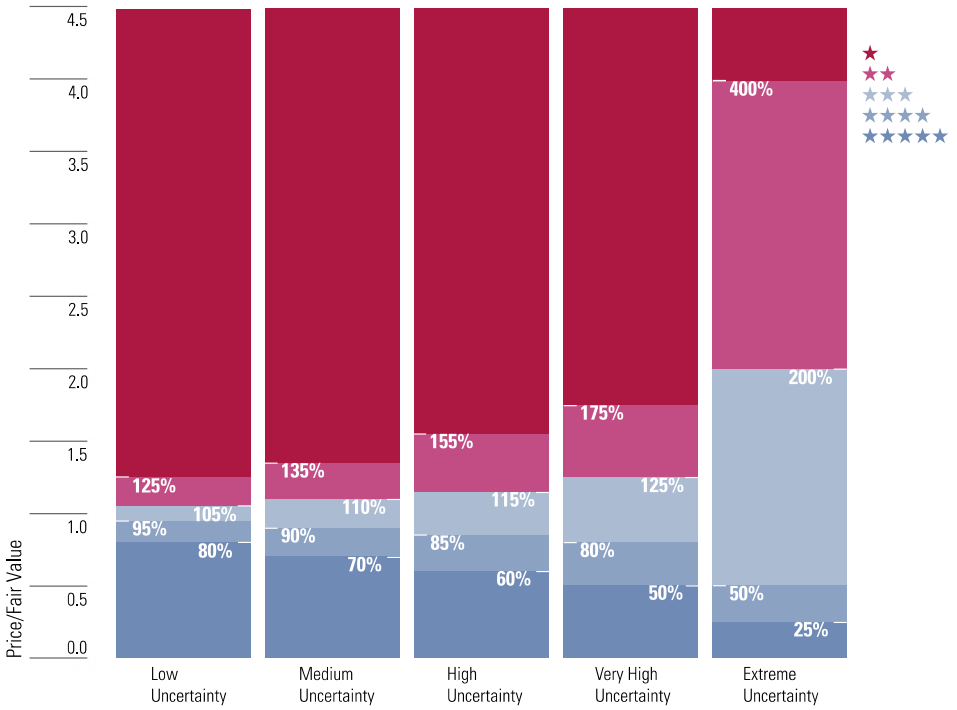
- Low–margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- Medium–margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- High–margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- Very 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.

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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/.

Ratings should not be used as the sole basis in evaluating a company or security. Ratings involve unknown risks and uncertainties which may cause our expectations not to occur or to differ significantly from what was expected and should not be considered an offer or solicitation to buy or sell a security.

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.

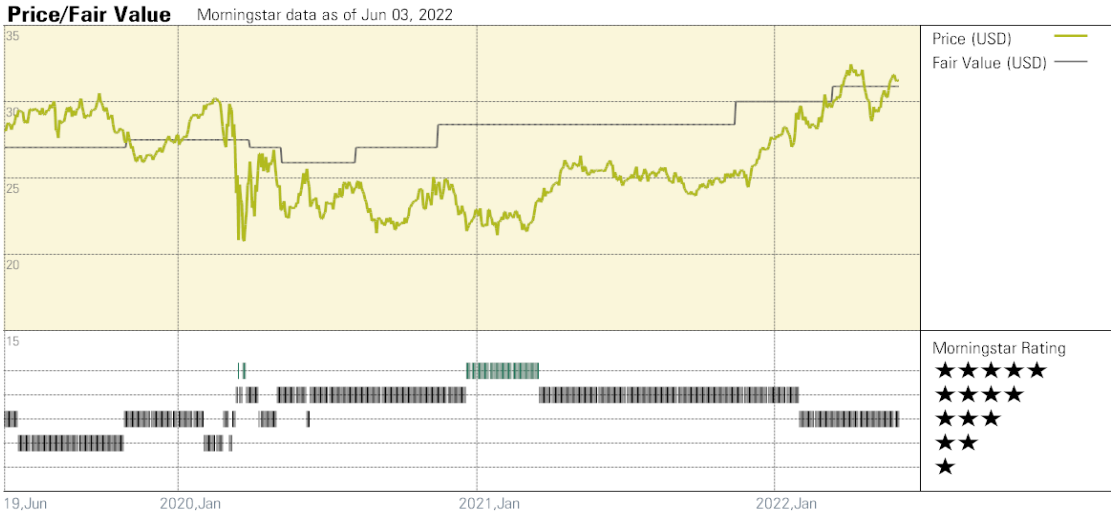
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NiSource Inc NI (NYSE) | ★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
31.42 USD	31.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

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Utility Valuations Look Stretched Amid Highest Inflation in Four Decades

Travis Miller
Strategist
Morningstar

Analyst Note 10 Jun 2022

We are reaffirming our fair value estimates and moat ratings for the U.S. utilities we cover after the U.S. Bureau of Labor Statistics' Consumer Price Index, or CPI, reported 8.6% inflation for May. We continue to consider inflation to be the largest threat to utilities' long-term returns and ability to pay robust, growing dividends.

Utilities trade at a median 10% premium to our fair value estimates. With utilities' market valuation multiples well above 20-year highs, we think the market is ignoring the potential for cuts in earnings growth and valuations by year-end if inflation remains above 3%.

Utilities are flat year to date compared with the S&P 500's 18% decline, but we think that outperformance will be short-lived. The Morningstar US Utilities Sector Index has underperformed the S&P 500 by 18 percentage points on average over two-year periods following months when the CPI rose more than 3% year over year. Core CPI was up 8.6% in May, a four-decade high, with electricity prices up 12% over the 12-month period based on U.S. Bureau of Labor Statistics data.

While all utilities will be affected by inflation, we think utilities that operate in constructive regulatory environments, in which utilities are allowed to adjust customer rates for higher costs and higher returns on investments, can better offset inflation and rising interest rates. We think Dominion Energy, Entergy, NextEra Energy, and NiSource are the best positioned among its utility peers to mitigate the impacts of inflation.

Inflation hurts utilities' earnings and returns on capital because utilities generally have fixed revenue, high capital and labor costs, and large energy pass-through costs that raise customer bills without raising earnings. We estimate

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Research as of 10 Jun 2022
Estimates as of 23 Mar 2022
Pricing data through 09 Jun 2022 00:00
Rating updated as of 09 Jun 2022 00:00

[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.
Rating as of 01 Jun 2022 00:00

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

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Methodology for Valuing Companies

Vital Statistics

Market Cap (USD Mil)	12,267
52-Week High (USD)	32.58
52-Week Low (USD)	23.65
52-Week Total Return %	21.6
YTD Total Return %	11.2
Last Fiscal Year End	31 Dec 2021
5-Yr Forward Revenue CAGR %	4.4
5-Yr Forward EPS CAGR %	7.6
Price/Fair Value	0.98

Valuation Summary and Forecasts

Fiscal Year:	2020	2021	*2022(E)*	*2023(E)*
Price/Earnings	17.4	20.2	*21.0*	*19.5*
EV/EBITDA	16.0	12.8	*12.0*	*11.0*
EV/EBIT	37.1	22.3	*20.2*	*18.1*
Free Cash Flow Yield %	-7.3	-5.5	*-9.3*	*-14.5*
Dividend Yield %	3.7	3.0	*3.1*	*3.3*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2020	2021	*2022(E)*	*2023(E)*
Revenue	4,682	4,900	*5,171*	*5,395*
Revenue YoY %	-10.1	4.7	*5.5*	*4.3*
EBIT	551	1,007	*1,160*	*1,299*
EBIT YoY %	-38.2	82.8	*15.2*	*12.0*
Net Income, Adjusted	507	572	*623*	*688*
Net Income YoY %	2.5	12.7	*9.1*	*10.3*
Diluted EPS	1.32	1.37	*1.44*	*1.55*
Diluted EPS YoY %	0.3	3.8	*4.9*	*7.9*
Free Cash Flow	457	-765	*-229*	*-1,461*
Free Cash Flow YoY %	-190.7	-267.4	*-70.1*	*538.9*

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 renewable energy.

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utilities' operating and core capital costs were more than 70% of net revenue on average in 2021. Rising costs make it critical that utilities receive timely rate adjustments, a particularly tough task when energy costs also are rising.

Low inflation and interest rates have helped most utilities increase earnings with only moderate customer bill impacts. Electric and gas utility bills have fallen from 2.2% of total household spending in 2008 to 1.6% in 2021. This is primarily due to mostly flat operating costs and lower interest costs offsetting a near doubling of capital investment during the last decade.

For a more detailed analysis of how inflation affects utilities, see our latest reports, "Inflation Unraveling U.S. Utilities' Safety Net" and "Utility Regulation Critical To Manage Inflation Risk."

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Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2019	2020	2021	Forecast 2022	Forecast 2023	5-Year Proj. CAGR
Revenue	*-1.4*	1.9	-10.1	4.7	*5.5*	*4.3*	*4.4*
EBIT	*100.6*	614.3	-38.2	82.8	*15.2*	*12.0*	*10.8*
EBITDA	*34.3*	122.0	-20.6	37.5	*11.1*	*9.7*	*9.3*
Net Income	*7.3*	6.8	2.5	12.7	*9.1*	*10.3*	*9.3*
Diluted EPS	*1.8*	1.2	0.3	3.8	*4.9*	*7.9*	*7.6*
Earnings Before Interest, after Tax	—	-417.7	10.7	10.8	*16.7*	*13.2*	*9.7*
Free Cash Flow	—	-65.5	-190.7	-267.4	*-70.1*	*538.9*	—

Profitability	3-Year Hist. Avg	2019	2020	2021	2022	2023	5-Year Proj. Avg
Operating Margin %	*16.5*	17.1	11.8	20.6	*22.4*	*24.1*	*25.9*
EBITDA Margin %	*31.3*	30.9	27.3	35.8	*37.7*	*39.7*	*41.9*
Net Margin %	*10.7*	9.5	10.8	11.7	*12.1*	*12.7*	*13.9*
Free Cash Flow Margin %	*-5.2*	-9.7	9.8	-15.6	*-4.4*	*-27.1*	*-0.8*
ROIC %	*3.7*	4.5	2.1	4.6	*4.9*	*5.1*	*5.2*
Adjusted ROIC %	*4.1*	4.9	2.3	5.0	*5.3*	*5.4*	*5.6*
Return on Assets %	*0.3*	0.1	-1.7	2.3	*2.5*	*2.6*	*2.8*
Return on Equity %	*1.2*	0.6	-7.5	10.3	*10.9*	*11.0*	*11.7*

Leverage	3-Year Hist. Avg	2019	2020	2021	2022	2023	5-Year Proj. Avg
Debt/Capital	*0.61*	0.62	0.63	0.59	*0.58*	*0.60*	*0.59*
Total Debt/EBITDA	*6.40*	6.00	7.63	5.58	*5.54*	*5.82*	*5.37*
EBITDA/Interest Expense	*4.28*	4.24	3.44	5.15	*5.16*	*5.09*	*5.11*

Valuation Summary and Forecasts

	2020	2021	2022(E)	2023(E)
Price/Fair Value	0.80	0.92	—	—
Price/Earnings	17.4	20.2	*21.0*	*19.5*
EV/EBITDA	16.0	12.8	*12.0*	*11.0*
EV/EBIT	37.1	22.3	*20.2*	*18.1*
Free Cash Flow Yield %	-7.3	-5.5	*-9.3*	*-14.5*
Dividend Yield %	3.7	3.0	*3.1*	*3.3*

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	-230	-1.0	-0.52
Present Value Stage II	4,859	20.5	11.07
Present Value Stage III	19,109	80.5	43.53
Total Firm Value	**23,738**	**100.0**	**54.07**
Cash and Equivalents	95	—	0.22
Debt	0	—	-22.33
Preferred Stock	-1,547	—	-3.52
Other Adjustments	905	—	2.06
Equity Value	**13,389**	**—**	**30.50**
Projected Diluted Shares	439		
Fair Value per Share (USD)	**31.00**		

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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Morningstar Analyst Forecasts

Income Statement (USD Mil)

Fiscal Year Ends in December	2019	2020	2021	Forecast 2022	Forecast 2023
Revenue	**5,209**	**4,682**	**4,900**	***5,171***	***5,395***
Cost of Goods Sold	1,535	1,109	1,392	*1,411*	*1,429*
Gross Profit	**3,674**	**3,572**	**3,507**	***3,760***	***3,966***
Selling, General & Administrative Expenses	1,355	1,586	1,456	*1,502*	*1,517*
Other Operating Expense (Income)	711	710	296	*308*	*309*
Other Operating Expense (Income)	—	—	—	—	—
Depreciation & Amortization (if reported separately)	717	726	748	*790*	*840*
Operating Income (ex charges)	**891**	**551**	**1,007**	***1,160***	***1,299***
Restructuring & Other Cash Charges	297	299	—	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**594**	**252**	**1,007**	***1,160***	***1,299***
Interest Expense	379	371	341	*378*	*421*
Interest Income	-5	-211	41	*30*	*10*
Pre-Tax Income	**210**	**-331**	**707**	***812***	***889***
Income Tax Expense	124	-17	118	*130*	*142*
Other After-Tax Cash Gains (Losses)	—	—	—	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	—	—	—
(Minority Interest)	—	-3	-4	*-4*	*-4*
(Preferred Dividends)	-55	-55	-55	*-55*	*-55*
Net Income	**31**	**-372**	**530**	***623***	***688***
Weighted Average Diluted Shares Outstanding	376	384	417	*434*	*444*
Diluted Earnings Per Share	**0.08**	**-0.97**	**1.27**	***1.44***	***1.55***
Adjusted Net Income	495	507	572	*623*	*688*
Diluted Earnings Per Share (Adjusted)	**1.32**	**1.32**	**1.37**	***1.44***	***1.55***
Dividends Per Common Share	0.79	0.84	0.83	*0.94*	*1.00*
EBITDA	**1,311**	**978**	**1,755**	***1,950***	***2,139***
Adjusted EBITDA	**1,608**	**1,277**	**1,755**	***1,950***	***2,139***

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Morningstar Analyst Forecasts

Balance Sheet (USD Mil)

Fiscal Year Ends in December	2019	2020	2021	Forecast 2022	Forecast 2023
Cash and Equivalents	148	126	95	*419*	*87*
Investments	—	—	—	—	—
Accounts Receivable	857	791	826	*878*	*857*
Inventory	425	401	499	*502*	*470*
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	424	341	502	*350*	*350*
Current Assets	**1,854**	**1,659**	**1,921**	***2,149***	***1,764***
Net Property Plant, and Equipment	16,912	16,620	17,882	*19,612*	*22,392*
Goodwill	1,486	1,486	1,486	*1,486*	*1,486*
Other Intangibles	—	—	—	—	—
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,014	1,795	2,286	*1,800*	*1,800*
Long-Term Non-Operating Assets	394	481	582	*582*	*582*
Total Assets	**22,660**	**22,041**	**24,157**	***25,630***	***28,024***
Accounts Payable	666	589	698	*580*	*587*
Short-Term Debt	1,787	526	618	*618*	*1,068*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,293	1,164	1,430	*1,200*	*1,200*
Current Liabilities	**3,746**	**2,279**	**2,746**	***2,398***	***2,855***
Long-Term Debt	7,856	9,220	9,183	*10,183*	*11,383*
Deferred Tax Liabilities (Long-Term)	1,485	1,471	1,659	*1,800*	*1,970*
Other Long-Term Operating Liabilities	2,352	1,904	1,843	*2,000*	*2,000*
Long-Term Non-Operating Liabilities	1,234	1,329	1,452	*1,452*	*1,452*
Total Liabilities	**16,673**	**16,203**	**16,884**	***17,834***	***19,661***
Preferred Stock	880	880	1,547	*1,720*	*1,720*
Common Stock	4	4	4	*4*	*4*
Additional Paid-in Capital	6,666	6,890	7,204	*7,504*	*7,804*
Retained Earnings (Deficit)	-1,371	-1,765	-1,581	*-1,343*	*-1,075*
(Treasury Stock)	-100	-100	-100	*-100*	*-100*
Other Equity	-93	-157	-127	*-70*	*-70*
Shareholder's Equity	**5,987**	**5,752**	**6,947**	***7,716***	***8,283***
Minority Interest	—	86	326	*80*	*80*
Total Equity	**5,987**	**5,838**	**7,273**	***7,796***	***8,363***

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Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
30.23 USD	31.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

Morningstar Analyst Forecasts

Cash Flow (USD Mil)

Fiscal Year Ends in December	2019	2020	2021	Forecast 2022	Forecast 2023
Net Income	383	-14	589	*682*	*747*
Depreciation	717	726	748	*790*	*840*
Amortization	—	—	—	—	—
Stock-Based Compensation	26	17	24	*25*	*25*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	118	-29	112	*141*	*170*
Other Non-Cash Adjustments	414	653	5	—	—
(Increase) Decrease in Accounts Receivable	188	-4	-40	*-53*	*21*
(Increase) Decrease in Inventory	-2	-2	-113	*-4*	*33*
Change in Other Short-Term Assets	-23	-236	-132	*152*	—
Increase (Decrease) in Accounts Payable	-300	-30	55	*-118*	*8*
Change in Other Short-Term Liabilities	62	22	-30	*-230*	—
Cash From Operations	**1,583**	**1,104**	**1,218**	***1,385***	***1,843***
(Capital Expenditures)	-1,802	-1,758	-1,838	*-2,520*	*-3,620*
Net (Acquisitions), Asset Sales, and Disposals	—	—	1	—	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-120	879	-368	*643*	—
Cash From Investing	**-1,922**	**-879**	**-2,205**	***-1,877***	***-3,620***
Common Stock Issuance (or Repurchase)	244	211	1,140	*300*	*300*
Common Stock (Dividends)	-299	-322	-345	*-385*	*-420*
Short-Term Debt Issuance (or Retirement)	-204	-1,270	57	—	*450*
Long-Term Debt Issuance (or Retirement)	681	1,106	-44	*1,000*	*1,200*
Other Financing Cash Flows	-56	27	150	*-156*	*-84*
Cash From Financing	**366**	**-248**	**957**	***759***	***1,445***
Exchange Rates, Discontinued Ops, etc. (net)	0	0	—	*57*	—
Net Change in Cash	**27**	**-23**	**-30**	***324***	***-332***

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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

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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.

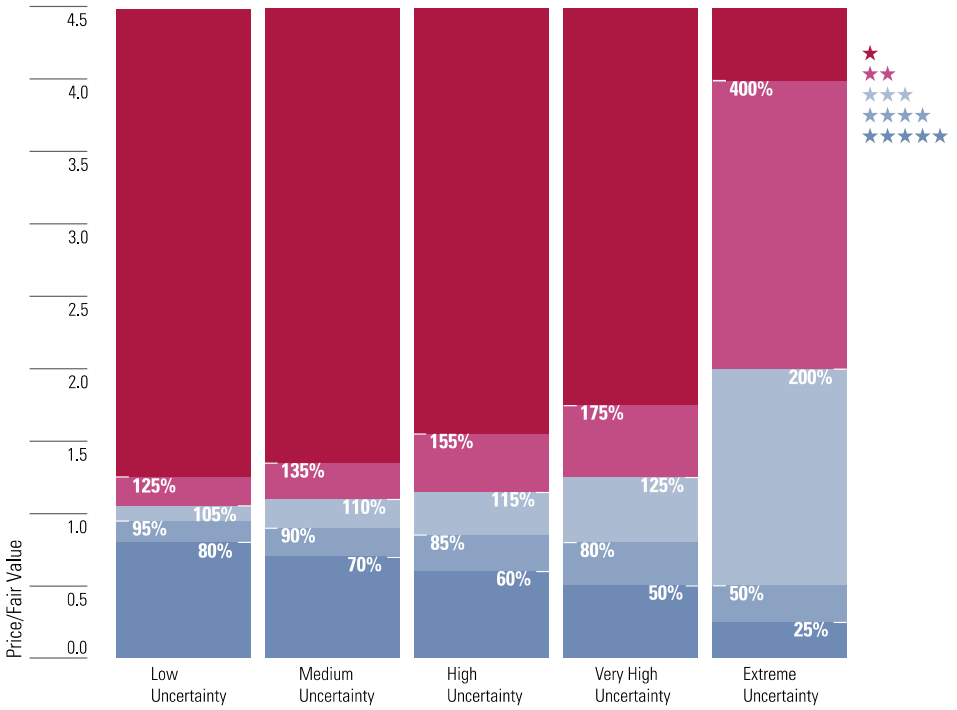
- Low–margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- Medium–margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- High–margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- Very 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.

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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/.

Ratings should not be used as the sole basis in evaluating a company or security. Ratings involve unknown risks and uncertainties which may cause our expectations not to occur or to differ significantly from what was expected and should not be considered an offer or solicitation to buy or sell a security.

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.

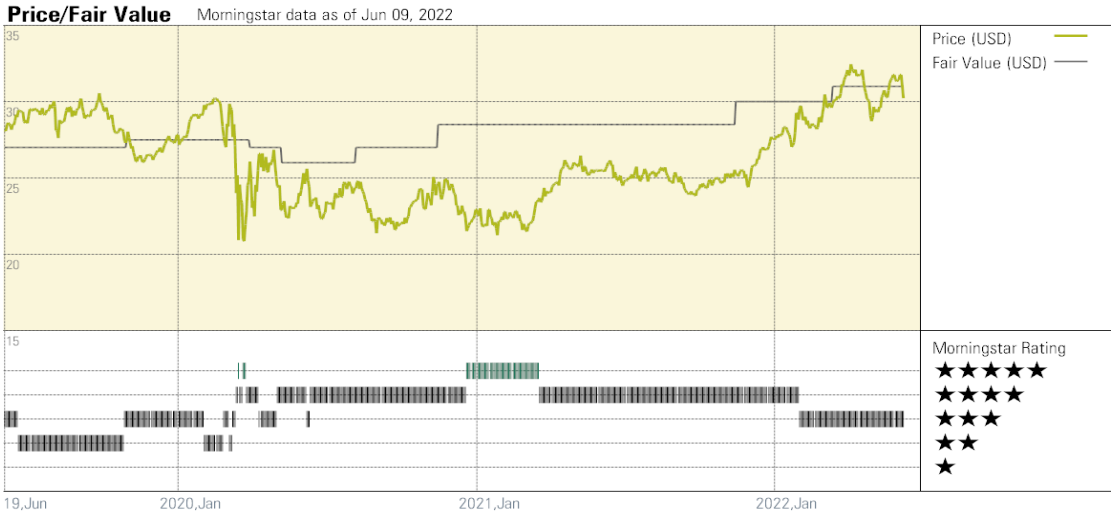
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Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
30.23 USD	31.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	



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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]
30.23 USD	31.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

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Utility Selloff Now Has Sector Trading in Line With Our Fair Value Estimates

Travis Miller
Strategist
Morningstar

Analyst Note 14 Jun 2022

We are reaffirming our fair value estimates and moat ratings for the U.S. utilities we cover after the median utility in our coverage now trades in line with our fair value estimate, after the Morningstar US Utilities Sector Index declined 12% since Wednesday, June 8.

We think the selloff was sparked in large part by the U.S. Bureau of Labor Statistics' Consumer Price Index reading last week, which reported inflation was at a four decade high for May. Utilities peaked at 17% overvalued as of late April, and were 13% overvalued as of June 8, as global uncertainty drove investors to U.S. utilities.

Up until last week, investors had largely ignored the risk of inflation, which we considered the largest threat to utilities' long-term returns. Utilities have historically significantly underperformed the S&P 500 in inflationary environments, as utilities have fixed revenue, high capital and labor costs, and large energy pass-through costs. With higher-than-expected inflation, the market has increased expectations for the Fed to expedite interest rate increases. The utilities sector median 3.3% dividend yield is now a mere 18 basis point discount to the 10-year U.S. Treasury, making utility dividends less attractive to income-focused investors. In early March, the dividend yield was a 150 basis point premium to the 10-year U.S. Treasury.

No utility was trading below our fair value estimate mid-last week. Now, nearly half our utility coverage trades at or below our fair value estimates and we now think there are opportunities for long-term utility investors. While there are a few utilities that trade at a larger discount to our fair values, we think long-term investors are best served focusing on utilities in constructive regulatory environments that are better positioned to address inflationary headwinds, with Dominion Energy, Entergy, NextEra Energy,

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The primary analyst covering this company does not own its stock.

Research as of 14 Jun 2022
Estimates as of 23 Mar 2022
Pricing data through 14 Jun 2022 00:00
Rating updated as of 14 Jun 2022 00:00

[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.
Rating as of 01 Jun 2022 00:00

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

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Methodology for Valuing Companies

Vital Statistics

Market Cap (USD Mil)	11,200
52-Week High (USD)	32.58
52-Week Low (USD)	23.65
52-Week Total Return %	9.5
YTD Total Return %	1.7
Last Fiscal Year End	31 Dec 2021
5-Yr Forward Revenue CAGR %	4.4
5-Yr Forward EPS CAGR %	7.6
Price/Fair Value	0.89

Valuation Summary and Forecasts

Fiscal Year:	2020	2021	*2022(E)*	*2023(E)*
Price/Earnings	17.4	20.2	*19.2*	*17.8*
EV/EBITDA	16.0	12.8	*11.5*	*10.5*
EV/EBIT	37.1	22.3	*19.3*	*17.2*
Free Cash Flow Yield %	-7.3	-5.5	*-10.1*	*-15.9*
Dividend Yield %	3.7	3.0	*3.4*	*3.6*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2020	2021	*2022(E)*	*2023(E)*
Revenue	4,682	4,900	*5,171*	*5,395*
Revenue YoY %	-10.1	4.7	*5.5*	*4.3*
EBIT	551	1,007	*1,160*	*1,299*
EBIT YoY %	-38.2	82.8	*15.2*	*12.0*
Net Income, Adjusted	507	572	*623*	*688*
Net Income YoY %	2.5	12.7	*9.1*	*10.3*
Diluted EPS	1.32	1.37	*1.44*	*1.55*
Diluted EPS YoY %	0.3	3.8	*4.9*	*7.9*
Free Cash Flow	457	-765	*-229*	*-1,461*
Free Cash Flow YoY %	-190.7	-267.4	*-70.1*	*538.9*

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 renewable energy.

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27.60 USD	31.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

and NiSource our top picks.

Dominion Energy has transitioned to a predominantly rate-regulated utility operating in highly constructive regulatory environments. The company's five-year $37 billion capital investment plan focusing on clean energy supports our 6.5% annual earnings growth forecast. Virginia is the company's most important subsidiary and has the most constructive regulation. Dominion expects 90% of its capital investment in the region will be eligible for rate riders, reducing regulatory risk in an inflationary environment.

We think Entergy has several advantages over its peers in an inflationary environment. The company's five southeast utilities should benefit from a jump in U.S. energy demand, constructive state regulation, and substantial opportunities for clean energy growth. More than 90% of Entergy's investments flow through customer rates with little regulatory lag. This minimizes the impact from inflation. We expect Entergy to invest $4 billion annually through 2025 to upgrade its expansive grid and replace coal generation with mostly solar. This supports our annual earnings growth estimate at the high end of management's 7%-9% target.

Constructive regulation in Florida supports industry-leading returns and growth for NextEra Energy. Florida's highly constructive rate-setting mechanisms support investment in the state. NextEra benefits from one of the highest allowed returns in the industry. The utility also has among the lowest electricity bills and highest customer growth across its peer group, helping protect itself in an inflationary environment. At the company's competitive renewable business, NextEra is well positioned to for the clean energy transition. A U.S. Department of Commerce anti-circumvention investigation regarding the import of solar panels from certain Asian countries had created uncertainty to the company's near-term development program; however, the Biden administration's recent decision to not apply solar panel tariffs for at least the next two years brings near-term clarity.

NiSource's transition from coal to renewable energy in Indiana along with regulatory support in the states where it operates natural gas systems should support more than $10 billion of investment over the next four years and 8% annual earnings growth, among the highest in the sector. We think this is an opportunity to buy a high-growth utility at a discount to recent market acquisitions involving similar natural gas distribution utilities. New CEO Lloyd Yates could shake up NiSource's portfolio to capitalize on those market valuations while boosting the share of earnings from its high-growth electric business.

For a more detailed analysis of how inflation affects utilities, see our latest reports, "Inflation Unraveling U.S. Utilities' Safety Net" and "Utility Regulation Critical To Manage Inflation Risk."

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Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2019	2020	2021	Forecast 2022	Forecast 2023	5-Year Proj. CAGR
Revenue	*-1.4*	1.9	-10.1	4.7	*5.5*	*4.3*	*4.4*
EBIT	*100.6*	614.3	-38.2	82.8	*15.2*	*12.0*	*10.8*
EBITDA	*34.3*	122.0	-20.6	37.5	*11.1*	*9.7*	*9.3*
Net Income	*7.3*	6.8	2.5	12.7	*9.1*	*10.3*	*9.3*
Diluted EPS	*1.8*	1.2	0.3	3.8	*4.9*	*7.9*	*7.6*
Earnings Before Interest, after Tax	—	-417.7	10.7	10.8	*16.7*	*13.2*	*9.7*
Free Cash Flow	—	-65.5	-190.7	-267.4	*-70.1*	*538.9*	—

Profitability	3-Year Hist. Avg	2019	2020	2021	2022	2023	5-Year Proj. Avg
Operating Margin %	*16.5*	17.1	11.8	20.6	*22.4*	*24.1*	*25.9*
EBITDA Margin %	*31.3*	30.9	27.3	35.8	*37.7*	*39.7*	*41.9*
Net Margin %	*10.7*	9.5	10.8	11.7	*12.1*	*12.7*	*13.9*
Free Cash Flow Margin %	*-5.2*	-9.7	9.8	-15.6	*-4.4*	*-27.1*	*-0.8*
ROIC %	*3.7*	4.5	2.1	4.6	*4.9*	*5.1*	*5.2*
Adjusted ROIC %	*4.1*	4.9	2.3	5.0	*5.3*	*5.4*	*5.6*
Return on Assets %	*0.3*	0.1	-1.7	2.3	*2.5*	*2.6*	*2.8*
Return on Equity %	*1.2*	0.6	-7.5	10.3	*10.9*	*11.0*	*11.7*

Leverage	3-Year Hist. Avg	2019	2020	2021	2022	2023	5-Year Proj. Avg
Debt/Capital	*0.61*	0.62	0.63	0.59	*0.58*	*0.60*	*0.59*
Total Debt/EBITDA	*6.40*	6.00	7.63	5.58	*5.54*	*5.82*	*5.37*
EBITDA/Interest Expense	*4.28*	4.24	3.44	5.15	*5.16*	*5.09*	*5.11*

Valuation Summary and Forecasts

	2020	2021	2022(E)	2023(E)
Price/Fair Value	0.80	0.92	—	—
Price/Earnings	17.4	20.2	*19.2*	*17.8*
EV/EBITDA	16.0	12.8	*11.5*	*10.5*
EV/EBIT	37.1	22.3	*19.3*	*17.2*
Free Cash Flow Yield %	-7.3	-5.5	*-10.1*	*-15.9*
Dividend Yield %	3.7	3.0	*3.4*	*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	-230	-1.0	-0.52
Present Value Stage II	4,859	20.5	11.07
Present Value Stage III	19,109	80.5	43.53
Total Firm Value	**23,738**	**100.0**	**54.07**
Cash and Equivalents	95	—	0.22
Debt	0	—	-22.33
Preferred Stock	-1,547	—	-3.52
Other Adjustments	905	—	2.06
Equity Value	**13,389**	**—**	**30.50**
Projected Diluted Shares	439		
Fair Value per Share (USD)	**31.00**		

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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Morningstar Analyst Forecasts

Income Statement (USD Mil)

Fiscal Year Ends in December	2019	2020	2021	Forecast 2022	Forecast 2023
Revenue	**5,209**	**4,682**	**4,900**	***5,171***	***5,395***
Cost of Goods Sold	1,535	1,109	1,392	*1,411*	*1,429*
Gross Profit	**3,674**	**3,572**	**3,507**	***3,760***	***3,966***
Selling, General & Administrative Expenses	1,355	1,586	1,456	*1,502*	*1,517*
Other Operating Expense (Income)	711	710	296	*308*	*309*
Other Operating Expense (Income)	—	—	—	—	—
Depreciation & Amortization (if reported separately)	717	726	748	*790*	*840*
Operating Income (ex charges)	**891**	**551**	**1,007**	***1,160***	***1,299***
Restructuring & Other Cash Charges	297	299	—	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**594**	**252**	**1,007**	***1,160***	***1,299***
Interest Expense	379	371	341	*378*	*421*
Interest Income	-5	-211	41	*30*	*10*
Pre-Tax Income	**210**	**-331**	**707**	***812***	***889***
Income Tax Expense	124	-17	118	*130*	*142*
Other After-Tax Cash Gains (Losses)	—	—	—	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	—	—	—
(Minority Interest)	—	-3	-4	*-4*	*-4*
(Preferred Dividends)	-55	-55	-55	*-55*	*-55*
Net Income	**31**	**-372**	**530**	***623***	***688***
Weighted Average Diluted Shares Outstanding	376	384	417	*434*	*444*
Diluted Earnings Per Share	**0.08**	**-0.97**	**1.27**	***1.44***	***1.55***
Adjusted Net Income	495	507	572	*623*	*688*
Diluted Earnings Per Share (Adjusted)	**1.32**	**1.32**	**1.37**	***1.44***	***1.55***
Dividends Per Common Share	0.79	0.84	0.83	*0.94*	*1.00*
EBITDA	**1,311**	**978**	**1,755**	***1,950***	***2,139***
Adjusted EBITDA	**1,608**	**1,277**	**1,755**	***1,950***	***2,139***

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Morningstar Analyst Forecasts

Balance Sheet (USD Mil)

Fiscal Year Ends in December	2019	2020	2021	Forecast 2022	Forecast 2023
Cash and Equivalents	148	126	95	*419*	*87*
Investments	—	—	—	—	—
Accounts Receivable	857	791	826	*878*	*857*
Inventory	425	401	499	*502*	*470*
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	424	341	502	*350*	*350*
Current Assets	**1,854**	**1,659**	**1,921**	***2,149***	***1,764***
Net Property Plant, and Equipment	16,912	16,620	17,882	*19,612*	*22,392*
Goodwill	1,486	1,486	1,486	*1,486*	*1,486*
Other Intangibles	—	—	—	—	—
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,014	1,795	2,286	*1,800*	*1,800*
Long-Term Non-Operating Assets	394	481	582	*582*	*582*
Total Assets	**22,660**	**22,041**	**24,157**	***25,630***	***28,024***
Accounts Payable	666	589	698	*580*	*587*
Short-Term Debt	1,787	526	618	*618*	*1,068*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,293	1,164	1,430	*1,200*	*1,200*
Current Liabilities	**3,746**	**2,279**	**2,746**	***2,398***	***2,855***
Long-Term Debt	7,856	9,220	9,183	*10,183*	*11,383*
Deferred Tax Liabilities (Long-Term)	1,485	1,471	1,659	*1,800*	*1,970*
Other Long-Term Operating Liabilities	2,352	1,904	1,843	*2,000*	*2,000*
Long-Term Non-Operating Liabilities	1,234	1,329	1,452	*1,452*	*1,452*
Total Liabilities	**16,673**	**16,203**	**16,884**	***17,834***	***19,661***
Preferred Stock	880	880	1,547	*1,720*	*1,720*
Common Stock	4	4	4	*4*	*4*
Additional Paid-in Capital	6,666	6,890	7,204	*7,504*	*7,804*
Retained Earnings (Deficit)	-1,371	-1,765	-1,581	*-1,343*	*-1,075*
(Treasury Stock)	-100	-100	-100	*-100*	*-100*
Other Equity	-93	-157	-127	*-70*	*-70*
Shareholder's Equity	**5,987**	**5,752**	**6,947**	***7,716***	***8,283***
Minority Interest	—	86	326	*80*	*80*
Total Equity	**5,987**	**5,838**	**7,273**	***7,796***	***8,363***

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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]
27.60 USD	31.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

Morningstar Analyst Forecasts

Cash Flow (USD Mil)

Fiscal Year Ends in December	2019	2020	2021	Forecast 2022	Forecast 2023
Net Income	383	-14	589	*682*	*747*
Depreciation	717	726	748	*790*	*840*
Amortization	—	—	—	—	—
Stock-Based Compensation	26	17	24	*25*	*25*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	118	-29	112	*141*	*170*
Other Non-Cash Adjustments	414	653	5	—	—
(Increase) Decrease in Accounts Receivable	188	-4	-40	*-53*	*21*
(Increase) Decrease in Inventory	-2	-2	-113	*-4*	*33*
Change in Other Short-Term Assets	-23	-236	-132	*152*	—
Increase (Decrease) in Accounts Payable	-300	-30	55	*-118*	*8*
Change in Other Short-Term Liabilities	62	22	-30	*-230*	—
Cash From Operations	**1,583**	**1,104**	**1,218**	***1,385***	***1,843***
(Capital Expenditures)	-1,802	-1,758	-1,838	*-2,520*	*-3,620*
Net (Acquisitions), Asset Sales, and Disposals	—	—	1	—	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-120	879	-368	*643*	—
Cash From Investing	**-1,922**	**-879**	**-2,205**	***-1,877***	***-3,620***
Common Stock Issuance (or Repurchase)	244	211	1,140	*300*	*300*
Common Stock (Dividends)	-299	-322	-345	*-385*	*-420*
Short-Term Debt Issuance (or Retirement)	-204	-1,270	57	—	*450*
Long-Term Debt Issuance (or Retirement)	681	1,106	-44	*1,000*	*1,200*
Other Financing Cash Flows	-56	27	150	*-156*	*-84*
Cash From Financing	**366**	**-248**	**957**	***759***	***1,445***
Exchange Rates, Discontinued Ops, etc. (net)	0	0	—	*57*	—
Net Change in Cash	**27**	**-23**	**-30**	***324***	***-332***

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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

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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.

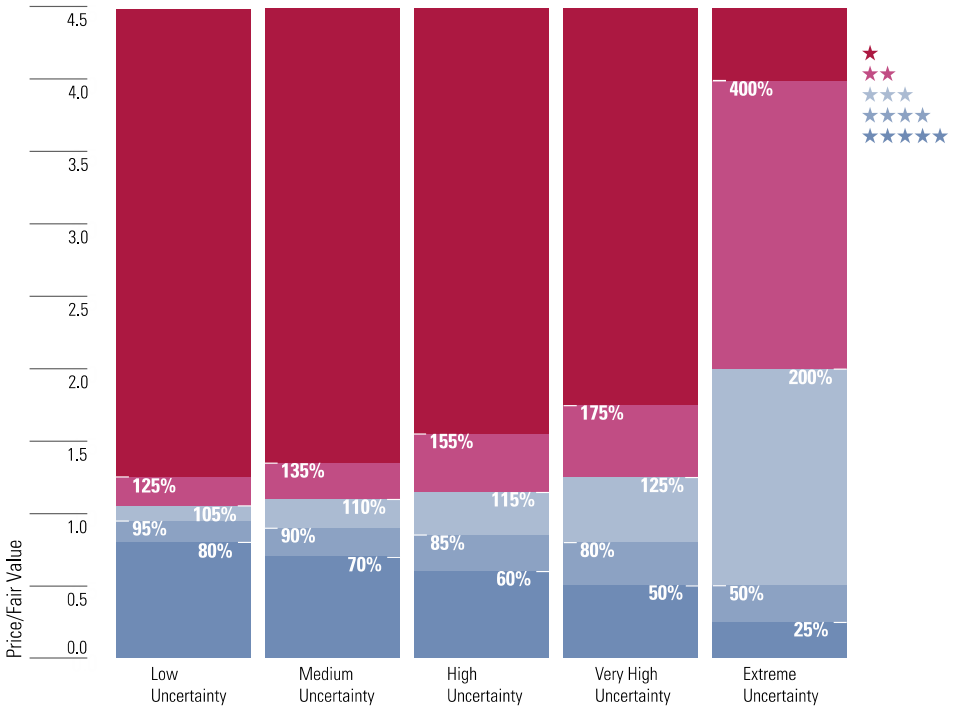
- Low–margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- Medium–margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- High–margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- Very 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.

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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/.

Ratings should not be used as the sole basis in evaluating a company or security. Ratings involve unknown risks and uncertainties which may cause our expectations not to occur or to differ significantly from what was expected and should not be considered an offer or solicitation to buy or sell a security.

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.

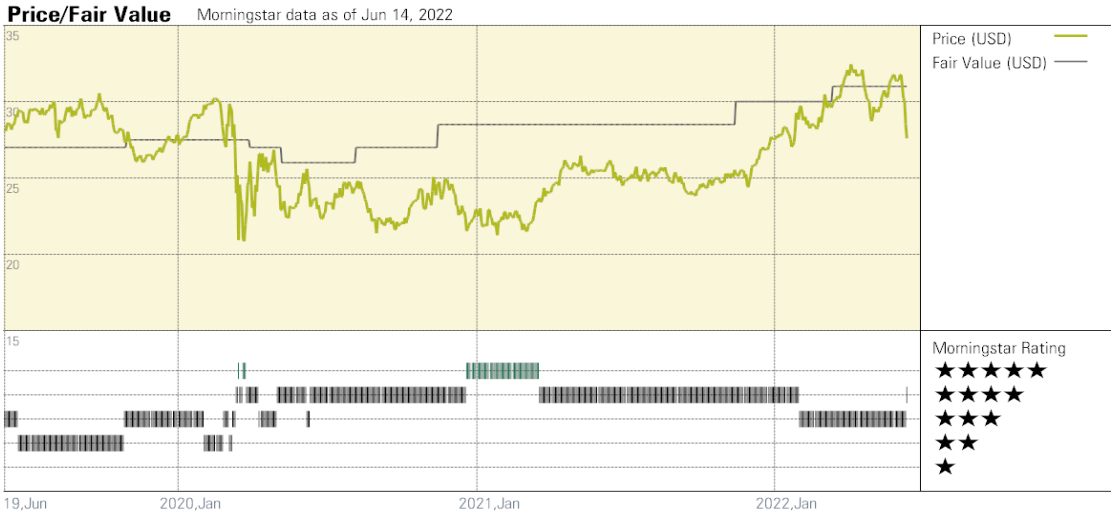
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27.60 USD	31.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	



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27.60 USD	31.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

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Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
27.60 USD	31.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

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Equity Research

WELLS FARGO

Price Target Change — April 18, 2022

Natural Gas LDCs
Regulated Electric Utilities
Water Utilities

Model Updates for 2021 Actuals & 10-K Disclosures

AWK, CNP, EMA, EVRG, NI, POR, SO, SR & WTRG

Our Call

We are in the process of updating our models for '21 actuals. Herein, we provide brief comments on our 10-K model updates and/or Q1 estimate revisions for AWK, CNP, EMA, EVRG, NI, POR, SO & WTRG along with SR model revisions ('22E) for the recent PSC deferral order. We also increase our forward price targets for all mentioned names reflecting meaningfully higher peer group multiples since our last updates.

AWK. We adjust our 2022-26E EPS to/from $4.43/$4.45, $4.82/$4.75, $5.15/$5.15, $5.55/$5.60 & $6.05/$6.10. Our outlook results in a 7.4% EPS CAGR of the '21 weather-normalized base of $4.23. We believe the primary reason our EPS CAGR falls in the lower half of AWK's 7-9% targeted range is continued conservatism around annual utility M&A activity – we forecast $1.3B of deals close over the 2022-26 period versus management's $1.5-2.0B budget.

We reiterate our Underweight rating but increase our price target to $156/sh (~32.5x our 23E) from $148/sh to reflect a higher peer group P/E multiple since our last update. Recently elevated recessionary concerns have led to the outperformance of low risk, liquid names like AWK – shares once again trade at 15-20% P/E premiums to water utility peers versus mid-single digit roughly two months ago. However, we continue to harbor concerns related to (1) waters relative valuation to other utilities (trade at 50-60% P/E premiums to regulated electric and gas peers), (2) AWK's relative valuation to other waters and (3) AWK's lack of near-term fundamental catalysts combined with elevated execution, regulatory and financing risks from the revamped strategy and unexpected CEO change.

CNP. We are lowering our Q1 EPS to $0.47 from $0.51 to better reflect the loss of AR/OK earnings along with rate relief timing considerations. We also lower our 2022E EPS to $1.37 from $1.39 solely reflecting the swift exit from midstream; our outlook is now consistent with CNP's non-GAAP '22 EPS guidance of $1.36-1.38. No change to our post-22 EPS estimates as they already reflected Utility/Parent only. We increase our price target to $36/sh (10-12% premium) from $31/sh on higher peer group multiples.

EMA. We adjust our 22-26E EPS to/from C$3.15/C$3.10, C$3.30/C$3.25, C$3.45/C$3.45, C$3.65/C$3.60 & C$3.85/NR (a 6.5% CAGR off the 21A of $2.81). EPS growth is expected to be driven by rate recognition of planned regulated capex, particularly in Florida. Our outlook is predicated on a 1.27 USD/CAD exchange rate over the forecast period. In addition, we move our price target up to C$69/sh (21.0X our 23E EPS) from C$60/sh. The increase largely reflects materially higher peer group multiples since our last refresh.

Our price target of C$69/sh is based on a P/E multiple analysis—apply a 0-5% discount to the U.S Large/Mid Cap Regulated Electric '22 median of 21.5X to our 23E of C$3.30—as well as a dividend discount analysis.

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Financials

C$	Rating		Price	2021A	2022E	FY EPS 2022E	2023E	2023E	FY P/E		Price Target	
Company Name (Ticker)	Curr.	Prior	04/18/22		Curr.	Prior	Curr.	Prior	2022	2023	To	From
Natural Gas LDCs												
NiSource Inc. (NI)	1	NC	$31.74	1.37	1.45	NC	1.55	NC	21.9x	20.5x	$35.00	$31.00
Spire Inc. (SR)	2	NC	$76.55	4.86	4.02	3.90	4.40	NC	19.0x	17.4x	$81.00	$70.00
Regulated Electric Utilities												
Centerpoint Energy, Inc. (CNP)	1	NC	$32.28	1.64	1.37	1.39	1.47	NC	23.6x	21.9x	$36.00	$31.00
Emera Incorporated (EMA)	2	NC	C$64.22	2.81	3.15	3.10	3.30	3.25	20.4x	19.5x	C$69.00	C$60.00
Evergy Inc. (EVRG)	2	NC	$70.86	3.54	3.58	NC	3.80	NC	19.8x	18.6x	$75.00	$67.00
Portland General Electric Company (POR)	2	NC	$53.30	2.72	2.82	NC	2.90	NC	18.9x	18.4x	$58.00	$53.00
The Southern Company (SO)	2	NC	$75.83	3.41	3.55	NC	3.85	NC	21.4x	19.7x	$80.00	$68.00
Water Utilities												
American Water Works Company, Inc. (AWK)	3	NC	$162.44	4.25	4.43	4.45	4.82	4.75	36.7x	33.7x	$156.00	$148.00
Essential Utilities, Inc. (WTRG)	1	NC	$48.64	1.67	1.78	NC	1.92	1.93	27.4x	25.3x	$53.00	$50.00

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

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EVRG. No change to our '22-26E EPS of $3.58, $3.80, $4.05, 4.25 and $4.45, respectively, following our 10-K model update. We find the current 6-8% P/E discounts intriguing given EVRG's revamped strategy/mgmt. and ample investment opportunities to decarbonize the generation fleet. That said, regulatory considerations – in tandem with now reasonable earned ROEs (no longer significant lag to address to drive further upside) – keep us on the sidelines. We increase our price target to $75/sh (6-8% discount) from $67/sh on higher peer group multiples.

NI. Our estimates are largely intact following our 10-K model update – no change to our '22E & '23E EPS of $1.45 & $1.55; our '24E EPS goes to $1.74 from $1.72 and our '25E & '26E remain $1.82 & $1.90, respectively. Separately, we lower our Q1 estimate reflecting more back-end loaded earnings growth/rate relief in concert with the impact of share dilution. Separately, we note that NI has several solar projects which could be impacted by fallout from the anti-dumping investigation. We look for an update on the status of the 2022/2023 projects, along with any updates on the business review, on the upcoming Q1 call and AGA discussions. We increase our price target to $35/sh (6-8% premium) from $31/sh on higher peer group multiples.

POR. We affirm our '22-26E EPS of $2.82, $2.90, $3.05, $3.12 & $3.18 following our 10-K model update. We lower our Q1 EPS to $0.87 from $1.07 to better reflect a few non-recurring benefits in Q1'21 along with operating expense growth in '22. We increase our price target to $58/sh (5-7% discount to peers) from $53/sh on higher peer group multiples. We look to POR's Q1 call for comments on how the company is managing O&M/inflationary pressures along with some details on short list bids in the pending RFP.

SO. Our 2022-26E EPS remain $3.55, $3.85, $4.20, $4.50 & $4.78 following our model update. Our outlook results in a 7% EPS CAGR off the '21 base of $3.41 which is at the upper end of management's 5-7% target. We continue to assume $3-4B of regulated electric capex above SO's stated 2022-26 budget of $31B as well as Vogtle 3 & 4 in-service dates of end of Q1'23 & Q4'23 (consistent w/ SO's 2/17 cost & schedule revisions). GA matters are of high interest over the next 12+ months such as (1) new nuclear development (including the eventual prudency determination of costs that exceed $5.68B), (2) the triennial rate case that is expected to be filed on 7/1, (3) the pending IRP filing and (4) Nov. '22 elections including governor and GaPSC commissioners.

We continue to rate shares Equal Weight but increase our price target to $80/sh (21.5x our 22E less $3/sh for new nuclear risk) from $68/sh to reflect the meaningfully higher peer group P/E multiple.

SR. On 4/13, the MO PSC issued an order providing clarification on SR's ability to defer certain overhead costs in a regulatory asset. Our prior '22E EPS of $3.90 reflected a 60% likelihood of deferral. With clarity on that matter, we increase our '22E EPS to $4.02 (compares to current guidance of $3.70-4.00); no change to our '23E & '24E EPS of $4.40 & $4.65, which already assumed favorable resolution on the capitalized overhead issue. On the fiscal Q2 update, we expect discussion on the recently filed MO rate case including the 55.0% proposed equity ratio, which, if approved, represents $0.15-0.20 of upside to our '24E (partial impact in '23) as we currently assume a 52.0% equity ratio. We increase our price target to $81/sh (8-10% discount to LDC peers) from $70/sh on higher peer group multiples.

WTRG. We nudge down our 23E EPS to $1.92 from $1.93. No changes to the rest of our outlook. Our 2022-26E EPS of $1.78, $1.92, $2.07, $2.20 & $2.34 results in a 5-year CAGR of nearly 7% off the '21 base of $1.67. We believe growth towards the upper end of management's 5-7% targeted range is possible driven by timely recovery of regulated rate base growth and continued success on the water/wastewater M&A front. Specifically, we model a mid-'23 close of the DELCORA deal, $75M/year of deals outside of those announced and no Chester water. Separately, It appears a decision in the PA rate case will come at the PaPUC's next public meeting on 5/12 – the recent rise in interest rates gives us confidence that the allowed ROE will more closely approximate the current 9.8% water DSIC ROE as opposed to the ALJ's 8.9% recommendation.

We continue to rate shares Overweight and increase our price target to $53/sh (27.5-28.0x our 23E) from $50/sh to reflect a higher peer group P/E multiple since our last update.

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Acronyms Used:

AGA - American Gas Association

ALJ - Administrative Law Judge

DELCORA - Delaware County Regional Water Quality Control Authority

DSIC - Distribution System Improvement Charge

LDC - Local Distribution Company

IRP - Integrated Resource Plan

PSC - Public Service Commission

PUC - Public Utility Commission

RFP - Request For Proposal

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AWK Earnings Model ($ millions except per share data)	2021	2022E	2023E	2024E	2025E	2026E
Revenues	**$3,930**	**$3,830**	**$4,097**	**$4,346**	**$4,626**	**$4,915**
Expenses						
Purchased Water Costs	153	155	161	164	168	172
Other O&M	1,624	1,365	1,420	1,461	1,505	1,550
Depreciation	636	674	733	786	842	901
Other	(426)	338	360	382	405	429
Total Expenses	**$1,987**	**$2,533**	**$2,673**	**$2,794**	**$2,920**	**$3,051**
EBIT	**$1,943**	**$1,297**	**$1,424**	**$1,552**	**$1,706**	**$1,864**
EBITDA	**$2,579**	**$1,972**	**$2,157**	**$2,338**	**$2,548**	**$2,765**
Other Income	96	36	38	40	43	46
Interest Expense	399	362	392	427	469	502
Income Taxes	377	166	188	211	238	269
Tax Rate	*24%*	*18%*	*18%*	*19%*	*19%*	*20%*
Earnings						
Income from Continuing Operations	$1,263	$806	$882	$954	$1,042	$1,139
Adjustments	0	0	0	0	0	0
Net Income	**$1,263**	**$806**	**$882**	**$954**	**$1,042**	**$1,139**
Avg. Diluted Shares Outstanding	181.6	182.1	182.9	185.3	187.6	188.3
EPS	$6.95	$4.43	$4.82	$5.15	$5.55	$6.05
Non-Recurring Adjustments	(2.70)	0.00	0.00	0.00	0.00	0.00
Ongoing EPS	**$4.25**	**$4.43**	**$4.82**	**$5.15**	**$5.55**	**$6.05**
Q1A/Q1E EPS	0.73	0.76				
Q2A/Q2E EPS	1.14	1.16				
Q3A/Q3E EPS	1.53	1.63				
Q4A/Q4E EPS	0.85	0.91				

AWK Supplemental Information	2021	2022E	2023E	2024E	2025E	2026E
Dividend Information						
Dividends Per Share - YE Rate	$2.41	$2.63	$2.86	$3.12	$3.40	$3.71
Dividends Paid Per Share	2.36	2.57	2.80	3.05	3.33	3.63
Payout Ratio	55%	58%	58%	59%	60%	60%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$1,899	$2,351	$2,373	$2,545	$2,717	$2,889
Book ROE	11.2%	10.8%	11.1%	10.9%	10.9%	11.2%
FFO/Debt	13%	14%	12%	12%	12%	12%
Debt/EBITDA	6.0x	5.9x	5.9x	5.8x	5.9x	5.8x
Common Equity Ratio	40%	40%	39%	40%	40%	39%

Source: Wells Fargo Securities, LLC estimates and company filings

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CNP Earnings Model ($ millions except per share data)	2020	2021E	2022E	2023E	2024E	2025E	2026E
Revenues	**$7,418**	**$7,684**	**$7,559**	**$7,770**	**$8,069**	**$8,143**	**$8,363**
Expenses							
Purchased Power/Fuel/Power Cost Adjustments	1,745	1,747	1,662	1,660	1,659	1,658	1,656
Other O&M	2,744	2,655	2,440	2,412	2,382	2,359	2,335
Depreciation	1,189	1,234	1,286	1,340	1,460	1,396	1,485
Other	701	521	507	520	532	545	557
Total Expenses	**$6,379**	**$6,157**	**$5,896**	**$5,933**	**$6,033**	**$5,957**	**$6,034**
EBIT	**$1,039**	**$1,527**	**$1,664**	**$1,837**	**$2,036**	**$2,187**	**$2,329**
EBITDA	**$2,046**	**$2,607**	**$2,794**	**$3,091**	**$3,409**	**$3,659**	**$3,892**
Other Income	(1,375)	401	83	58	30	30	30
Interest Expense	640	642	643	697	778	826	863
Income Taxes	(274)	311	256	272	288	313	339
Tax Rate	*32%*	*22%*	*22%*	*22%*	*21%*	*22%*	*22%*
Earnings							
Income from Continuing Operations	($591)	$1,086	$925	$981	$1,054	$1,130	$1,207
Discontinued Operations	(182)	0	0	0	0	0	0
Preferred Stock Dividend Requirement	144	113	49	49	49	49	49
Net Income	**($949)**	**$974**	**$876**	**$932**	**$1,005**	**$1,081**	**$1,158**
Avg. Diluted Shares Outstanding	531	605	630	632	633	635	636
GAAP EPS	($1.79)	$1.61	$1.39	$1.47	$1.59	$1.70	$1.82
Non-Recurring	3.19	0.03					
Ongoing EPS - Consolidated*	**$1.40**	**$1.64**	**$1.39**	**$1.47**	**$1.59**	**$1.70**	**$1.82**
Non-GAAP EPS Ex. Midstream Post-2021	**$1.40**	**$1.64**	**$1.37**	**$1.47**	**$1.59**	**$1.70**	**$1.82**
Q1 EPS	0.65	0.59	0.47				
Q2 EPS	0.21	0.36	0.30				
Q3 EPS	0.34	0.33	0.31				
Q4 EPS	0.29	0.36	0.29				

*Consolidated EPS excludes midstream beginning in 2022.

CNP Supplemental Information	2020	2021E	2022E	2023E	2024E	2025E	2026E
Dividend Information							
Dividends Per Share - YE Rate	$0.60	$0.68	$0.73	$0.79	$0.86	$0.92	$0.93
Dividends Paid Per Share	0.74	0.65	0.69	0.75	0.81	0.87	0.93
Payout Ratio	53%	40%	50%	51%	51%	51%	51%
Cash Flow & Balance Sheet Items							
Capital Expenditures (millions)	$2,596	$3,600	$4,051	$4,728	$3,725	$3,251	$3,251
Book ROE	11.7%	13.7%	10.3%	10.3%	10.5%	10.6%	10.7%
FFO/Debt	16%	13%	17%	15%	15%	14%	14%
Debt/EBITDA	6.8x	5.8x	5.1x	5.5x	5.4x	5.4x	5.3x
Common Equity as % of Total Capitalization	28%	36%	38%	35%	34%	34%	35%

2021 Remains an estimate pending 10-K update

Source: Wells Fargo Securities, LLC estimates and company filings

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EMA Earnings Model						
(C$ millions except per share data)	2021	2022E	2023E	2024E	2025E	2026E
Revenues	**$5,765**	**$6,200**	**$6,519**	**$6,781**	**$7,056**	**$7,301**
Expenses						
Purchased Power/Fuel/Power Cost Adjustments	0	2,227	2,259	2,291	2,323	2,356
Other O&M	0	1,295	1,313	1,331	1,349	1,368
Depreciation	0	960	1,046	1,135	1,220	1,304
Other	330	355	361	368	375	382
Total Expenses	**$4,835**	**$4,837**	**$4,979**	**$5,125**	**$5,268**	**$5,411**
EBIT	**$930**	**$1,363**	**$1,539**	**$1,655**	**$1,788**	**$1,891**
EBITDA	**$930**	**$2,322**	**$2,585**	**$2,790**	**$3,008**	**$3,195**
Other Income	236	237	203	208	201	197
Interest Expense	611	647	709	756	789	792
Income Taxes	(6)	65	84	94	109	127
Tax Rate	*0%*	*7%*	*8%*	*9%*	*10%*	*11%*
Earnings						
Income from Continuing Operations	$561	$887	$949	$1,012	$1,091	$1,169
Adjustment for Non-Controlling Interest	1	4	4	4	4	4
Preferred Dividends	50	50	50	50	50	50
Net Income	**$510**	**$830**	**$887**	**$948**	**$1,027**	**$1,105**
Avg. Diluted Shares Outstanding	258	264	270	276	282	288
EPS	$1.98	$3.15	$3.30	$3.45	$3.65	$3.85
Non-Recurring	0.00	0.00	0.00	0.00	0.00	0.00
Mark-to-Market Gains	(0.83)	0.00	0.00	0.00	0.00	0.00
Ongoing EPS (C$)	**$2.81**	**$3.15**	**$3.30**	**$3.45**	**$3.65**	**$3.85**
Q1 EPS	0.96	1.12				
Q2 EPS	0.54	0.60				
Q3 EPS	0.68	0.74				
Q4 EPS	0.64	0.69				

EMA Supplemental Information	2021	2022E	2023E	2024E	2025E	2026E
Dividend Information						
Dividends Per Share - YE Rate	$2.65	$2.68	$2.79	$2.90	$2.98	$3.07
Dividends Paid Per Share	2.58	2.68	2.79	2.90	2.98	3.07
Payout Ratio	92%	85%	84%	84%	82%	80%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$2,359	$2,573	$2,778	$2,641	$2,603	$2,603
Book ROE	5.6%	8.7%	8.8%	8.9%	9.1%	9.3%
FFO/Debt	8%	12%	11%	11%	11%	12%
Debt/EBITDA	11.0x	5.9x	5.8x	5.7x	5.6x	5.6x
Common Equity as % of Total Capitalization	36%	35%	35%	35%	36%	36%

Source: Wells Fargo Securities, LLC estimates and company filings

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EVRG Earnings Model						
($ millions except per share data)	2021	2022E	2023E	2024E	2025E	2026E
Revenues	**$5,587**	**$5,623**	**$5,789**	**$5,935**	**$6,091**	**$6,267**
Expenses						
Purchased Power/Fuel/Transmission	1,847	1,856	1,861	1,866	1,871	1,876
Other O&M	1,108	1,067	1,046	994	956	933
Depreciation & Amortization	896	929	1,009	1,090	1,179	1,273
Other	381	398	410	423	437	451
Total Expenses	**$4,232**	**$4,249**	**$4,326**	**$4,373**	**$4,443**	**$4,532**
EBIT	**$1,355**	**$1,373**	**$1,462**	**$1,562**	**$1,648**	**$1,734**
EBITDA	**$2,251**	**$2,303**	**$2,471**	**$2,652**	**$2,827**	**$3,008**
Other Income	19	(49)	(49)	(49)	(49)	(49)
Interest Expense	373	388	411	437	465	493
Income Taxes	117	108	120	132	141	150
Tax Rate	*12%*	*11%*	*12%*	*12%*	*12%*	*13%*
Income from Equity Inv., net	8	8	8	8	8	8
Earnings						
Income from Continuing Operations	$892	$837	$891	$953	$1,002	$1,051
Adjustment for Non-Controlling Interest	12	12	12	12	12	12
Net Income	**$880**	**$825**	**$879**	**$940**	**$989**	**$1,039**
Avg. Diluted Shares Outstanding	230	230	231	232	233	233
EPS	$3.83	$3.58	$3.80	$4.05	$4.25	$4.45
Non-Recurring	(0.29)	0.00	0.00	0.00	0.00	0.00
Ongoing EPS	**$3.54**	**$3.58**	**$3.80**	**$4.05**	**$4.25**	**$4.45**
Q1 EPS	0.55	0.56				
Q2 EPS	0.85	0.86				
Q3 EPS	1.98	1.82				
Q4 EPS	0.16	0.34				

EVRG Supplemental Information	2021	2022E	2023E	2024E	2025E	2026E
Dividend Information						
Dividends Per Share - YE Rate	$2.29	$2.43	$2.55	$2.68	$2.81	$2.95
Dividends Paid Per Share	2.18	2.32	2.46	2.61	2.77	2.93
Payout Ratio	62%	65%	65%	64%	65%	66%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$1,973	$1,976	$2,117	$2,007	$2,369	$2,200
Book ROE	9.0%	8.8%	9.0%	9.3%	9.5%	9.6%
FFO/Debt	12%	15%	18%	16%	16%	17%
Debt/EBITDA	5.0x	5.1x	5.0x	4.8x	4.8x	4.7x
Common Equity as % of Total Capitalization	45%	44%	44%	44%	43%	43%

Source: Wells Fargo Securities, LLC estimates and company filings

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NI Earnings Model ($ millions except per share data)	2021	2022E	2023E	2024E	2025E	2026E
Revenues	**$4,901**	**$5,164**	**$5,386**	**$5,722**	**$5,932**	**$6,109**
Expenses						
Cost of Gas, Purchased Power & Fuel	1,392	1,401	1,409	1,418	1,427	1,436
O&M	1,409	1,421	1,464	1,475	1,495	1,515
Depreciation & Amortization	748	808	887	969	1,024	1,082
Other	289	292	296	300	304	309
Total Expenses	**$3,838**	**$3,921**	**$4,056**	**$4,162**	**$4,250**	**$4,342**
EBIT	**$1,063**	**$1,242**	**$1,329**	**$1,560**	**$1,682**	**$1,768**
EBITDA	**$1,811**	**$2,051**	**$2,216**	**$2,529**	**$2,706**	**$2,850**
Other Income	41	41	41	41	41	41
Interest Expense	341	363	363	405	457	472
Income Taxes	132	221	242	287	304	321
Tax Rate	*17%*	*24%*	*24%*	*24%*	*24%*	*24%*
Earnings						
Net Operating Earnings	$630	$699	$765	$908	$962	$1,016
Preferred Dividends	55	55	55	55	55	55
Noncontrolling Interest	4	4	4	4	4	4
Income from Continuing Operations	**$571**	**$640**	**$706**	**$849**	**$903**	**$957**
Avg. Diluted Shares Outstanding	417	442	457	488	498	504
Ongoing EPS	**$1.37**	**$1.45**	**$1.55**	**$1.74**	**$1.82**	**$1.90**
Q1 EPS	0.77	0.76				
Q2 EPS	0.13	0.12				
Q3 EPS	0.11	0.11				
Q4 EPS	0.39	0.46				

NI Supplemental Information	2021	2022E	2023E	2024E	2025E	2026E
Dividend Information						
Dividends Per Share - YE Rate	$0.88	$0.94	$1.00	$1.07	$1.15	$1.23
Dividends Paid Per Share	0.88	0.94	1.00	1.07	1.15	1.23
Payout Ratio	64%	65%	65%	62%	63%	65%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$1,838	$2,480	$3,666	$2,186	$2,254	$2,472
Book ROE	10.2%	9.9%	9.7%	10.4%	10.7%	10.7%
FFO/Debt	11%	14%	14%	16%	16%	16%
Debt/EBITDA	5.9x	5.5x	5.6x	5.0x	4.9x	4.9x
Common Equity as % of Total Capitalization	38%	38%	39%	39%	39%	39%

Source: Wells Fargo Securities, LLC estimates and company filings

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POR Earnings Model (in millions except per share data)	2021	2022E	2023E	2024E	2025E	2026E
Revenues	**$2,396**	**$2,413**	**$2,467**	**$2,523**	**$2,570**	**$2,617**
Expenses						
Purchased Power and Fuel	$822	$799	$811	$823	$834	$847
Production and Distribution	310	289	291	291	291	291
Administrative and Other	336	313	315	315	315	315
Depreciation and Amortization	404	433	453	473	494	515
Taxes Other Than Income Taxes	146	153	158	163	168	173
Total Expenses	**$2,018**	**$1,987**	**$2,028**	**$2,065**	**$2,102**	**$2,140**
EBIT	**$378**	**$426**	**$439**	**$459**	**$468**	**$477**
EBITDA	$782	$859	$892	$932	$962	$992
Other Income	$26	$19	$19	$19	$19	$19
Interest Expense	137	139	143	145	146	148
Income Taxes	23	54	55	59	61	62
Tax Rate	9%	18%	18%	18%	18%	18%
Earnings						
Net Income	**$244**	**$253**	**$260**	**$274**	**$281**	**$286**
Non-Recurring Items	0	0	0	0	0	0
Avg. Diluted Shares Outstanding	90	90	90	90	90	90
EPS	$2.72	$2.82	$2.90	$3.05	$3.12	$3.18
Non-Recurring Items	0.00	0.00	0.00	0.00	0.00	0.00
Operating EPS (Diluted)	**$2.72**	**$2.82**	**$2.90**	**$3.05**	**$3.12**	**$3.18**
Q1 EPS	1.07	0.87				
Q2 EPS	0.36	0.40				
Q3 EPS	0.56	0.73				
Q4 EPS	0.73	0.82				

POR Supplemental Information	2021	2022E	2023E	2024E	2025E	2026E
Dividend Information						
Dividends Paid Per Share - YE Rate	$1.72	$1.81	$1.90	$1.99	$2.09	$2.20
Dividends Paid Per Share	$1.68	$1.76	$1.85	$1.94	$2.04	$2.14
Payout Ratio	62%	62%	64%	64%	65%	67%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$700	$660	$650	$675	$675	$675
Book ROE	9.2%	9.2%	9.1%	9.3%	9.2%	9.1%
FFO/Debt	16%	17%	20%	20%	20%	21%
Debt/EBITDA	4.2x	4.1x	4.0x	4.0x	3.9x	3.9x
Common Equity as % of Total Capitalization	45%	44%	45%	45%	45%	45%

Source: Wells Fargo Securities, LLC estimates and company filings

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SO Earnings Model ($ millions except per share data)	2021	2022E	2023E	2024E	2025E	2026E
Revenues	**$23,113**	**$24,141**	**$25,173**	**$26,262**	**$27,255**	**$28,231**
Expenses						
Fuel, Purchased Power & Gas	6,964	7,681	7,752	7,823	7,894	7,967
Other O&M	6,088	5,568	5,675	5,785	5,897	6,012
Depreciation	3,565	3,647	3,877	4,129	4,384	4,642
Other	2,798	1,310	1,336	1,363	1,390	1,418
Total Expenses	**$19,415**	**$18,206**	**$18,640**	**$19,099**	**$19,565**	**$20,039**
EBIT	**$3,698**	**$5,936**	**$6,533**	**$7,163**	**$7,690**	**$8,192**
EBITDA	**$7,263**	**$9,582**	**$10,410**	**$11,292**	**$12,073**	**$12,834**
Other Income	722	625	623	603	622	631
Interest Expense	1,844	1,986	2,088	2,207	2,340	2,469
Income Taxes	267	856	959	1,066	1,153	1,235
Tax Rate	*11%*	*19%*	*20%*	*20%*	*20%*	*20%*
Earnings						
Income from Continuing Operations	$2,309	$3,720	$4,110	$4,493	$4,818	$5,119
Preferred Stock Dividend of Sub	15	14	14	14	14	14
Non-Controlling Interest	(99)	(99)	(99)	(99)	(99)	(99)
Net Income	**$2,393**	**$3,804**	**$4,194**	**$4,578**	**$4,903**	**$5,203**
Avg. Basic Shares Outstanding	1,061	1,073	1,089	1,089	1,089	1,089
EPS	$2.26	$3.55	$3.85	$4.20	$4.50	$4.78
Non-Recurring Adjustments	(1.15)	0.00	0.00	0.00	0.00	0.00
Ongoing EPS	**$3.41**	**$3.55**	**$3.85**	**$4.20**	**$4.50**	**$4.78**
Q1A/Q1E EPS	0.98	0.91				
Q2A/Q2E EPS	0.84	0.85				
Q3A/Q3E EPS	1.23	1.35				
Q4A/Q4E EPS	0.36	0.45				

SO Supplemental Information	2021	2022E	2023E	2024E	2025E	2026E
Dividend Information						
Dividends Per Share - YE Rate	$2.64	$2.72	$2.88	$3.04	$3.20	$3.36
Dividends Paid Per Share	2.62	2.70	2.86	3.02	3.18	3.34
Payout Ratio	77%	76%	74%	72%	71%	70%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$7,240	$9,200	$9,484	$9,119	$9,069	$9,344
Book ROE	12.9%	13.0%	13.5%	14.3%	14.8%	15.1%
FFO/Debt	13%	14%	14%	14%	14%	15%
Debt/EBITDA	7.2x	5.8x	5.8x	5.6x	5.5x	5.5x
Common Equity Ratio	33%	34%	33%	32%	32%	32%

Source: Wells Fargo Securities, LLC estimates and company filings

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SR Earnings Model						
($ millions except per share data)	2021	2022E	2023E	2024E	2025E	2026E
Revenues	**$2,236**	**$2,268**	**$2,335**	**$2,403**	**$2,468**	**$2,536**
Expenses						
Natural Gas & Propane	946	988	996	1,005	1,013	1,022
Other O&M	466	483	490	495	501	507
Depreciation & Amortization	213	244	262	280	300	320
Other	160	163	166	168	171	174
Impairment	0	0	0	0	0	0
Total Expenses	**$1,785**	**$1,878**	**$1,913**	**$1,949**	**$1,985**	**$2,023**
EBIT	**$450**	**$391**	**$422**	**$454**	**$483**	**$514**
EBITDA	**$450**	**$391**	**$422**	**$454**	**$483**	**$514**
Other Income	(3)	(3)	(3)	(3)	(3)	(3)
Interest Expense	107	108	112	116	121	130
Income Taxes	69	53	57	62	66	71
Tax Rate	*20%*	*19%*	*19%*	*19%*	*19%*	*19%*
Earnings						
Net Income	$272	$226	$250	$273	$292	$309
Less: Income allocated to participating securities	0	0	0	0	0	0
Less Preferreds	15	15	15	15	15	15
Net Income	**$257**	**$211**	**$235**	**$258**	**$276**	**$294**
Avg. Diluted Shares Outstanding	52	52	53	55	57	58
EPS	$4.96	$4.02	$4.40	$4.65	$4.85	$5.10
Non-Recurring	(0.10)	0.00	0.00	0.00	0.00	0.00
Ongoing EPS	**$4.86**	**$4.02**	**$4.40**	**$4.65**	**$4.85**	**$5.10**
Q1 EPS	1.42	1.14				
Q2 EPS	3.71	3.10				
Q3 EPS	0.06	0.22				
Q4 EPS	(0.32)	(0.44)				

SR Supplemental Information	2021	2022E	2023E	2024E	2025E	2026E
Dividend Information						
Dividends Per Share - YE Rate	$2.60	$2.74	$2.86	$2.99	$3.13	$3.27
Dividends Paid Per Share	2.60	2.74	2.86	2.99	3.13	3.27
Payout Ratio	53%	68%	65%	64%	65%	64%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	($625)	($570)	($590)	($620)	($640)	($660)
Book ROE	10.7%	8.4%	8.8%	8.9%	8.8%	8.9%
FFO/Debt	15%	15%	16%	15%	15%	15%
Debt/EBITDA	5.7x	6.1x	5.8x	5.3x	5.2x	5.1x
Common Equity as % of Total Capitalization	38%	39%	40%	43%	43%	44%

Source: Wells Fargo Securities, LLC estimates and company filings

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WTRG Earnings Model ($ millions except per share data)	2021	2022E	2023E	2024E	2025E	2026E
Revenues	**$1,878**	**$1,986**	**$2,145**	**$2,270**	**$2,379**	**$2,489**
Expenses						
Purchased Gas	340	342	343	345	347	348
Other O&M	551	571	588	605	623	641
Depreciation	298	317	347	375	400	425
Other	87	90	95	99	101	102
Total Expenses	**$1,275**	**$1,320**	**$1,373**	**$1,424**	**$1,470**	**$1,517**
EBIT	**$603**	**$665**	**$771**	**$847**	**$908**	**$972**
EBITDA	**$901**	**$982**	**$1,118**	**$1,222**	**$1,309**	**$1,398**
Other Income	25	17	17	17	17	17
Interest Expense	205	226	241	256	269	281
Income Taxes	(10)	(6)	31	45	58	70
Tax Rate	*-2%*	*-1%*	*6%*	*7%*	*9%*	*10%*
Earnings						
Income from Continuing Operations	$432	$462	$517	$562	$599	$638
Adjustments	0	0	0	0	0	0
Net Income	**$432**	**$462**	**$517**	**$562**	**$599**	**$638**
Avg. Diluted Shares Outstanding	258.2	260.6	268.7	271.1	272.1	272.9
EPS	$1.67	$1.77	$1.92	$2.07	$2.20	$2.34
Non-Recurring Adjustments	0.00	(0.00)	0.00	0.00	0.00	0.00
Ongoing EPS	**$1.67**	**$1.78**	**$1.92**	**$2.07**	**$2.20**	**$2.34**
Q1A/Q1E EPS	0.72	0.72				
Q2A/Q2E EPS	0.32	0.32				
Q3A/Q3E EPS	0.19	0.26				
Q4A/Q4E EPS	0.44	0.48				

WTRG Supplemental Information	2021	2022E	2023E	2024E	2025E	2026E
Dividend Information						
Dividends Per Share - YE Rate	$1.07	$1.15	$1.23	$1.31	$1.41	$1.50
Dividends Paid Per Share	1.04	1.11	1.19	1.27	1.36	1.46
Payout Ratio	62%	62%	62%	61%	62%	62%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$1,055	$1,207	$1,382	$1,120	$1,136	$1,152
Book ROE	9.8%	9.2%	9.0%	9.2%	9.4%	9.6%
FFO/Debt	11%	12%	12%	12%	12%	12%
Debt/EBITDA	6.7x	6.7x	6.4x	6.3x	6.2x	6.1x
Common Equity Ratio	46%	46%	45%	45%	44%	44%

Source: Wells Fargo Securities, LLC estimates and company filings

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2=Equal Weight: Total return on stock expected to be -10% to +10% over the next 12 months. HOLD

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To: Weisenburger \ Michael \ V
Subject: The Fleishman Daily 4/7/22 - NI, Buckeye Blotter, SO, FTS, Midstream, BE
Date: Thursday, April 7, 2022 9:05:53 AM
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WOLFE RESEARCH

April 7, 2022

THE FLEISHMAN DAILY 4/7/22

NI, Buckeye Blotter, SO, FTS, Midstream, BE

The Fleishman Daily 4/7/22
Utilities: NI, Buckeye Blotter, SO, FTS
Midstream: Midstream
Clean Energy: BE

Utilities

NI – Ohio Staff recommendation well below company's ask; some positives, but underwhelming overall

Buckeye Blotter – Bill that would end ESPs in Ohio gets a 6th hearing and more amendments; utilities all opposed

SO – More completed ITAACs in Mar than expected, adds margin to Vogtle U-3 schedule for now

FTS – Files RFPs in Arizona seeking 420 MWs of renewables and 450 MWs of firm capacity

Midstream

Midstream – MidCoast Energy reportedly puts East Texas G&P assets up for sale; another potential tuck-in opportunity?

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BE – Announces first commercial electrolyzer installation in Korea; gives a little more insight into relative efficiency and performance

Quarterly data: Weather, Forward Prices, Spot Prices, Nuke Outages

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Clean Energy Comps, Valuation Charts, Models, Arb Spreads

Utilities

NI – Ohio Staff recommendation well below company's ask; some positives, but underwhelming overall

- Yesterday, PUCO Staff filed its recommendation (here) in Columbia Gas OH's rate case
- Staff is recommending a revenue increase range of $35.2-57.5M using an ROE range of 9.04-10.05%, equity ratio of 50.6% and rate base of $3.463B (as of 3/31/21)
- Recall, NI had requested a $221.4M rate increase using a 10.95% ROE, 50.6% equity ratio and rate base of $3.560B
    - NI is currently allowed a 10.39% ROE; equity ratio was not specified in the settlement from its last rate case filed in 2008
- Within the Staff's filing, several disallowances are recommended relative to NI's request, most of which appear to be O&M related (roughly half of NI's ask was for O&M)
    - $44.6M is related to elimination of O&M expense rider revenue, $58.8M for the elimination of tax (other than income) expense rider revenue, among others
- The ~$100M difference on rate base is the accumulation of several adjustments that Staff made to NI's request
- To the positive, Staff did recommend extending the use of the Capital Expenditure Program (CEP) and Infrastructure Replacement Program (IRP) riders

We are still digesting the details of the filing, but our initial assessment is that the Staff rec is disappointing. To the positive – the ROE range looks decent, equity ratio matched NI's ask, and two key capex riders were recommended to be extended (CEP & IRP). To the negative – the overall rate increase is well below NI's ask as there appears to be several disallowances related to O&M which would presumably cause regulatory lag issues. OH is the company's largest gas LDC and accounts for ~25% of total rate base.

Buckeye Blotter – Bill that would end ESPs in Ohio gets a 6th hearing and more amendments; utilities all opposed

- Yesterday, the Ohio House Utilities committee held a 6th hearing on HB317 – many parties testified, with most industrial/consumer groups supportive, while the utilities were all opposed (AEP, AES, DUK); FE didn't testify
    - As a reminder this bill primarily seeks to repeal electric security plans (ESPs)
- Key provisions and latest amendments include:
    - 1) Replaces Competitive Power Plan (CPP) with Standard Service Offer (SSO) and Alternative Regulation Plan (ARP) – SSO decision in 180 days and ARP in 275 days (CPP previously due 275 days)
        - Still limited to improvement/replacement, battery storage, cybersecurity,

grid mod, smart grid, etc.
        - Still limited to 5-year terms and now with 2/3-year minimums for SSO/ARP,
    - 2) Riders still subject to a 3% annual cost cap using revenue from the prior year, but can now go as high as level of last 12 months inflation
    - 3) Excessive earnings cap still 250bps
    - 4) No change to preventing parties from entering a stipulation on a pending PUCO matter if it involves a cash payment or is not public
- The core piece of the bill notes that existing ESPs will not be terminated mid-term and instead will end as scheduled; if the ESP has no set end date, that date will be set to January 1 2024
    - As a reminder, FE's current ESP has been in place since 2016 and runs through May 2024 (FE would be required to file a rate case within 180 days of bill being effective)
    - Similarly, AEP's ESP runs through May 2024 and the company saw its rate case settlement approved last year
    - AES' (DP&L) ESP runs through October 2023, which includes a ~$76M/yr. rate stabilization charge ($0.07/sh) that isn't expected to continue in its next ESP

The Ohio bill continues to take shape, which will ultimately determine what the future of ratemaking in Ohio looks like. Notably, FE has remained uninvolved in the political arena since the HB6 scandal and has not testified, while the other utilities are all opposed. While a lower ROE earnings test and more frequent rate case filings should be manageable, the rider cap may be more onerous.

<u>SO – More completed ITAACs in Mar than expected, adds margin to Vogtle U-3 schedule for now</u>

- This week, the NRC released its monthly progress on ITAACs for Vogtle Unit 3.
- SO's U-3 completed 28 ITAACs in Mar, more than last month's surprise 23 and above the amount needed to be on pace to meet its in-service date.
    - Earlier this year, SO targeted 6 in Feb, 3 in Mar, and 12 in April; then it targeted an avg of 36 per month in May-Jul
    - Current fuel load is between Aug and Oct 2022 to get in-service by Mar 2023.
- All ITAACs are required to be completed at the NRC for the unit to receive a 103g letter and begin fuel load.
- In Feb, SO delayed in-service dates to 4Q22-1Q23 from 3Q22 for Unit 3 and to 3Q23-4Q23 from 2Q23 for Unit 4.

The progress made in both Feb and Mar add margin to SO's current U-3 schedule, reducing the pressure to complete 36 ITAACs per month in May-Jul period. However, it is too early to conclude that U-3 may beat SO's latest schedule. Vogtle remains a key overhang on SO stock. On 6/17, GaPSC Staff is expected to file testimony in SO's semiannual VCM proceeding. Staff has generally been skeptical of SO's schedule, and we will be interested in Staff's updated thoughts following SO's most recent delay announced in Feb.

<u>FTS – Files RFPs in Arizona seeking 420 MWs of renewables and 450 MWs of firm capacity</u>

- Yesterday, both UniSource and Tuscon Electric Power issued all-source request for proposals for additional resources
    - TEP is seeking 250 MWs of renewables and EE, plus 300 MWs of firm capacity that could include storage and DR
    - UNS is seeking 170 MWs of renewables and EE, plus 150 MWs of firm capacity that could include storage and DR
- The due date for proposals is 7/1/22 and resources must come online between May 2024 and May 2025
- The RFP will support TEP's Integrated Resource Plan (IRP) filed back in 2020, which targets 80% emissions reductions off 2005 levels by 2035
    - TEP was also targeting 2,457 of new wind/solar and 1,400 MW of storage; while fully exiting coal by 2032

FTS' Arizona utilities have a robust long-term renewables addition goal, however we'll be watching to see how much of this ends of being owned in rate base and how it is recovered in rates – whether it be via a future rider or a rate case.

Midstream

Midstream – MidCoast Energy reportedly puts East Texas G&P assets up for sale; another potential tuck-in opportunity?

- Reuters reports that MidCoast Energy (owned by ArcLight) has put its pipeline assets up for sale and is hoping to receive up to $2B including debt
    - ArcLight Capital Partners bought MidCoast Energy back in 2018 for $1.12B from ENB and has since sold some of the original assets
- MidCoast Energy's remaining assets are located in the East Texas Basin with exposure to the Haynesville, Cotton Valley, and Bossier formations, and consist of:
    - 2,622 miles of gathering pipeline
    - 173 miles of NGL infrastructure with primary connects to OKE and EPD
    - 306 miles of transmission
    - 6 processing plants with ~0.7 bcf/d of capacity
    - Total treating capacity of 1.09 bcf/d
- MidCoast also has a marketing and logistics business across NGLs, natgas, condensate, and crude oil

Based just off existing geographic footprints, MidCoast Energy's assets appear to overlap with those of ET, EPD, KMI, and maybe WMB. We've seen several tuck-in acquisitions YTD by the public companies of private assets, including EPD-Navitas, WMB-Trace, and TRGP-Southcross. This seems like another potential opportunity along the same lines.

Clean Energy

BE – Announces first commercial electrolyzer installation in Korea; gives a little more insight into relative efficiency and performance

- Yesterday Bloom Energy announced that it had deployed a 130 kW electrolyzer at the Bloom SK Fuel Cell Center in South Korea
- It has been operating since January
- The electrolyzer has been operating in a daily cycling mode, which makes it suitable for renewables
- Production efficiency: electrolyzer expected to operate at 46 kWh/kg H2, and 40.4 kWh/kg H2 when steam is supplied

The announcement is certainly good to see and suggests that commercial deployment is moving ahead. We thought the datapoints on cycling and efficiency were especially notable. The ability to cycle suggests that it can pair reasonably well with renewables compared to the assumption that solid oxide really can only run baseload. Second, the specific production efficiency figures are interesting as they highlight that solid oxide is about 15% more efficient than PEM on apples-to-apples operation and almost 25% more efficient when external steam is supplied. This underscores the big advantage of solid oxide, particularly at higher power prices. PEM and alkaline continue to see a lot of support on cost and operational flexibility and we expect that all three major technologies will find significant applications as hydrogen is increasingly adopted.

Wolfe Events

April 5-7: CNP in-person non-deal roadshow in Sydney
April 12: AES in-person non-deal roadshow in NYC
May 9-10: AWK virtual non-deal roadshow in Europe
May 17-18: Wolfe hosting in-person AGA meetings
June 1-2: FTS virtual non-deal roadshow in Australia
June 16-17: BE in-person non-deal roadshow in Europe
June 29: EMA in-person non-deal roadshow in NYC

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Utilities 2020 Election Preview
Utility Pension Review
Utility Liquidity Review

Midstream Leverage Report
Wolfe Midstream Primer
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Calendar

Date	Ticker	Event	Case Docket Number	Description
4/7/22	Various	CPUC voting meeting		
4/11/22	NYSE	Short Interest Release		
4/20/22	EIX/PCG/SRE	2023-25 CoC application due		CA Cost of Capital
4/21/22	Various	CPUC voting meeting		
4/26/22	NYSE	Short Interest Release		
4/29/22	ES	Intervenor testimony		MA rate case
5/5/22	Various	CPUC voting meeting		
5/10/22	NYSE	Short Interest Release		
5/19/22	Various	CPUC voting meeting		
5/24/22	NYSE	Short Interest Release		

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Sent: Thursday, June 9, 2022 9:22 AM
To: Weisenburger \ Michael \ V
Subject: The Fleishman Daily 6/9/22 - PPL, EVRG, EMA, AEE, NI, Poll Results, LNG sector, LNG

Categories: SellSide Notes

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June 9, 2022

THE FLEISHMAN DAILY 6/9/22
PPL, EVRG, EMA, AEE, NI, Poll Results, LNG sector, LNG

The Fleishman Daily 6/9/22
Utilities: PPL, EVRG, EMA, AEE, NI, Poll Results
Midstream: LNG sector, LNG
WEBCAST REPLAY: Utilities Pensions and Interest Rates; replay here, slides here, poll results here

Utilities

PPL – 2022 pro forma guidance plus 6-8% EPS growth implies 2024 light to consensus but near us; in line
EVRG – Missouri staff recommendation mixed; rate relief little light and some Sibley pushback, but 9.62% ROE and 50% equity reasonable

start
EMA – Some intervenor testimony filed in NSP rate case; low ROE rec but in-line with past; process lot different than US
AEE – US DoJ asks for proposals to "right wrongs and redress harms" related to Rush Island; IRP update imminent
NI – Evidentiary hearing in OH rate case delayed a month; good sign for settlement talks
Utilities Pensions and Interest Rates – Click here to see the webinar Poll Results

Midstream

LNG sector – Fire at Freeport; likely shut at least 3 weeks; 2 Bcf/d offline
LNG – SPA with Equinor linked in part to further capacity additions beyond Corpus Christi Stage III

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Clean Energy Comps, Valuation Charts, Models, Arb Spreads

Utilities

PPL – 2022 pro forma guidance plus 6-8% EPS growth implies 2024 light to consensus but near us; in line

- PPL's Investor Day slides disclosed; call today at 10am ET.
- **Pro forma 2022 EPS in line with Street but slight miss to us**: $1.48 vs $1.48 consensus, $1.52 WRe pro forma.
- **LT EPS growth implies lower 2024 than consensus but close to us**: 6-8% through 2025 off 2022 pro forma implies $1.69 in 2024 vs $1.72 WR vs consensus of $1.79 (range $1.65-2.03, median $1.76).
- **O&M savings**: PPL sees $150M of O&M savings from 2021 to 2025.
- **Dividend raised to $0.90 from $0.80 reflecting RI/NEC acquisition**: The dividend is expected to grow in line with EPS (6-8%).
- **$12B capex through 2026 and another $15B through 2030** : 2022-26 capex of $11.7B vs 2021-25 US capex of $7.8B in May 2021 (the last time PPL updated capex); it includes $3.1B from RI/NEC, with the remaining $800M increase from higher legacy (KY/PA) utility capex. PPL said there is another $15B of investment through 2030 related to grid mod/reliability, digital transformation and coal fleet replacement.
- **Strong B/S metrics**: 16-18% FFO/Debt target with no planned equity issuances. Peer average is ~15%.

- **Coal/fleet transition opportunity**: PPL projects coal to be 14% of rate base in 2026 from 21% at YE21. PPL said fleet transition represents $10B of investment opportunity. PPL targets net-zero emissions by 2050.

We think the disclosures are mostly in line with our expectations. We believe PPL is now a de-risked fully regulated utility, trading at a discount. At today's investor day, we will be most focused on the incremental utility capex and O&M reduction opportunities. Longer-term, we will be focused on the fleet transition opportunities in KY and grid mod in PA/RI.

<u>EVRG – Missouri staff recommendation mixed; rate relief little light and some Sibley pushback, but 9.62% ROE and 50% equity reasonable start</u>

- Yesterday Staff and Intervenors filed initial testimony in EVRG's Missouri rate cases at its Metro and West subsidiaries – link
  - **Rate increase – bit light:** MO PSC Staff is recommending a +$2M rate increase at Metro and -$18M decrease at West (though based on a projected true-up allowance it recommends a $28M rate increase at Metro and $6M rate increase at West – this is apples-to-apples w/ EVRG request as uses forecasts as of 5/31/22 true-up date versus 12/31/21)
    - EVRG requested $43.9M (5.2%) at Metro excluding $3.8M of fuel (5.65% total); $27.7M (3.85%) at West excluding $32.1 of fuel (8.31% total)
  - **ROE – reasonable:** MO PSC Staff is recommending a 9.62% ROE (OPC recommended a 9% ROE)
    - EVRG requested 10.0% at both Metro/West; last case was settled black box but both EVRG/Staff supported 9.85% at both subs (before that Metro/West were allowed 9.50%/9.50-9.75% respectively)
  - **Equity ratio – reasonable:** MO PSC Staff is recommending a 50% equity ratio (link) (OPC recommended a 47-49% equity ratio to reflect consolidated level)
    - EVRG requested 51.19%/51.81% at Metro/West (actual capital structure); last case was settled black box but EVRG/Staff supported 49.1%/49.5% at Metro (49.2% allowed before that) and 51.75% at West following a goodwill clarification (unspecified before that)
  - **Rate base – light at West sub:** MO PSC Staff is recommending $3.0/2.0B at Metro/West (link)
    - EVRG requested $3.15/$2.49B at Metro/West (similar to revenue requirement though, EVRG is 5/31/22 true-up date vs. Staff 12/31/21)
  - **Sibley – little messy, though Staff better than MECG/OPC:** MECG (link), is pushing back hard (the original complainant in 2019) saying EVRG proposed to amortize the regulatory liability from non-fuel O&M costs over 4 years while also

amortizing the unrecovered investment over 20 years ($104M undepreciated balanced) – MECG believes EVRG has not captured all the costs savings in its filing and believes the value of unrecovered investment is understated as it excluded the return on Sibley – sees undepreciated balance of $300M equating to $25.7M return over 4 years ($102.9M total) plus the O&M savings of $39.1M to total a $142M regulatory liability; OPC is saying EVRG should not receive a return on any of the Sibley remaining balance (link)

- Staff (link) is recommending a full return of, but not full return on the remaining Sibley balance – citing an unrecovered Sibley balance of $145.6M, offset by $41M in depreciation deferrals and a $91M accounting authority order, netting to a $12.4M regulatory asset to be recovered over 5 years

- Rates are expected to go into effect by 12/6/22 or year-end
- As a reference, AEE recently had its black box settlement in Missouri approved – resulting in a 5.4% rate hike, unspecified ROE but within its previous allowed range of 9.4-9.8%, and its actual equity ratio of 51.97%
  - AEE's Staff rec ROE was 9.5%, but got a more fullsome revenue recommendation ($221M vs. $299M ask)

The ROE and equity ratio recommendations seem reasonable, but the revenue requirement recommendations are fairly tepid (though not atypical relative to history – in the last round of MO rate cases EVRG requested $15-20M rate increases at each sub and got $20-25M rate decreases). Notably, our understanding is that Staff's initial recommendations on revenue requirement and rate base use a test-year of 12/31/21, as compared to EVRG which used forecasts for the eventual 5/31/22 true-up date, thus the delta's may not be as dramatic on apples-to-apples. Also we're seeing some pushback on Sibley reflective of 2019. MECG/OPC seems to be taking a more punitive view versus Staff, but both are pushing back on EVRG's proposal – that said Staff's view does seem manageable (EVRG quantified return on Sibley as ~$0.02/sh based on $100M rate base). We viewed EVRG's overall rate ask as relatively reasonable within the context that it was the first increase in 5 years and represents growth at less than inflation over the last decade. We'll be watching to see whether this is a good starting point to initiate settlement discussions later this summer. In-state peer AEE was able to reach a constructive black box settlement that was recently approved. EVRG was able to settle rate cases across its four subsidiaries 4 years ago. Missouri makes up roughly 33% of EVRG's rate base. From a sensitivity perspective, every 50bps ROE change is worth $0.04/0.03 for Metro/West and every 100bps equity ratio change is worth $0.02/0.01 for Metro/West.

EMA – Some intervenor testimony filed in NSP rate case; low ROE rec but in-line with past; process lot different than US

- Earlier this week, intervenor testimony started to hit the docket in Nova Scotia Power's (NSP) rate case

- Consultants on behalf of the Nova Scotia Utility and Review Board (NSUARB) made the following recommendations/observations on some key components of the case
    - **ROE –** 7.5% recommended and reflective of a generic utility in Canada; NSP is currently allowed a band of 8.75-9.25%
        - NSP requested that the band be widened to 8.5-9.5% with 50/50 sharing above the 9.5%
    - **Equity Ratio –** 37.5%, which is unchanged from NSP's allowed level today
        - NSP requested the allowed equity ratio step up to 40% at YE22, 42.5% at YE23 and 45% at YE24
    - **Rate Base –** Very few discrepancies with NSP's request, saw about C$65M difference related to two capital projects
        - NSP's avg rate base forecasts in 2022-24 are C$4.8B, C$5.2B and C$5.4B
    - **Rider requests –** reject proposed storm rider and replace with a two-way tracking mechanism w/ a C$20M threshold; reject decarbonization deferral account; approve demand side management rider
- Some additional testimony is still due to be filed (Consumer advocate requested extension), then hearings are expected to start in September

This is our first experience analyzing testimony for a rate case in Nova Scotia and it looks to be much different than what we are accustomed to with states in the US. We understand that consultant reports filed on behalf of the NSUARB are the most influential, but these are not all done by the same company thus there isn't a cohesive recommendation vs EMA's rate ask. The recommendation on ROE is obviously quite low but in-line with the recommendation from EMA's 2012 case (same witness) where it ended up getting an 8.75-9.25% band. The same witness is also recommending an equity ratio that is the same as the current allowed level and doesn't believe EMA's request for a step up to 45% over time is warranted as its business risk has actually gotten better since 2012. Recommendations on rate base look good, though not a surprise as most is pre-approved in Nova Scotia. Nothing to definitively conclude at this point, but we will keep watching the docket for when the Consumer Advocate testimony is filed in the next week or two.

<u>AEE – US DoJ asks for proposals to "right wrongs and redress harms" related to Rush Island; IRP update imminent</u>

- The DoJ in court filings released this week asked a court to "right wrongs and redress harms" after years of Clean Air Act violations by AEE's Rush Island coal plant.
- DoJ wants a list of "mitigation possibilities" by 9/1 and outlines the "scope, cost, and impact" of each potential remedy. A joint plan of action by the parties, or competing plans if no deal is reached, would be due by 11/1.

- Based on previous comments, AEE plans to retire Rush Island by 2024 at the latest, and reportedly as early as Sep, according to the *St Louis Post-Dispatch*.
- The utility will file an update to its 2020 IRP this month to reflect Rush Island.
- But the timing of the retirement will be determined by the courts and the MISO, which is tasked with reliability in the region.
- Rush Island has two units totaling 1,242 MW; the rate base is below $400M.
- AEE will eventually request to securitize the cost of early retirement of Rush Island.

The DoJ's ask may not be approved, and if it is, may be addressed by actions AEE is already considering, such as incremental renewables and storage investments. The update IRP this month and MISO's study on the reliability impact are most important to watch.

NI – Evidentiary hearing in OH rate case delayed a month; good sign for settlement talks

- The ALJ assigned to NI's OH rate case recently filed a letter to reschedule the evidentiary hearing originally planned for next Wednesday (6/15)
- The evidentiary hearing is now expected to take place on July 13th

We view the delay in the hearing date as a good sign as it likely means that settlement talks between the parties are progressing nicely.

Utilities Pensions and Interest Rates – Click here to see the webinar Poll Results
Click here to view poll results

1. Do you think the pension weakness in FE and PEG stocks is overdone?
2. PPL views into the Analyst Day
3. NEE views into the Analyst Day
4. PPL – what do you expect proforma base earnings to be?
5. ETR views into the Analyst Day
6. PCG views into the Analyst Day

Midstream

LNG sector – Fire at Freeport; likely shut at least 3 weeks; 2 Bcf/d offline

- Yesterday a tank at Freeport LNG exploded and caught fire: there were no injuries
- The facility will be offline for at least 3 weeks
- Root cause of the explosion is not yet known

Freeport represents about 2 Bcf/d of gas demand so it being down will impact the market somewhat. US gas prices fell and European gas rose as would be expected. The upshot is that the outage will be late spring still in shoulder periods, but to the extent that the outage lasts into the summer the impacts would mount. We will be monitoring any news from the outage but note that Freeport's EPC is KBR, different than the other facilities on operation. Finally the outage is a reminder of how much of a swing factor LNG will be on the US gas picture especially as new facilities move forward.

LNG – SPA with Equinor linked in part to further capacity additions beyond Corpus Christi Stage III

- This morning, Cheniere announced an SPA with Equinor for 1.75 mtpa on an FOB basis for 15 years
    - Half of the volume is dependent on LNG making an FID to build more capacity beyond Corpus Christi Stage III
- Deliveries start in 2H26 and reach the full contracted amount in 2H27

This is another sizeable contract for Cheniere and it's good to see a European entity as the buyer as most recent contracts across the industry have been with Asian buyers and portfolio players. For Cheniere, what's notable to us is that the contract is dependent, in part, on Cheniere adding incremental capacity beyond Corpus Christi Stage III where an FID is expected this summer. Future expansion plans for Cheniere are a big investor question these days and we hope for more color with LNG now adding contracts tied in part to future growth.

Wolfe Events

June 13: Fireside Chat with ET CFO Brad Whitehurst at 2:30pm ET – register here
June 16-17: BE in-person non-deal roadshow in Europe
June 29: EMA in-person non-deal roadshow in NYC
July 12: Wolfe hosted virtual meetings with Michigan PSC

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Utilities 2020 Election Preview
Utility Pension Review
Utility Liquidity Review
Midstream Leverage Report
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Calendar

Date	Ticker	Event	Case Docket Number	Description
6/2/22	Various	CPUC voting meeting		
6/8/22	EVRG	Staff/Intervenor Testimony Due	ER-2022-0129	KCP&L/GMO Missouri Rate Case
6/9/22	NYSE	Short Interest Release		
6/10/22	ES	ES rebuttal testimony		MA rate case
6/13/22	PCG	Intervenor testimony		2023 GRC
6/14/22	OGE	Hearing on Merits Begins	202100164	OG&E OK Rate Case
6/17/22	ED	Rebuttal Testimony	22-E-0064/22-G-0065	CECONY Electric & Gas Rate Cases
6/17/22	SO	Intervenor testimony		VCM26
6/23/22	Various	CPUC voting meeting		
6/27/22	NYSE	Short Interest Release		
6/27/22	ES	Evidentiary hearings		MA rate case

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WOLFE RESEARCH

June 30, 2022

THE FLEISHMAN DAILY 6/30/22

PEG, NI, PNM/AGR, KMI, PLUG

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The Fleishman Daily 6/30/22
Utilities: PEG, NI, PNM/AGR
Midstream: KMI
Clean Energy: PLUG

Utilities

PEG – NJ BPU approves IAP settlement w/ $511M spend over 4 years, 60% of ask; in-line
NI – Requests another delay to the start of hearings in OH rate case to continue with settlement talks
PNM/AGR – NMPC orders rate credits in 2022-2023 for San Juan coal retirement, PNM opposed and files motion to stay

Midstream

KMI – PHP announces FID on 550 mmcf/d expansion; Not a material EBITDA driver, but constructive for Permian takeaway

Clean Energy

PLUG – Announces participation in French green steel project; could be a 650 MW

electrolyzer opportunity

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Clean Energy Comps, Valuation Charts, Models, Arb Spreads

Utilities

PEG – NJ BPU approves IAP settlement w/ $511M spend over 4 years, 60% of ask; in-line

- Yesterday, the New Jersey BPU approved the settlement on PEG's Infrastructure Advancement Program (IAP) – spending $511M over 4 years ($234M specifically for last mile)
- Recall that PEG initially filed for $848M in spend over 4 years to address last mile reliability, EV infrastructure, and gas metering

PEG has typically been able to achieve settlements on its bigger capital spend programs, though this timeline was relatively efficient as a final decision was not expected until the Fall. We expected some level of haircut to overall proposed spend program and 60% of ask is a solid outcome in our view. Historically – AMI was fully approved, Energy Strong II was only 33% of ask (ES I was 60% of ask), Gas System Modernization I/II was 60-70% of ask, and Clean Energy Future Energy Efficiency was 40% of ask.

NI – Requests another delay to the start of hearings in OH rate case to continue with settlement talks

- Yesterday, NI filed a motion in mutual agreement with intervenors to delay the start of evidentiary hearings in its OH rate case
    - The hearings were originally scheduled to commence on June 15th, but then were delayed until July 13th
- NI is now requesting that the start of hearings be delayed until August 9th in order to continue with settlement discussions
- NI also asked for an expediated ruling from the OPUC on its motion

Similar to the first delay, we view this as a good sign as it likely indicates that settlement talks between the parties are moving in the right direction.

PNM/AGR – NMPC orders rate credits in 2022-2023 for San Juan coal retirement, PNM opposed and files motion to stay

- Yesterday, the New Mexico PRC issued an order that would require PNM to issue rate credits related to its retirement of the San Juan coal plant (497 MWs) – this would result in a $128M pre-tax charge
    - PNM issued a similar response last week to an ALJ recommendation on this matter

Unit 1 is currently set to retire today and Unit 4 is set to retire on September

- PNM states that the rate credits eliminate its ability to recover costs until they expire with the anticipated January 2024 implementation of new rates following a planned rate review filing in late-2022
- Since 2020, PNM has been deferring a rate case filing to help customers during COVID
- PNM has filed an emergency motion for a stay of the rate credits pending appeal at the New Mexico Supreme Court
- Separately, early-July will conclude the briefing schedule at the New Mexico Supreme Court on the AGR/PNM merger, which could be followed by oral arguments

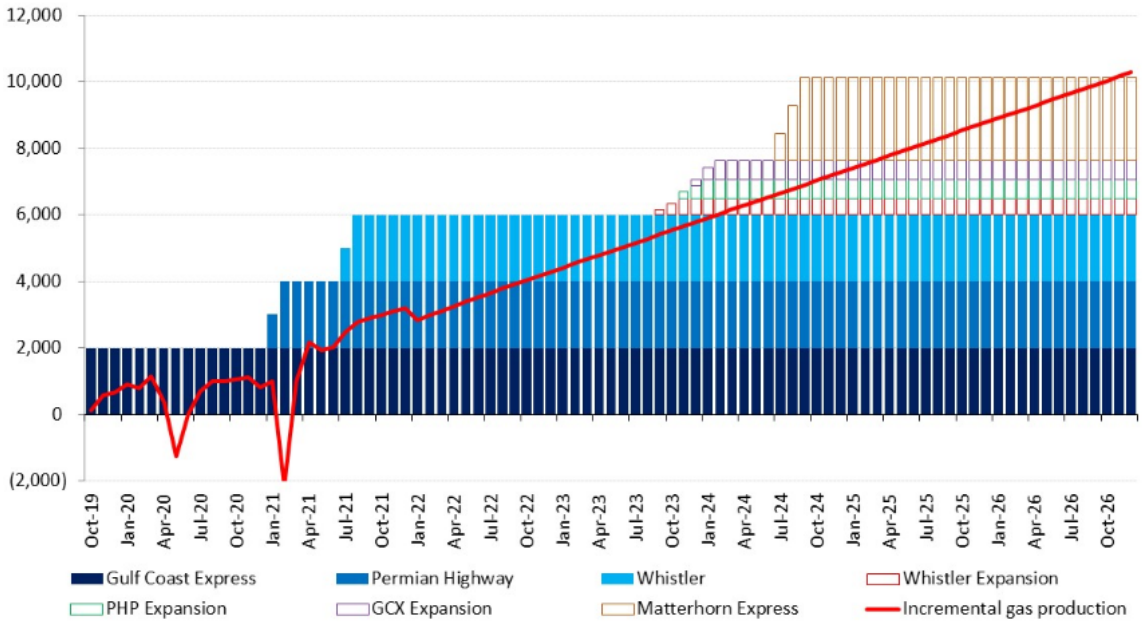
We don't cover PNM, but given its pending acquisition by AGR, have been following along. We can't help but notice how continually adversarial the New Mexico PRC has been. This began with a denial of PNM's plan to securitize/abandon Four Corners coal plant, continued with the merger rejection, and now yesterday with the San Juan rate credits (plus a decoupling order that has also been appealed to the Supreme Court). Fortunately for PNM, the NM PRC will become Governor-appointed next year, with a list of commissioner candidates expected by the Fall. For now though, New Mexico continues to look like one of the least constructive jurisdictions.

Midstream

KMI – PHP announces FID on 550 mmcf/d expansion; Not a material EBITDA driver, but constructive for Permian takeaway

- Yesterday after close, Permian Highway Pipeline announced FID on its 550 mmcf/d expansion project after securing binding firm transport agreements for all available capacity
- The expansion will involve primarily additional compression with a targeted in-service of November 1, 2023
- As a reminder, PHP is jointly owned by KMI (26.7%), KNTK (53.3%), and XOM (20%)

This expansion was largely expected after being discussed at length on KMI's last earnings call, and our understanding is that the net contribution to KMI should be more modest considering it only owns a 26.7% interest in the pipe. But the FID is meaningful in the context of broader Permian gas takeaway – Matterhorn Express will add 2.5 Bcf/d in 2H24, but the basin is relying on smaller, brownfield expansions to ease tightness until then. PHP will now officially add 550 mmcf/d and joins Whistler which FID'd a 500 mmcf/d expansion in May. GCX is currently in an open season for another 570 mmcf/d as well. See our Permian gas takeaway chart below.



Source: Wolfe Midstream Research

Clean Energy

PLUG – Announces participation in French green steel project; could be a 650 MW electrolyzer opportunity

- Overnight Plug Power and several other entities announced GravitHy, a green steel project in southern France
- The facility would produce 2 million tons of green direct reduced iron annually for use in CO2-free steelmaking
- Construction is planned to start in 2024 with an operational start date in 2027
- Total cost is about EUR2.3B
- Plug's partners include Engie, Forvia, EIT InnoEnergy, Groupe Idec and Primetals

Steelmaking is one of the hard-to-decarbonize sectors where hydrogen is well suited. Europe in particular has been accelerating a shift to DRI (which can use hydrogen or natural gas) to eliminate the use of coal. Press coverage around the announcement indicated that the project would include about 650 MW of electrolyzers to supply the hydrogen for the facility, which would be meaningful for Plug (~$300M).

Wolfe Events

July 12: Wolfe hosted virtual meeting with Michigan PSC at 11:00am ET

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7/11/22	PCG	Rebuttal testimony		2023 GRC
7/12/22	NYSE	Short Interest Release		
7/12/22	CNP	ALJ report due		MN gas rate case
7/12/22	SO	Hearing on intervenor testimony		VCM26
7/14/22	Various	CPUC voting meeting		
7/26/22	NYSE	Short Interest Release		
8/4/22	Various	CPUC voting meeting		
8/9/22	NYSE	Short Interest Release		
8/15/22	PCG	Hearings begin; 8/15-26		2023 GRC
8/22/22	EVRG	Settlement Conference	ER-2022-0129	KCP&L/GMO Missouri Rate Case
8/24/22	NYSE	Short Interest Release		
8/25/22	Various	CPUC voting meeting		

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UTILITIES & POWER

Power and money; Wolfe annual proxy review

Our annual review of utility CEO pay and ownership
This report highlights utilities CEO pay, incentives, stock ownership, change of control info and much more. CEO pay is still aligned with financial goals such as EPS and L-T TSR, but median pay rose 13% despite poor relative utility stock performance. The bar for incentive pay is set surprisingly low by some companies, often at the low end or below guidance or with special adjustments. ESG and operations are becoming a bigger part of incentive pay. We think this makes sense but worry the measurements can be very subjective.

CEO stock ownership – Stock ownership varies widely in the sector. NEE and PEG are well above others, but these CEOs are both retiring this year. ETR ($65M), NRG ($41M), DTE ($41M) and AES ($34M) are mid-size companies with relatively high CEO ownership. EIX and SRE ownership suffer from a lot of out-of-money options. AEP stands out for low ownership relative to CEO pay and tenure; other laggards like ED and FE are mainly due to recent CEO turnover.

Change of Control – All utilities have change of control provisions. The biggest are large companies unlikely to be M&A candidates. CNP sticks out ($63M) given the CEO age and medium size. ES is also quite high for a new CEO ($47M).

CEO turnover – Roughly 40% of our companies have seen CEO turnover in the past 2 years, way more than normal. This has led to higher pay for a couple outside hires (PCG, CNP) but most are promoted internally and start with less pay and ownership than their predecessors.

Some interesting tidbits:

AGR – High CEO pay as NECEC/PNM failed; STIP now 40% discretionary

AWK – LTIP EPS CAGR excludes net dilution from HOS sale

CNP – Advisory vote on pay rejected; CEO CoC now among highest in sector

FE – More EPS, TSR metrics; STIP has Ethics/Compliance negative modifier

FTS – Still 100% STIP payout on no EPS growth

NI – PSU awards to mgmt. team for retention, to hit NI Next cost/safety objectives

NRG – Uri hit offset by adder; LT comp raised with Direct; High CEO ownership

PCG – CEO highest paid but skewed by one-time make-whole pay

PNW – Pay up 17% despite worst performing stock in sector; weak ’21 EPS target

SO – CEO pay $5M lower than metrics imply given Vogtle hit; still a top earner

Some companies that target low-end of range – CMS, D, DUK, ES, OGE, SRE

Exhibit 1: CEO Summary Data

Ticker	CEO	Total '21 Comp
PCG	Patti Poppe	$51,185,630
CNP	Dave Lesar	37,809,810
NEE	Jim Robo	24,312,268
SO	Tom Fanning	19,554,554
DUK	Lynn Good	16,174,125

Ticker	CEO	Stock Ownership
NEE	Jim Robo	$344,951,815
PEG	Ralph Izzo	119,058,461
SO	Tom Fanning	70,031,480
ETR	Leo Denault	65,062,105
NRG	Mauricio Gutierrez	41,395,117

Ticker	CEO	Change of Control
NEE	Jim Robo	$101,268,210
CNP	Dave Lesar	63,015,000
PCG	Patti Poppe	56,537,693
EXC	Chris Crane	52,808,000
ES	Joe Nolan	47,308,139

Source: Wolfe Research Utilities & Power Research
CEO stock ownership uses 6/23/22 close price

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June 28, 2022

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CEO compensation summary data

Exhibit 2 details a summary of key metrics by company. Median compensation was up ~13% in 2021, slightly below stock performance that was up ~15%. CEO pay appears well aligned with shareholders for the most part, but it was discouraging to see CEO pay rise despite poor utility stock performance relative to the market overall. On pages 6-7 and 11-13, we detail performance metrics that each CEO is benchmarked against for being awarded their incentive comp. We are encouraged that both short and long-term incentives are largely aligned with what shareholders care most about – EPS, operational efficiency / safety and TSR. Given the broad investor focus, some companies targeted emissions or ESG-related metrics in 2021 and we are encouraged to see more utilities like CNP, D, DUK, EVRG, FTS, NRG, PEG, and SO poised to add these measurements to their comps in 2022.

Exhibit 2: Summary Utility CEO Compensation Data - 2021

Ticker	CEO	*Total Comp	*Comp 2021 vs. 2020	2021 Stock Performance	% Salary	% ST Incentive	% LT Incentive	CoC with termination	CEO Stock Ownership Value
AEE	Warner Baxter	$9,254,694	6.6%	14.0%	14%	24%	60%	$31,326,868	$24,894,567
AEP	Nick Akins	14,589,483	(1.5%)	6.8%	10%	20%	68%	33,401,943	14,418,825
AES	Andrés Gluski	14,379,190	25.4%	3.4%	9%	16%	74%	26,582,104	34,162,526
AGR	Dennis Arriola	13,899,563	681.2%	9.7%	8%	18%	72%	19,198,600	2,002,935
AWK	Walter Lynch	6,381,031	42.3%	23.1%	16%	20%	63%	20,929,366	18,743,062
CMS	Garrick Rochow	6,870,990	N/A	6.6%	15%	14%	67%	11,350,879	17,165,822
CNP	Dave Lesar	37,809,810	216.9%	29.0%	4%	6%	88%	63,015,000	5,057,598
D	Bob Blue	6,925,435	10.6%	4.5%	18%	33%	47%	29,557,507	14,406,142
DTE	Gerry Norcia	10,054,678	3.5%	15.7%	13%	20%	65%	31,617,863	41,116,466
DUK	Lynn Good	16,174,125	13.1%	14.6%	9%	20%	69%	39,091,362	36,849,430
ED	Timothy Cawley	8,841,587	N/A	18.1%	14%	22%	63%	24,388,251	1,587,881
EIX	Pedro Pizarro	11,075,036	7.1%	8.6%	12%	19%	69%	29,936,396	6,806,773
EMA-CA	Scott Balfour	7,923,544	5.7%	16.9%	14%	16%	69%	20,159,007	22,015,695
ES	Joe Nolan	4,761,296	N/A	5.2%	21%	47%	30%	47,308,139	10,562,411
ETR	Leo Denault	12,877,906	9.3%	12.8%	10%	19%	70%	25,143,695	65,062,105
EXC	Chris Crane	14,688,050	2.0%	36.8%	9%	15%	75%	52,808,000	18,727,865
EVRG	David Campbell	11,138,082	N/A	23.6%	9%	25%	66%	16,130,575	3,974,993
FE	Steve Strah	8,837,858	170.7%	35.9%	12%	22%	65%	4,730,000	3,625,222
FTS-CA	David Hutchens	7,646,904	N/A	17.4%	0%	23%	71%	22,525,788	9,082,792
OGE	Sean Trauschke	6,510,196	33.5%	20.5%	16%	21%	61%	14,361,770	12,364,837
LNT	John Larsen	6,702,836	11.5%	19.3%	15%	23%	56%	10,163,598	8,822,750
NEE	Jim Robo	24,312,268	6.8%	21.0%	6%	21%	72%	101,268,210	344,951,815
NI	Joe Hamrock	9,535,782	47.7%	20.4%	11%	15%	73%	25,719,012	16,321,216
NRG	Mauricio Gutierrez	10,854,224	9.9%	14.7%	13%	16%	71%	28,148,488	41,395,117
PCG	Patti Poppe	51,185,630	N/A	(2.6%)	3%	3%	80%	56,537,693	7,709,791
PEG	Ralph Izzo	14,208,674	9.5%	14.5%	10%	25%	64%	19,116,559	119,058,461
PNW	Jeff Guldner	7,000,602	16.8%	(11.7%)	16%	26%	58%	18,698,231	2,328,339
POR	Maria Pope	5,358,971	60.3%	23.7%	19%	21%	58%	13,004,324	6,035,523
PPL	Vince Sorgi	8,995,389	54.2%	6.6%	13%	30%	57%	14,048,815	7,182,892
SO	Tom Fanning	19,554,554	17.5%	11.6%	8%	15%	76%	46,053,434	70,031,480
SRE	Jeff Martin	14,721,786	16.7%	3.8%	9%	27%	61%	33,841,896	25,173,264
VST	Curt Morgan	10,075,627	(7.4%)	15.8%	13%	14%	72%	25,665,431	16,942,013
WEC	Gale Klappa	7,533,420	28.7%	5.5%	15%	39%	43%	33,273,969	29,304,958
XEL	Bob Frenzel	8,270,873	N/A	1.5%	11%	12%	76%	17,847,614	6,741,523
Average		**12,616,179**	**55.5%**	**13.7%**	**12%**	**21%**	**66%**	**29,616,188**	**31,312,561**
Median		**9,795,230**	**13.1%**	**14.5%**	**12%**	**20%**	**68%**	**25,692,222**	**15,370,020**

Source: Wolfe Utilities & Power Research, Company Filings
*Excludes pension
**Dave Lesar's stock ownership excludes 1M share grant from retention award
Stock ownership value only includes in-the-money portion of stock options; also excludes stock awards that have yet to vest or be earned; total value uses 6/23/22 closing price

Notable company highlights

AEE: ST comp EPS weighting again trimmed 5% to 70%; adds 2 diversity metrics totaling 5%; LT comp includes 10% tied to clean energy transition goals

AEP: Low CEO stock ownership despite tenure; ST comp back to 60/40 EPS/safety from 100% EPS during COVID

AES: Increased weighting on relative TSR for LTIP; both FLNC and Uplight missed '21 revenue targets

AGR: High CEO pay considering midcap, underperformance, NECEC/PNM failed; Switched STIP to net income from EPS given merger equity; Recent 8K moved STIP to 60% performance and 40% discretionary

AWK: 8% EPS CAGR target for LTIP excludes net dilution from HOS sale, but implicitly includes earnings from ramped-up regulated capex as HOS sale proceeds are allocated towards faster rate base growth

CMS: STIP component switching to operations from cash flow; larger EPS component still uses low-end of 6-8% growth as target

CNP: 1M share retention grant raises CoC to highest in sector w/ Robo gone; advisory vote on pay not approved

D: 100% funding for STIP w/ EPS at low end of range; for 2022, removed ROIC target from LTIP and replaced w/ EPS and non-carbon MW goals

DTE: Stock ownership high for level of CEO tenure; big boost in CoC payout

DUK: 21-23 EPS target for pay implies ~5% growth v 5-7% guidance; adding quant. ESG metric in 2022

ED: Cumulative 2021-23 EPS target for LTIP implies ~6% growth off '21 guide midpt. vs. ~2% off '20 original guide midpt. last year; stock ownership low even for a new CEO; '22 LTIP modification to include RSUs

EIX: 2022 LT comp TSR/EPS weighting to 25% each from 12.5% each, cut stock options to 25% from 50% of LT comp

EMA: Added back Winter Storm Uri fuel costs to cash flow target for STIP; 6% EPS/CFO growth target for LTIP

ES: 75/25 PSU/RSU from 50/50; 100% LT payout possible at 5% EPS growth v 6-7% target; large Chg of Ctrl

ETR: ST comp 60/40% fin and safety/ESG from 100% fin; replaced EPS metric with FFO/D in LT comp (all adjusted for storms/securitization/etc.)

EVRG: New CEO, but stock ownership low; LTIP now 67% TSR / 33% 3-year EPS (prior 100% TSR)
Former CFO Somma got paid out as if there was a CoC – termination without cause

EXC: 2022 ST comp EPS metric falling to 60% from 70%, operational metrics rising to 40% from 30%; adding a 10% weighting for customer satisfaction

FE: STIP now includes Ethics/Compliance negative modifier of 0-100%; Added cash flow at 30% weight in STIP, increased EPS weight and added TSR to LTIP

FTS: STIP EPS target adjusted for FX and reflects no growth in 2021 (similar to last year); continue to increase ESG, decrease financial weights; no more stock options

LNT: CoC finally boosted above CEO total comp; LTIP net income growth target now 5.5% from 5.0% (vs. 5-7% CAGR)

NEE: Outgoing CEO stock ownership and STIP payout percentage remain the highest

NI: Big special PSUs awarded to entire executive team for retention and for enhanced motivation to achieve NiSource Next objectives; LTIP added relative TSR weighting w/ ESG & safety magnifiers

NRG: CEO owns lot of stock; Bonus targets set too easy; Uri hit was offset by 12% special adder; LT comp structure tied 67% to relative TSR (good); target LT awards stepped up after Direct acquisition

OGE: STIP EPS target was at the low-end of OG&E's original 2021 guidance range likely due to Winter Storm Uri headwinds; 0% payout for 2019-2021 LTIP as TSR was poor at the 19th percentile of the peer group

PEG: Outgoing CEO stock ownership is second highest; CoC still relatively low; LTIP adding EPS growth and ESG, decreasing ROIC weight

PNW: CEO pay up 17% despite stock being the worst performer in the sector; STIP target for EPS was way below actual; LTIP adding actual EPS target & clean MW installed target for 2022

POR: LTIP EPS target now 2.5% vs. 5% last year, but off higher 2020A base; COVID impacts excluded for NEOs' 2019-2021 LTIP had no effect on payout; STIP EPS target was above original 2021 guide midpt.

PCG: CEO highest paid but skewed by one-time make-whole pay; utility comp better alignment with AB 1054

PPL: Added earnings growth and ESG metrics to the LT comp mix at 20% weightings each

SO: CEO Comp reduced $5M due to Vogtle/other charges in 2021; added ESG/GHG metrics to both STIP and LTIP

SRE: ST comp now includes qualitative ESG evaluations rather than customer service; earnings weight (not EPS) reduced to 80% from 85%. Short-term bonus 100% target on earnings was $2.4B, which was equivalent to the low end of SRE's earnings guidance for the year at investor day ($2.42B-$2.635B)

VST: Separated Q1 in STIP, 2021 in LTIP due to Uri; set remainder of STIP versus post-Uri guide; capped STIP payout at 75% of target (from 135%) and LTIP at 100%

WEC: STIP now uses 6.2% target EPS CAGR off original guide (from 5.1%) w/ 8.0% high-end (from 7.1%); determined prior to boosting growth rate to 6-7% (from 5-7%)

XEL: 37.5% of LTIP performance shares awarded for achieving carbon reduction targets – largest in sector

Performance metrics for ST incentive compensation

Exhibit 3 (next page) shows performance metrics used for short-term incentive compensation and the weightings / importance that each company assigns to the respective metric. We were pleased to see that the majority of companies benchmark their CEOs against EPS performance and operational / safety targets. For context, the "Ops/Safety" bucket encompasses strategic goals, O&M efficiency, plant availability, response, etc.

One pet peeve is companies that provide 100% target payout for hitting EPS targets that are below or at the low end of the guidance given to investors. We also worry about companies that target net income and not EPS – this ignores any potential share dilution (something that matters to investors).

Companies that target EPS below or at low end of guidance – CMS, D, ES, NRG targets set close to low end of EBITDA / FCF guidance, OGE, SRE, WEC (moved from 5% to 6% target EPS growth in accordance with CAGR raise to 6-7% from 5-7%)

Companies that target net income rather than EPS – AGR, ED, EIX, EMA, FE, PNW, PPL, SRE

Companies that place > 50% weighting on EPS (positive) – AEE, AEP, CMS, CNP, D, EXC, FTS (continues to reduce EPS weighting), LNT, NI (decreased weighting to 70% from 75%), PEG, WEC

Other notable company highlights include:

AEE: EPS weighting trimmed 5% to 70% for another year in a row; 2 diversity metrics totaling 5% were added

AES: Crushed renewable PPA addition target (3.5 GW), which was midpoint of original guidance; FLNC and Uplight both missed revenue targets

AEP: ST comp moved back to 60/40 EPS/safety from 100% EPS; low threshold to get 100% LT comp

AGR: Switched STIP to net income from EPS given merger equity, and added more growth project metrics; Recent 8K moved STIP to 60% performance and 40% discretionary

AWK: Reallocated 10% weighted O&M efficiency improvement objective equally (2.5% each) to ORIR, DART, and two environmental leadership goals

CNP: Moved to being 100% based on achieving utility EPS**,** target was midpoint of original guide; CEO recommended negative adj to reduce payout from 150% to 110% for better align w/ rest of company

EMA: Adjusted cash flow from ops by adding back $124M of Winter Storm Uri costs; adjusted cashflow/EPS by adding back actual FX impact vs budgeted rate

ETR: Moved from 100% financial measure (50/50 EPS/OCF) to 60% financial (EPS only) and 40% non-financial (safety, diversity/inclusion, ESG, etc.)

FE: STIP now includes Ethics/Compliance negative modifier of 0-100%; Added cash flow at 30% STIP weight

FTS: STIP EPS target adjusted for FX and reflects no growth in 2021 (similar to last year); continue to increase ESG, decrease financial weights

NRG: Targets of EBITDA of $2,408M and FCF of $1,468M were closer to the low end of NRG's guidance range, while NRG's Debt / EBITDA was already better than max payout levels at the start of 2021

OGE: 100% funding target for utility EPS of $1.76 was at the low-end of OG&E's original guidance range of $1.76-1.86 likely due to Winter Storm Uri headwinds experienced in 1Q21

PNW: Implied EPS from net income target was $4.54 – way below actual $5.47; PNW did not have official guidance for most of 2021 due to APS rate case

POR: 100% payout target for EPS of $2.65 was above the midpoint of original guidance range of $2.55-2.70

PPL: Given the transitional year, PPL targeted $762M US-only net income; actual was $782M

SO: Despite beating $3.30 EPS target by $0.11, CEO STIP payout reduced by $2.4M (46% cut) due to Vogtle charges

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VST: Separated Q1 in STIP due to Uri, set remainder of STIP versus post-Uri guide; capped STIP payout at 75% of target (from 135%)

WEC: STIP now uses 6.2% target EPS CAGR off original guide (from 5.1%) w/ 8.0% high-end (from 7.1%); determined prior to boosting growth rate to 6-7% (from 5-7%)

XEL: STIP payout entirely based on operational/customer metrics; can be negatively/positively modified if EPS comes in at bottom/top of guidance range (was modified 10% higher in 2021)

Exhibit 3: Performance Metrics for Short-term Incentive Compensation

	% Weighting for Each Metric					
Ticker	EPS	Net Income	Cash Flow	Ops/Safety	Other	Explanation of other
AEE	70%	0%	0%	10%	20%	SAIFI 5%, CPI 5%, JD Pow Index 2.5%, AEE Listens Survey 2.5%, Diversity (5%)
AEP	60%	0%	0%	40%	0%	Changed back to 60% EPS, 40% safety after 100% EPS for 2020 due to covid
AES	40%	0%	20%	10%	30%	20% renewables growth, 10% FLNC & Uplight revenue targets
AGR	0%	24%	14%	21%	41%	27% Project Permitting/Growth; 14% PNM merger
AWK	50%	0%	0%	20%	30%	15% = customer satisfaction, 15% = environment leadership
CMS	70%	0%	30%	0%	0%	
CNP	100%	0%	0%	0%	0%	
D	100%	0%	0%	0%	0%	
DTE	20%	0%	20%	35%	25%	20% = customer satisfaction, 5% = employee engagement
DUK	50%	0%	0%	20%	30%	20% = individual objectives (includes climate goal), 10% = customer satisfaction
ED	0%	50%	0%	50%	0%	
EIX	0%	40%	0%	60%	0%	50% = safety & resiliency, 10% = operational excellence & strategic adv
EMA-CA	0%	40%	30%	10%	20%	10% = environment, 10% = people
ES	42%	0%	0%	30%	28%	21% = strategic initiatives, 7% = dividend growth
ETR	60%	0%	0%	10%	30%	10% each of the following: DIB, Environmental Stewardship, Customer Satisfaction
EVRG	33%	0%	0%	68%	0%	32.5% O&M, 35% Safety/Ops
EXC	70%	0%	0%	30%	0%	30% Ops = 7.5% each for CAIDI, SAIFI, Capacity Factor, Dispatch Match
FE	0%	40%	30%	15%	15%	15% = diversity
FTS-CA	60%	0%	10%	0%	30%	30% = sustainability; 20% individual performance
LNT	70%	0%	0%	0%	30%	15% = customer experience, 7.5% = environmental, 7.5% = diversity
NEE	50%	0%	0%	50%	0%	
NI	70%	0%	0%	25%	5%	5% = records & mapping
NRG	0%	35%	35%	0%	30%	20% = leverage target, 10% = customer focus index
OGE	50%	0%	0%	40%	10%	10% = customer satisfaction
PCG	25%	0%	0%	0%	75%	20% elec ops, 10% gas ops, 20% safety, 15% reliability, 10% generation
PEG	75%	0%	0%	25%	0%	
PNW	0%	50%	0%	30%	20%	10% = corporate resource, 10% = customer service
POR	40%	0%	0%	30%	30%	30% = strategic imperative performance
PPL	0%	70%	0%	20%	10%	Individual performance
SO	45%	0%	0%	30%	25%	25% = individual performance
SRE	0%	80%	0%	12%	8%	8% = ESG measures
VST	25%	0%	25%	40%	10%	25% EBITDA (not EPS); 10% ESG Index
WEC	75%	0%	25%	0%	0%	10% modifier for customer satisfaction (15%), safety (2.5%), diversity (2.5%)
XEL	0%	0%	0%	80%	20%	20% = customer satisfaction
Median	**44%**	**0%**	**0%**	**20%**	**18%**	
Average	**40%**	**13%**	**7%**	**24%**	**17%**	

Source: Wolfe Utilities & Power Research, Company Filings
Note: Ops/safety includes operating performance and O&M management

Exhibit 4: Summary of Notable Changes to ST Incentive Targets vs. the Prior Year

Ticker	Critera Added/Modified for 2021	Critera Removed from 2020
AGR	Switched to adj. net income at 24%, Permitting/Growth up to 27%, added PNM merger close at 14%, added cash flow metrics at 14%	Removed EPS at 35% and O&M at 20%, switched Net Debt to cash flow
AEE	EPS now 70% (was 75%), added Diversity metrics totaling 5%	
AES	Adj. EPS now 40% (was 30%), Parent FCF now 20% (was 30%)	Some small adjustments
AWK	10% on ORIR (was 7.5%), 10% on DART Injury Rate (was 7.5%), 15% on Environmental Leadership (was 10%)	10% on Operational Efficiecy Improvement
CNP	100% on utility/non-GAAP EPS	10% EPS, 35% net income, 40% ops/safety, 15% customer satisfaction
DUK	qualitative climate goal included in the Individual Objectives; threshold payout reduced from 50% to 25% across all scorecard components, and max payout increased from 150% to 175% of target, for each performance measures other than EPS (max payout on EPS remains at 200%); Reliability Index simplified to 6 measures	5% safety modifier was removed
EIX	target weighting for Safety & Resiliency goal from 45% for 2020 to 50% for 2021; target weighting for Operational Excellence & Strategic Advancement goal reduced from 15% for 2020 to 10% for 2021	
ETR	60% EPS, 40% other: 10% Safety, 10% DIB employee, 10% Environmental Stewardship, 10% Customer Satisfaction	Removed cash flow metric; was 50% EPS, 50% Cash Flow
EVRG	32.5%% on EPS (was 25%), 32.5% on O&M (was 25%); added DEI and KPI modifier of +/- 10% each	Safety/Ops lowered to 35% (from 50%)
FE	40% on Net Income (was 70%), 30% on CFO less Capex (was 0%); Also added ethics/compliance modifier (0-100% downward only)	
FTS	Sustainability to 30% (from 20%)	Cash flow to 10% (from 20%)
NI	70% on EPS (was 75%), 30% on safety/customer case (was 25%)	
PCG	Changed weightings: 20% from 25% for elec ops; 10% from 15% for gas ops, 20% from 15% for safety, 15% from 10% reliability, 10% generation unchanged	
PPL	70% US-only net income, 20% operational, 10% individual	prior: 80% EPS, 20% operational
SO	Slight changes within the Operational metric, with power delivery and gas ops being combined with weighting of 10% and generation/nuclear ops/gas infrastructure combined with weighting of 10%	
SRE	Added ESG criteria; reduced earninings to 80% from 85%	Removed customer service
VST	ESG Index is new at 10%	Generation/Retail Operations dropped to 15% each (from 20%)

Source: Wolfe Utilities & Power Research, Company Filings

ST incentive targets & multiple received

Short-term incentives target a percentage of the CEO's base salary and are typically paid out as a cash bonus. As seen in Exhibit 5 below, target / actual payouts vary dramatically across companies. On average, CEOs received 163% of their ST incentives in 2021. The only ones who fell below their target payout were SO, XEL, PCG, VST, and CMS. Most of these were weak stock performers relative to the sector overall with the exception of VST. SO CEO's STIP payout was cut by 46% due to Vogtle charges despite beating the EPS target. XEL's payout was negatively impacted by an employee fatality, though the overall payout was modified higher due to strong financial performance. NEE and WEC received 2x their target payout, but NEE outperformed WEC by ~1,550bps in 2021.

Exhibit 5: ST Target Payout Percentage and Multiple of Target Received

Ticker	CEO	Target Payout (% of salary)	Actual Payout (% of salary)	Multipe of Target Received
NEE	Jim Robo	160%	320%	2.0x
WEC	Gale Klappa	135%	268%	2.0x
PPL	Vince Sorgi	125%	234%	1.9x
ES	Joe Nolan	132%	224%	1.7x
FE	Steve Strah	115%	180%	1.6x
D	Bob Blue	120%	187%	1.6x
PNW	Jeff Guldner	110%	163%	1.5x
DUK	Lynn Good	165%	237%	1.4x
AEE	Warner Baxter	120%	171%	1.4x
ETR	Leo Denault	140%	189%	1.4x
AEP	Nick Akins	140%	189%	1.3x
AGR	Dennis Arriola	100%	131%	1.3x
PEG	Ralph Izzo	140%	182%	1.3x
SRE	Jeff Martin	150%	195%	1.3x
ED	Timothy Cawley	125%	157%	1.3x
AES	Andrés Gluski	150%	180%	1.2x
EIX	Pedro Pizarro	130%	156%	1.2x
NI	Joe Hamrock	120%	143%	1.2x
EVRG	David Campbell	125%	149%	1.2x
LNT	John Larsen	115%	135%	1.2x
EMA-CA	Scott Balfour	100%	117%	1.2x
AWK	Walter Lynch	110%	127%	1.2x
OGE	Sean Trauschke	110%	126%	1.1x
CNP	Dave Lesar	135%	149%	1.1x
FTS-CA	David Hutchens	115%	126%	1.1x
EXC	Chris Crane	155%	166%	1.1x
DTE	Gerry Norcia	100%	105%	1.1x
POR	Maria Pope	105%	109%	1.0x
NRG	Mauricio Gutierrez	125%	125%	1.0x
SO	Tom Fanning	190%	180%	0.9x
XEL	Bob Frenzel	125%	107%	0.9x
PCG	Patti Poppe	130%	110%	0.8x
VST	Curt Morgan	135%	112%	0.8x
CMS	Garrick Rochow	115%	79%	0.7x

Source: Wolfe Utilities & Power Research, Company Filings

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Performance metrics for LT incentive compensation

Long-term incentives are paid out via performance shares (PSUs), restricted stock units (RSUs) and in a few cases stock options. The vesting period is typically three years. PSUs comprise the bulk of total LT incentive compensation for most companies (~70%), while RSUs (~25%) are meant for retaining talent. We are encouraged by the companies that place the biggest emphasis on relative TSR. We highlight companies with some interesting wrinkles in their metrics below:

Companies that weight TSR > 50% – AEE, AES, CNP, DTE, ETR, EVRG, NRG, OGE, SO, WEC, XEL
Companies that target EPS below or low end of guidance – DUK, ES, LNT (but improved to 5.5% target from 5.0% versus 5-7% CAGR)

Other notable company highlights include:

AEE: 10% tied to clean energy transition goals over 3-yr. period, measured in MW of renewables/storage added and coal retired
AEP: Only need $5.09 EPS in 2023 (2% growth off 2022 midpoint of $4.97) to get 100% payout for 2021-23 LTIP since 2021A beat and EPS growth rate raised
AES: Increased weighting for performance cash units (to 50% from 40%) which are based on relative TSR; performance stock units weighting lower (to 30% from 40%) which are based on FCF target; portion of RSUs now subject to modifier based on ESG goals
AWK: 8% EPS CAGR target for 100% payout excludes HOS sale dilution and partial offsets of interest income from seller's note/revenue share agreement, but implicitly includes earnings from faster rate base growth
CNP: Higher weighting on PSUs vs RSUs (75% from 70%); PSUs have higher weighting on relative TSR (45% from 40%) and changed to looking at utility EPS from net income last year
D: 50% weighting to relative TSR, can be modified by relative TSR, P/E ratio performance; uses ROIC metric**;** ROIC going away in 2022 and being replaced with EPS/non-carbon MW targets
DTE: One of few to use FFO/Debt metric
DUK: 2021-23 aggregate EPS target implies 100% of metric achievable at 4.7% EPS growth off 2021 EPS; implied 2023 guidance midpoint of $5.65 trails consensus by $0.12; added qualitative ESG metric, will add quantitative one in 2022
ED: Cumulative 2021-23 EPS target implies ~6% growth off 2021 guide midpt. vs. ~2% off 2020 original guide midpt. last year; 50.1% overall payout for 2019-2021 LTIP due to poor relative TSR (0% category-specific)
EMA: Removed NEGG and Emera Maine EPS from 2018 base for 2019-21 LTIP awards for comparability purposes; target EPS/CFO CAGR is 6% for 2021-23 awards
ES: Moved to 75/25 PSU/RSU from 50/50; 100% LT payout possible at 5% EPS growth below 6-7% target, assuming TSR at 50th percentile
ETR: Replaced EPS metric with FFO/D in LT comp (all adjusted for storms/securitization/etc.)
EVRG: LTIP now 67% TSR / 33% 3-year EPS (prior 100% TSR), adding renewables MWs target
EXC: ROE/NI targets 9.3%/$2.05B vs guidance of 9-10%/$2.06B; FFO/D target 16-24%; now using CFO/Debt (Moody's); TSR modifier was -12% in 2019-21
FE: Increased EPS weight and added TSR to LTIP
LNT: LTIP net income growth target now 5.5% from 5.0% (vs. 5-7% CAGR)
NI: Now has equal weighting on relative TSR and cumulative EPS target (prev. used EPS target and customer value metrics); added magnifiers for ESG-related achievements
NRG: Constructive structure with 67% tied to relative TSR; Stepped up target LT awards after Direct purchase
PCG: Three metrics - 35% customer ops, 35% public safety, 30% financial stability (half affordability and half TSR); removed +/- 25% TSR modifier
PEG: LTIP adding EPS growth and ESG, decreasing ROIC weight

PNW: 2nd consecutive year missing threshold for TSR portion of LTIP (50% weighting), hurting CEO stock ownership; TSR weighting moving down to 40% in 2022

POR: 100% payout for EPS growth at 2.5% now vs. 5% last year, but off higher 2020A base (trading loss adjusted); 2019-21 LTIP max payout threshold hit even w/o adjustment of excluding $0.16 COVID impacts

SO: GHG reduction quantitative metric includes zero-carbon additions and coal/gas retirements/suspension; annual progress toward 50% emissions reduction

SRE: Equal weights of relative stock performance, adjusted earnings growth, and stock options

VST: Separated 2021 in LTIP due to Uri and capped payout at 100%

XEL: 37.5% of LTIP performance shares awarded for achieving carbon reduction targets – largest in sector

Exhibit 6: Performance Metrics for Long-term Incentive Compensation (performance-based portion)

Ticker	Metric	Weighting	Ticker	Metric	Weighting	Ticker	Metric	Weighting	Ticker	Metric	Weighting
AEE	TSR vs peer group	86%	**AEP**	EPS	50%	**AES**	TSR (vs mult.)	62.5%	**AGR**	TSR vs peer group	35%
	Clean Energy Trans	14%		TSR vs peer group	40%		Cash flow	37.5%		Net income	35%
				Carbon reduction	10%					Sustainability/ESG	30%
AWK	TSR vs peer group	50%	**CMS**	TSR vs peer group	50%	**CNP**	TSR vs peer group	60%	**D**	TSR vs peer group	50%
	3-yr EPS CAGR	50%		EPS	50%		EPS	40%		ROIC	50%
DTE	TSR vs peer group	80%	**DUK**	EPS	50%	**ED**	TSR vs peer group	50%	**EMA**	EPS	75%
	FFO/debt	20%		TSR vs UTY	25%		3-yr cumulative EPS	30%		Op cash flow	25%
				Safety	25%		Operating objectives	20%			
EIX	TSR	50%	**ES**	EPS vs EEI index	NA	**ETR**	TSR vs UTY	80%	**EVRG**	TSR vs EEI index	67%
	EPS	50%		TSR	NA		FFO/Debt	20%		3-yr cumulative EPS	33%
EXC	Utility ROE	33.3%	**FE**	3-yr cumulative EPS	50%	**FTS**	TSR vs peer group	50%	**LNT**	TSR vs peer group	50%
	Utility NI	33.3%		Capital effectivenes	50%		3-yr cumulative EPS	50%		Net income	50%
	FFO/debt	33.4%									
NEE	ROE / EPS	80%	**NI**	EPS	50%	**NRG**	TSR vs peer group	100%	**OGE**	TSR vs peer group	100%
	Operational	20%		Relative TSR	50%						
PCG	Customer ops	35%	**PEG**	TSR vs peer group	50%	**PNW**	TSR vs EEI Index	50%	**POR**	ROE	33%
	Public safety	35%		ROIC	50%		Operational	50%		EPS growth	33%
	Financial stability	30%								Clean energy	33%
PPL	TSR vs UTY	50%	**SO**	TSR vs peer group	53%	**SRE**	TSR vs utes	33%	**VST**	Adj FCF per Share	100%
	ROE	50%		Consolidated ROE	33%		EPS	33%			
				GHG reduction	13%		TSR vs S&P 500	33%			
WEC	TSR vs peer group	100%	**XEL**	TSR vs peer group	62.5%						
				Carbon reduction	37.5%						

Source: Wolfe Utilities & Power Research, Company Filings

Exhibit 7: Summary of Notable Changes to LT Incentive Targets vs. the Prior Year

Ticker	Critera Added/Modified for 2021	Critera Removed from 2020
AEE	Added coal retirements to Clean Energy Transition metric in 2021; renewable/storage additions only in 2020	
AES	50% weighting to TSR (was 40%); 30% weighting to FCF targets (was 40%)	
CNP	45% weighting on TSR (was 40%); 30% on utility EPS	30% weighting on net income
D		Absolute TSR modifier for portion of performance shares that were subject to relative TSR
ED	5% weighting on Diversity and Inclusion Work Plan within operating objectives (20% overall)	5% weighting on Customer Service System Work Plan Milestones/Tasks within operating objectives (20% overall)
ES	Raised PSU/RSUs to 75/25% from 50/50%; Raised EPS growth needed for 2021-23 to 5% at 50th percentile TSR to get 100% payout; was 4.5% EPS growth needed for 2020-22	
ETR	Now uses Adj FFO/Debt (instead of EPS); still 20% weighting	No longer uses EPS
EVRG	67% TSR vs. EEI Index (was 100%); 33% 3-year cumulative EPS	
LNT	Now target 5.5% CAGR on Net Income (from 5.0%)	
NI	50% on cumulative EPS target (was 80%); 50% now based on relative TSR	20% previously for customer care/safety - these are now used as +/- magnifiers
NRG	LTIP target for CEO raised to 575% of salary from 425%	
PCG	35% customer ops, 30% public safety, 30% financial stability	Prior: 25% customer satisfaction, 25% PSPS notification, 25% safety, 25% substation enabling
PNW	Relative TSR now vs EEI index (was S&P 1500 Utility Index)	
PPL	For 2021 only, using one-yr ROE vs 3-yr	
VST	Went to 100% FCF/sh w/ +/- 25% Relative TSR Modifier	Prior: 50% EBITDA 50% Relative TSR; Eliminated Stock Options

Source: Wolfe Utilities & Power Research, Company Filings

In Exhibit 8 below we list the composition of LT incentive compensation. Companies that use stock options include EIX, EMA, ETR, NEE, SRE, and WEC.

EIX CEO has 1.65M stock options, with over 1.2M of shares underlying currently exercisable options. However, most are out-of-the money, with exercise prices ranging from $61-79 and expiration dates in 2024-30. If EIX stock were trading in line with utility peers (17x 2024 currently), that would equate to ~$22M; even if the stock were at a 15% discount to the avg utility, that would still be ~$8M.

FTS eliminated options going forward. Previously, options were in place for Canadian executives and new CEO was U.S.-based previously.

Former NEE CEO Jim Robo had over $100M of ITM options.

Outgoing VST CEO sold 610k shares of stock and exercised 458k of options (with $14.03 strike price) on his way out the door. Following these transactions, Morgan still owns 350k shares of stock, a remaining 69k options at the $14.03 strike price, and another 2.3M in options that have been granted over 2017-2020 with strike prices ranging from $14-27/sh. (the majority of which is in-the-money). VST has eliminated using options going forward.

Exhibit 8: Composition of LT Incentive Compensation

Ticker	CEO	Performance-based	Service-based (RSUs)	Stock Options
AEE	Warner Baxter	70%	30%	0%
AEP	Nick Akins	75%	25%	0%
AES	Andrés Gluski	80%	20%	0%
AGR	Dennis Arriola	100%	0%	0%
AWK	Walter Lynch	70%	30%	0%
CMS	Garrick Rochow	75%	25%	0%
CNP	Dave Lesar	75%	25%	0%
D	Bob Blue	60%	40%	0%
DTE	Gerry Norcia	70%	30%	0%
DUK	Lynn Good	70%	30%	0%
ED	Timothy Cawley	100%	0%	0%
EIX	Pedro Pizarro	25%	25%	50%
EMA-CA	Scott Balfour	50%	25%	25%
ES	Joe Nolan	75%	25%	0%
ETR	Leo Denault	60%	20%	20%
EVRG	David Campbell	75%	25%	0%
EXC	Chris Crane	67%	33%	0%
FE	Steve Strah	100%	0%	0%
FTS-CA	David Hutchens	75%	25%	0%
LNT	John Larsen	70%	30%	0%
NEE	Jim Robo	75%	0%	25%
NI	Joe Hamrock	80%	20%	0%
NRG	Mauricio Gutierrez	67%	33%	0%
OGE	Sean Trauschke	75%	25%	0%
PCG	Patti Poppe	70%	30%	0%
PEG	Ralph Izzo	70%	30%	0%
PNW	Jeff Guldner	70%	30%	0%
POR	Maria Pope	70%	30%	0%
PPL	Vince Sorgi	80%	20%	0%
SO	Tom Fanning	75%	25%	0%
SRE	Jeff Martin	70%	0%	30%
VST	Curt Morgan	50%	50%	0%
WEC	Gale Klappa	25%	60%	15%
XEL	Bob Frenzel	80%	20%	0%
Median		**70%**	**25%**	**0%**
Average		**71%**	**25%**	**5%**

Source: Wolfe Utilities & Power Research, Company Filings

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Changes effective for 2022 proxies

In Exhibit 9 below we show companies that have added or modified criteria for their short- and long-term incentive plans for 2022. A common theme in the sector was to add a new or additional element of ESG into comp criteria – CNP, D, DUK, EVRG, FTS, NRG, PEG, SO – all did this in one form or another. We were happy to see that PCG raised safety and wildfire mitigation metrics for both ST and LT comp given the importance for its stock performance. Notably, EIX reduced the weighting of stock options to 25% from 50% as part of the LT comp package likely because how many previous grants are still out of the money.

Exhibit 9: Criteria Added/Modified in STIP & LTIP for 2022

Ticker	Critera Added/Modified in STIP for 2022	Critera Added/Modified in LTIP for 2022
AEE	Replaced coaching metric with job-safety briefings metric and 5% weighting; Participation rate metric weighting cut to 5% from 7.5%	
CMS	Changed 30% of STIP to operations from cash flow (70% EPS)	
CNP	Expanding ESG modifier to include supplier diversity objectives	Equal 35% weighting on TSR/EPS; adding 5% weighting for carbon reduction goal (4% for Scope 1-2, 1% for Scope 3)
D		60% weighting on performance shares (was 50%), 40% on RSUs (was 50%); performance shares now include EPS goal to replace ROIC, also adding non-carbon generating capacity goal
DUK	new quantitative climate goal based on based on growth in non-emitting generation and storage capacity measured over a one-year period in comparison to pre-established objective performance criteria	
ED		Adjusting LTIP's existing structure to include RSUs that will vest over a 3-year period vs. 100% performance-based currently
EIX	Beginning in 2022, executive must remain employed through payout date or the award will be forfeited	25% to TSR performance shares, 25% to EPS performance shares, 25% to stock options, and 25% to restricted stock units. In 2021, it was 12.5% TSR performance, 12.5% EPS performance, 50% to stock options, and 25% to RSUs
EVRG		Added Environmental metric - total MWs owned renewables by YE24 or buy-ins of PPAs
EXC	Lowered EPS weighting to 60% from 70%, and replaced the non-financial metrics with 15% CAIDI, 15% SAIFI and 10% customer satisfaction	Replaced EXC FFO/D (S&P's metric) with CFO/Debt (Moody's metric), weightings unchanged.
FE		Cumulative operating EPS weighting to 65% (from 50%), add relative TSR (35%); eliminate capital effectiveness (50%) and relative TSR modifier
FTS	Sustainability 40% weighting (from 30%), EPS to 50% (from 60%); Individual performance weighting 20% (from 10%)	New 10% carbon reduction weighting; Relative TSR and cumulative EPS each reduced to 45% (from 50%)
LNT	Added safety at 5% and diversity at 5%	Added diversity metric at 5% weighting
NRG	Up to 15% to be tied to ESG-related factors such as customer goals, environment / carbon reduction, and workforce diversity	
PCG	safety metrics weighting will increase to 65% from 60%; proportion of WMP metrics will increase to 40% from 15%	safety metrics weighting will increase to 40% from 35%
PEG	EPS weighting to 65% (from 75%) and DEI added to Strategic Goals (increased to 35% from 25%)	40% Relative TSR, 20% ROIC, 20% EPS growth, 20% ESG (previously 50% TSR / 50% ROIC)
PNW	40% weighting on relative TSR (currently 50%); adding actual EPS vs target w/ 40% weighting and 20% weighting on clean MW installed target	50% weighting toward various operational targets
PPL		Added earnings growth and ESG metrics to LTIP at 20% each
SO	Added new operational metric to that measures the availability of net zero generation resources, including nuclear, solar, wind and hydro	Refined targets to better reflect renewable resource capacity factors (e.g., wind gets 1.25 MW credit for each MW nameplate) and battery storage (0.5 MW to 0.75 MW credit); Broadened the assessment range of the qualitative assessment (the 2022-2024 modifier can range from -25% to +50% vs prior 0% to +30%); will apply to two more senior executives (EVP of Ops and CFO)

Source: Wolfe Utilities & Power Research, Company Filings

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COVID / Uri adjustments / commentary

Exhibit 10 below details adjustments or commentary related to COVID-19 and Winter Storm Uri that we found when looking through proxies. There were a few companies that stuck out in making material adjustments to reported earnings when awarding their NEOs compensation – AGR, POR, and VST. While POR's exclusion of the $0.16 impact of unrecovered COVID-19 expenses resulted in upward adjustments to ROE and 2020 EPS growth, it reduced POR's 3-year average EPS growth, and we note that this had no effect on 2019-2021 LTIP payout as the maximum threshold had already been hit without this adjustment.

Exhibit 10: Company Adjustments / Commentary Related to COVID / Winter Storm Uri

Ticker	CEO	2021 COVID/Uri Notes/Adjustments
AGR	Dennis Arriola	Add-back COVID to net income the same way they report to investors
OGE	Sean Trauschke	CEO recommended that Compensation Committee be conservative when considering changes to his compensation due to exisiting challenges (suggested the same in 2020)
POR	Maria Pope	Excluded $0.16 impact of unrecovered expenses related to COVID-19 (same level as 2020) in determining 2019-2021 PSU awards to maintain multi-year consistency and avoid disproportionate 2020-2021 EPS growth, which resulted in upward adjustments to ROE and 2020 EPS growth, but a decreased 3-yr average EPS growth; had no effect on LTIP payout as maximum threshold had been hit with or without the adjustment
VST	Curt Morgan	Winter Storm Uri: Weighted Q1 resulted at 25% relative to original STIP targets, then weighted Q2-Q4 at 75% versus revised targets (April 2021 guide), capped performance at 75% of target though ; Separated 3-year LTIP into 67% weight in 2019-2020 and 33% weight in 2021, capped performance at 100% of target

Source: Wolfe Utilities & Power Research, Company Filings

CEO stock ownership

Note that Exhibit 11 below includes all shares beneficially owned, including phantom or deferred shares, as shown in each proxy statement. We exclude stock awards that's have yet to vest or be earned. For those CEOs with stock options, we only include the in-the-money portion of the unexercised options. NEE is over 2.5x anyone else at just under $350M. Only one other company is above $100M – PEG, which is a part a product of the CEO's tenure, but also impressive for company's size. DTE's CEO ownership is also notable considering he has only held the position for 3 years and already ranks towards the top. EIX looks low due to OTM options. Companies with lower ownership tend to have relatively new CEOs (ED, CNP, PNW, FE, LNT, PPL, XEL). AEP CEO stock ownership looks low relative to his salary and tenure length. CNP CEO ownership looks low, but we note that he has a lot of value in outstanding equity awards (see his change of control on the following page).

Exhibit 11: Value of CEO Stock Ownership

Ticker	CEO	Stock Ownership (2021)	Tenure (Yrs)
NEE	Jim Robo	$344,951,815	8.5
PEG	Ralph Izzo	119,058,461	15
SO	Tom Fanning	70,031,480	11.5
ETR	Leo Denault	65,062,105	9
NRG	Mauricio Gutierrez	41,395,117	6.5
DTE	Gerry Norcia	41,116,466	3
DUK	Lynn Good	36,849,430	9
AES	Andrés Gluski	34,162,526	11
WEC	Gale Klappa	29,304,958	18
SRE	Jeff Martin	25,173,264	3.5
AEE	Warner Baxter	24,894,567	8
EMA-CA	Scott Balfour	22,015,695	4
AWK	Walter Lynch	18,743,062	2
EXC	Chris Crane	18,727,865	10
CMS	Garrick Rochow	17,165,822	1.5
VST	Curt Morgan	16,942,013	5.5
NI	Joe Hamrock	16,321,216	7
AEP	Nick Akins	14,418,825	10.5
D	Bob Blue	14,406,142	1.5
OGE	Sean Trauschke	12,364,837	7
ES	Joe Nolan	10,562,411	1
FTS-CA	David Hutchens	9,082,792	1.5
LNT	John Larsen	8,822,750	3
PCG	Patti Poppe	7,709,791	1.5
PPL	Vince Sorgi	7,182,892	2
EIX	Pedro Pizarro	6,806,773	6
XEL	Bob Frenzel	6,741,523	1
POR	Maria Pope	6,035,523	4.5
CNP	Dave Lesar	5,057,598	2
EVRG	David Campbell	3,974,993	1.5
FE	Steve Strah	3,625,222	1.5
PNW	Jeff Guldner	2,328,339	2.5
AGR	Dennis Arriola	2,002,935	2
ED	Tim Cawley	1,587,881	1.5

Source: Wolfe Utilities & Power Research, Company Filings
Note: Stock ownership value only includes in-the-money portion of stock options; total value uses 6/23/22 closing price
Does not include stock awards/incentives that have yet to vest/be earned
CEO tenure rounded to the nearest half year

Change of control premium

In Exhibit 12 below, we sorted utility CEO change of control (CoC) premiums from largest to smallest as of 2021. We found that the bulk of payments are for performance / restricted shares that would be paid out immediately if the CEO were to be terminated upon a change in control. All utilities have change of control provisions. NEE sticks out as the largest by a decent margin, though Jim Robo has since retired. CNP made a big jump, driven by a 1M share retention bonus that was awarded to CEO Dave Lesar in 2021. PCG also stands out with a high CoC given Patti's short tenure as CEO/time at the company. CEOs at companies that have been viewed as potential M&A candidates – FE, POR, OGE, EVRG – all have relatively small CoCs.

Exhibit 12: CEO Change of Control Premium

Ticker	CEO	CoC w/ Termination ('21)	CoC w/ Termination ('20)	% Change
NEE	Jim Robo	$101,268,210	$103,683,730	-2.3%
CNP	Dave Lesar	63,015,000	20,055,000	214.2%
PCG	Patti Poppe	56,537,693	N/A	N/A
EXC	Chris Crane	52,808,000	43,197,000	22.2%
ES	Joe Nolan	47,308,139	N/A	N/A
SO	Tom Fanning	46,053,434	40,457,275	13.8%
DUK	Lynn Good	39,091,362	33,895,368	15.3%
SRE	Jeff Martin	33,841,896	25,813,470	31.1%
AEP	Nick Akins	33,401,943	30,826,702	8.4%
WEC	Gale Klappa	33,273,969	35,550,449	-6.4%
DTE	Gerry Norcia	31,617,863	24,412,139	29.5%
AEE	Warner Baxter	31,326,868	29,430,396	6.4%
EIX	Pedro Pizarro	29,936,396	19,120,780	56.6%
D	Bob Blue	29,557,507	22,992,781	28.6%
NRG	Mauricio Gutierrez	28,148,488	24,895,929	13.1%
AES	Andrés Gluski	26,582,104	26,313,641	1.0%
NI	Joe Hamrock	25,719,012	19,078,950	34.8%
VST	Curt Morgan	25,665,431	22,708,255	13.0%
ETR	Leo Denault	25,143,695	22,169,109	13.4%
ED	Timothy Cawley	24,388,251	16,039,593	52.1%
FTS-CA	David Hutchens	22,525,788	13,477,903	67.1%
AWK	Walter Lynch	20,929,366	13,832,160	51.3%
EMA-CA	Scott Balfour	20,159,007	14,618,221	37.9%
AGR	Dennis Arriola	19,198,600	4,697,859	308.7%
PEG	Ralph Izzo	19,116,559	18,325,045	4.3%
PNW	Jeff Guldner	18,698,231	13,771,726	35.8%
XEL	Bob Frenzel	17,847,614	N/A	N/A
EVRG	David Campbell	16,130,575	N/A	N/A
OGE	Sean Trauschke	14,361,770	11,852,296	21.2%
PPL	Vince Sorgi	14,048,815	10,466,833	34.2%
POR	Maria Pope	13,004,324	6,133,806	112.0%
CMS	Garrick Rochow	11,350,879	6,485,419	75.0%
LNT	John Larsen	10,163,598	6,553,764	55.1%
FE	Steve Strah	4,730,000	3,800,000	24.5%

Source: Wolfe Utilities & Power Research, Company Filings

CEO compensation change vs. stock price performance

In Exhibit 13 below, we show CEO comp vs. the prior year alongside 2021 stock performance. Median CEO compensation was up about 13% vs. stock price performance that was up approximately 15%. Notably, VST's CEO was paid down in 2021 and this coincided with scoring poorly on STIP metrics. The opposite holds true for CEOs, such as those of PPL and FE, that were paid up the most. AGR CEO's meteoric YoY increase in comp is skewed because he only assumed CEO duties for the last 5 months or so of 2020. CNP CEO's substantial YoY rise in comp is primarily a function of the 1M share retention bonus (~$25M value) awarded to Dave Lesar in 2021. It was discouraging to see CEO pay rise despite poor utility stock performance vs. the market overall.

Exhibit 13: CEO Compensation Change vs. Stock Performance

Ticker	CEO	*Comp '21 vs '20	'21 Stock Perf
AGR	Dennis Arriola	681.2%	9.7%
CNP	Dave Lesar	216.9%	29.0%
FE	Steve Strah	170.7%	35.9%
POR	Maria Pope	60.3%	23.7%
PPL	Vince Sorgi	54.2%	6.6%
NI	Joe Hamrock	47.7%	20.4%
AWK	Walter Lynch	42.3%	23.1%
OGE	Sean Trauschke	33.5%	20.5%
WEC	Gale Klappa	28.7%	5.5%
AES	Andrés Gluski	25.4%	3.4%
SO	Tom Fanning	17.5%	11.6%
PNW	Jeff Guldner	16.8%	(11.7%)
SRE	Jeff Martin	16.7%	3.8%
DUK	Lynn Good	13.1%	14.6%
LNT	John Larsen	11.5%	19.3%
D	Bob Blue	10.6%	4.5%
NRG	Mauricio Gutierrez	9.9%	14.7%
PEG	Ralph Izzo	9.5%	14.5%
ETR	Leo Denault	9.3%	12.8%
EIX	Pedro Pizarro	7.1%	8.6%
NEE	Jim Robo	6.8%	21.0%
AEE	Warner Baxter	6.6%	14.0%
EMA-CA	Scott Balfour	5.7%	16.9%
DTE	Gerry Norcia	3.5%	15.7%
EXC	Chris Crane	2.0%	36.8%
AEP	Nick Akins	(1.5%)	6.8%
VST	Curt Morgan	(7.4%)	15.8%
EVRG	David Campbell	N/A	23.6%
CMS	Garrick Rochow	N/A	6.6%
FTS-CA	David Hutchens	N/A	17.4%
XEL	Bob Frenzel	N/A	1.5%
ES	Joe Nolan	N/A	5.2%
ED	Timothy Cawley	N/A	18.1%
PCG	Patti Poppe	N/A	(2.6%)

Source: Wolfe Utilities & Power Research, Company Filings
*Excludes pension

Special retention bonuses

Patti Poppe's comp includes $32M in RSUs, which vest in two equal tranches on the first and second anniversaries of grant; they are intended to replace certain LT equity awards with her former employer. The award will be reduced to the extent the awards being replaced are ultimately received from her former employer. She also received $7M to replace here 2020 annual bonus from CMS, one of the LT stock awards, and certain unvested nonqualified deferred comp, as well as to assist with relocation and expenses.

Dave Lesar was the second highest paid CEO in the sector in 2021, largely due to the 1M share retention grant ($25M value). This grant, along with the $28M cash severance payment to former Executive Chair Milton Carroll, were the likely driving forces behind the advisory vote on CNP's executive comp being rejected by shareholders. Since Dave was appointed CEO, CNP has outperformed the UTY and S&P 500 by ~30% and ~25%, respectively; the outperformance is even more dramatic at ~50% and ~40%, respectively, when looking back to when Dave was appointed to the Board as part of the Business Review Committee. While one could argue about these payments, there is no doubt that CNP stock performance has dramatically improved since Dave took over and we see a strong continued focus on shareholder value at CNP overall.

Exhibit 14: Summary of Recent Special Retention Bonuses

Ticker	Individual	Title	Special Retention Bonuses
CNP	Dave Lesar	CEO	1M share grant ($25.2M value); 400K shares vest on 12/31/22, 600K vests 12/31/23
	Monica Karuturi	General Counsel	$80K cash retention bonus in 2021; additional $100K cash bonus in Feb. 2022 for AR/OK LDC sale completion
NI	Joe Hamrock	CEO	Special PSU award for $2.4M; continued retention and enhanced motivation to achieve NiSource Next goals
	Donald Brown	CFO	Special PSU award for $600K; continued retention and enhanced motivation to achieve NiSource Next goals
	Pablo Vegas	COO	Special PSU award for $617.5K; continued retention and enhanced motivation to achieve NiSource Next goals
	Violet Sistovaris	Chief Experience Officer	Special PSU award for $500K; continued retention and enhanced motivation to achieve NiSource Next goals
	Chuck Schafer	Chief Safety Officer	Special PSU award for $180K; continued retention and enhanced motivation to achieve NiSource Next goals
	Chuck Schafer	Chief Safety Officer	Special RSU award for $350K; to ensure long-term leadership through company's safety initiatives
NEE	Rebecca Kujawa, John Ketchum, etc.	Non-CEO Execs	60k performance-based restricted stock units that vest over 10-year period to all non-CEO execs
OGE	Bryan Buckler	CFO	$175K cash signing and retention bonus payable in three installments - $25K, $50K, and $100K payable on the first pay periods after 1/1/21, 12/31/21, and 12/31/22, respectively
PCG	Patti Poppe	CEO	Make-whole of $6.6M cash and RSUs valued at $31.9M
	Adam Wright	COO	$500k cash bonus and $1.6M RSUs
	Marlene Santos	CCO	$900k cash bonus and $2.5M RSUs
	Jason Glickman	EVP of Engineering, Planning, Strategy	$500k cash bonus
SRE	Peter Wall	SVP Controller and CAO	$600k RSUs vest ratably over 4 years
WEC	Scott Lauber	CEO	$300k annual contribution, plus another $300K annually for 10 years w/ 5% interest
XEL	Tim O'Connor	COO	RSU award for $1M; 60% vests 2/28/23, remaining 40% 8/31/23

Source: Wolfe Utilities & Power Research, Company Filings

Median employee salary by company

The median utility employee made $121K in 2021, representing a considerable 9% decrease from the year prior. However, this is still well-above most other sectors. Median employee salaries earned at previous year's top-paying utilities, such as ED and LNT, experienced dramatic decreases, while those at low-paying utilities, like NI and AGR, saw significant rises. The sharp increases / decreases are likely to be largely attributable to fluctuations in employee pensions. We note that AES has 62% of its workforce outside of the US and that its median US employee compensation was $129K in 2021.

Exhibit 15: Median Employee Salary (2021 vs. 2020)

Ticker	2021	2020	% Change
PCG	$201,157	220,954	-9.0%
EIX	175,717	183,148	-4.1%
EXC	160,633	157,000	2.3%
PPL	147,670	144,648	2.1%
PEG	146,034	142,464	2.5%
SRE	137,800	142,398	-3.2%
PNW	136,805	144,397	-5.3%
DTE	136,472	158,867	-14.1%
CMS	135,987	137,564	-1.1%
ETR	135,272	152,733	-11.4%
AGR	134,891	107,055	26.0%
EVRG	133,369	128,625	3.7%
ES	133,297	140,054	-4.8%
ED	132,803	259,289	-48.8%
NEE	132,798	134,919	-1.6%
SO	132,450	122,763	7.9%
AEE	132,415	142,604	-7.1%
NRG	126,289	113,749	11.0%
OGE	125,889	124,234	1.3%
NI	124,663	103,570	20.4%
FE	124,120	156,509	-20.7%
XEL	122,532	120,597	1.6%
WEC	122,530	138,849	-11.8%
Average	**120,920**	**133,256**	**-9.3%**
POR	118,857	137,847	-13.8%
DUK	115,895	125,812	-7.9%
AEP	111,771	140,965	-20.7%
LNT	110,610	199,102	-44.4%
D	110,406	153,466	-28.1%
VST	110,183	164,939	-33.2%
CNP	103,170	103,993	-0.8%
AWK	91,238	90,790	0.5%
AES*	47,543	64,399	-26.2%
EMA-CA	-	-	N/A
FTS-CA	-	-	N/A

Source: Wolfe Utilities & Power Research, Company Filings
*AES has 62% of workforce outside of US, median US salary $128,553

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Comparables Tables

Exhibit 16: Regulated Utility Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2022E	P/E 2023E	P/E 2024E	P/E 2025E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
AES Corp.	AES	$21.45	668	$14,326	13.3x	12.1x	11.2x	10.2x	2.9%	5.0%	39%	6.5x	17%
Alliant Energy	LNT	$57.93	251	$14,530	21.1x	20.2x	18.9x	17.8x	3.0%	6.2%	62%	2.4x	43%
Ameren	AEE	88.97	258	22,974	21.8x	20.3x	18.8x	17.9x	2.6%	7.0%	58%	2.3x	41%
American Electric	AEP	94.98	514	48,776	19.0x	17.9x	16.9x	15.9x	3.3%	6.0%	63%	2.1x	39%
Avangrid	AGR	45.94	387	17,767	19.8x	22.1x	21.2x	N/A	3.8%	0.0%	76%	0.9x	69%
CenterPoint Energy	CNP	28.99	629	18,248	21.1x	19.6x	18.0x	16.8x	2.3%	8.0%	49%	2.0x	42%
CMS Energy	CMS	66.20	290	19,207	23.0x	21.1x	19.6x	18.3x	2.8%	5.7%	64%	2.9x	35%
Con Edison	ED	93.59	354	33,158	20.6x	19.6x	18.4x	17.7x	3.4%	3.0%	70%	1.6x	45%
Dominion	D	78.66	831	65,339	19.2x	17.9x	16.7x	15.6x	3.4%	6.0%	65%	2.5x	41%
DTE Energy	DTE	124.38	194	24,097	21.1x	20.0x	18.8x	17.5x	2.9%	7.0%	61%	2.7x	32%
Duke Energy	DUK	105.21	770	81,001	19.4x	18.4x	17.2x	16.2x	3.8%	2.0%	74%	1.7x	41%
Edison International	EIX	63.27	381	24,119	14.6x	13.5x	12.5x	11.7x	4.4%	5.7%	65%	2.0x	34%
Emera*	EMA	60.27	264	15,893	19.5x	18.3x	17.3x	16.4x	4.4%	3.9%	87%	1.8x	39%
Entergy	ETR	111.96	203	22,770	17.7x	16.6x	15.5x	14.5x	3.8%	6.0%	68%	1.9x	29%
Evergy	EVRG	65.01	229	14,918	18.4x	16.9x	16.1x	15.2x	3.6%	7.0%	66%	1.6x	44%
Eversource Energy	ES	84.09	345	29,001	20.4x	18.8x	17.3x	16.3x	3.0%	6.2%	62%	2.0x	42%
Exelon	EXC	43.89	980	43,021	19.3x	18.3x	17.1x	15.7x	3.1%	7.0%	59%	1.8x	37%
FirstEnergy	FE	38.16	571	21,787	15.7x	15.7x	14.6x	13.6x	4.1%	0.0%	64%	2.5x	27%
Fortis*	FTS	60.77	477	28,993	21.3x	20.0x	19.1x	18.5x	3.6%	6.0%	76%	1.6x	42%
NextEra Energy	NEE	77.89	1,964	153,015	27.3x	25.2x	23.1x	21.4x	2.2%	10.0%	59%	4.3x	38%
NiSource	NI	29.17	406	11,837	20.1x	19.1x	16.8x	N/A	3.2%	6.0%	65%	2.1x	40%
OGE Energy	OGE	38.19	200	7,646	18.5x	18.8x	17.7x	16.7x	4.3%	2.0%	80%	1.8x	45%
PG&E	PCG	10.25	1,987	20,372	9.4x	8.6x	7.8x	7.2x	0.0%	N/A	0%	1.0x	31%
Pinnacle West	PNW	72.79	113	8,225	18.2x	17.3x	16.1x	N/A	4.7%	2.5%	85%	1.4x	42%
Portland General	POR	49.49	89	4,416	19.2x	16.8x	16.1x	15.4x	3.6%	5.0%	69%	1.6x	43%
PPL Corp.	PPL	27.36	736	20,134	20.0x	17.2x	16.0x	15.2x	3.3%	6.5%	66%	1.5x	53%
PSEG	PEG	62.85	499	31,378	18.0x	17.6x	16.7x	N/A	3.4%	5.9%	62%	2.3x	41%
Sempra	SRE	150.72	314	47,372	17.7x	16.9x	15.8x	N/A	3.2%	8.0%	57%	1.9x	49%
Southern Company	SO	70.38	1,063	74,780	19.8x	18.8x	17.0x	15.8x	3.9%	3.8%	76%	2.6x	34%
WEC Energy Group	WEC	99.28	315	31,316	22.7x	21.6x	20.4x	19.0x	2.9%	7.4%	67%	2.8x	43%
Xcel Energy	XEL	69.33	545	37,761	21.9x	20.5x	19.3x	18.2x	2.8%	6.0%	61%	2.4x	39%
Average					**19.3x**	**18.2x**	**17.0x**	**15.9x**	**3.3%**	**5.4%**	**64%**	**2.2x**	**40%**
Average (ex EIX & PCG)					**19.8x**	**18.7x**	**17.5x**	**16.5x**	**3.4%**	**5.4%**	**66%**	**2.3x**	**40%**

Source: Wolfe Utilities & Power Research

Exhibit 17: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	EV/EBITDA 2025E	Div Yield
Clearway Energy	CWEN	35.68	202	7,197	10.9x	11.5x	12.0x	N/A	4.0%
NextEra Energy Partners	NEP	76.53	177	13,567	10.4x	9.3x	8.9x	8.2x	3.8%
Atlantica Yield*	AY	32.71	114	3,732	10.9x	10.1x	9.7x	9.4x	5.4%
Brookfield Renewable Partners*	BEP	35.33	275	9,719	25.0x	23.4x	22.2x	20.9x	3.7%
Average					**14.3x**	**13.6x**	**13.2x**	**12.8x**	**4.2%**

Source: Wolfe Utilities & Power Research
*Not covered by Wolfe Research, estimates based on consensus

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June 28, 2022

Exhibit 18: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Levered FCF Yield 2022E	Levered FCF Yield 2023E	Levered FCF Yield 2024E	Unlevered FCF Yield 2022E	Unlevered FCF Yield 2023E	Unlevered FCF Yield 2024E
Constellation Energy Corp	CEG	59.42	327	19,410	10.3x	8.0x	7.1x	9.8%	8.2%	10.6%	7.9%	7.1%	8.6%
NRG Energy	NRG	38.61	237	9,162	7.4x	6.5x	6.1x	13.8%	19.8%	22.9%	10.4%	13.6%	14.7%
Vistra Corp	VST	23.75	432	10,256	6.5x	5.2x	5.1x	22.3%	25.2%	26.6%	13.2%	14.1%	14.2%
Average					**8.1x**	**6.5x**	**6.1x**	**15.3%**	**17.7%**	**20.1%**	**10.5%**	**11.6%**	**12.5%**

Source: Wolfe Utilities & Power Research

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June 28, 2022

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To: Weisenburger \ Michael \ V
Subject: The Fleishman Daily 5/4/22 - NI, FTS, PNW, AEP, AES, ERCOT, EIX, CNP, PEG, CMS, LNG, OKE, ET, WMB, ETRN, MPLX
Date: Wednesday, May 4, 2022 9:21:03 AM
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May 4, 2022

THE FLEISHMAN DAILY 5/4/22

NI, FTS, PNW, AEP, AES, ERCOT, EIX, CNP, PEG, CMS, LNG, OKE, ET, WMB, ETRN, MPLX

The Fleishman Daily 5/4/22
Utilities: NI, FTS, PNW, AEP, AES, ERCOT, EIX, CNP, PEG, CMS
Midstream: LNG, OKE, ET, WMB, ETRN, MPLX

Call to Action on US Energy Crisis – Swapping coal for solar now – Biden Administration wake up!

The inevitable solar delays due to the DoC AD/CVD anti-circumvention review continue. But today's announcement is icing on the cake. NI announced 6-18 months delays in their solar projects being built by large developers NEE and EDP. But NI also announced they would be extending the life of their 850MW Schaefer coal unit by 2 years to 2025 from 2023 to insure reliability. So this climate-focused Administration is now directly responsible for extending the life of coal plants all for a filing by one small private solar panel maker that no one has ever heard of. And fueling massive cost inflation for solar while nat gas is at a 13-yr high of $8/mcf, all of which will be flowed through to US consumers. And to top it all off, Silfab the 2nd largest solar panel manufacturer in the US (much larger than Auxin) filed with DoC that they are halting work on a new US factory due to the DoC investigation too. Someone please wake up!

Utilities

NI – Q1 misses; 2022 guide and EPS growth targets reaffirmed; sees 6–18-month delays for most solar projects, offsetting w/ capex pull forward and cost cuts; better than feared
FTS – Q1 EPS in-line, rate base/dividend growth affirmed; quantifies MISO transmission as $1.0-1.5B opportunity

PNW – Q1 beats on strong sales growth, 2022 guidance reaffirmed; uneventful
AEP – KyPSC approves Mitchell Operating Agreement; sale order expected today
AES – Expands renewables relationship with Microsoft to data centers in California
ERCOT – Issues warning expecting record temps/demand for May
EIX – 2022 & 2023-25 CoC cases key this year
CNP – Energizer bunny...capex keeps going and going
PEG – Don't Wreck-it Ralph
CMS – Coaling all ESG investors, we're clean

Midstream

LNG – Big Q1 beat, 17% 2022 guidance boost and another contract for Corpus Stage III; wow!
OKE – Q1 a little light vs consensus and maintained 2022 guidance; mixed
ET – Incremental smaller 0.4 mtpa contract for Lake Charles LNG; Making lot of progress
WMB – Gas strategy paying off
ETRN – Pleading the Fourth
MPLX – Steady results meet a high bar

Quarterly data: Weather, Forward Prices, Spot Prices, Nuke Outages

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Clean Energy Comps, Valuation Charts, Models, Arb Spreads

Utilities

NI – Q1 misses; 2022 guide and EPS growth targets reaffirmed; sees 6–18-month delays for most solar projects, offsetting w/ capex pull forward and cost cuts; better than feared

- **Q1 miss.** Reported Q1 EPS of $0.75 – a miss vs consensus at $0.78 but matched our estimate
- **2022 guidance reaffirmed.** Guidance range of $1.42-1.48 vs us/cons at $1.45
- **EPS growth targets reaffirmed off 2021A.** 5-7% annual EPS growth through 2023, 7-9% CAGR through 2024
    - For 2024: sees potential ($0.09-0.10) headwind from delayed renewable investments being fully offset by +$0.04-0.05 from $400-500M capex pull forward, +$0.03-0.04 from accelerated cost cuts and +$0.01-0.02 from lower financing drag
        - This assumes ~$1B of renewables are in-service by YE23 ($400M already done)
        - Notes that electric rate case options provide flexibility to timely recovery renewables as they go into service
- **Anticipates 6–18-month delays for most solar projects.** This is for projects with previously scheduled completion dates in 2022 & 2023; updated timelines are as follows
    - $440M of capex spent on projects (Dunns I and Crossroads) delivered in 2023

    - $610M of capex spent on projects (Dunns II and Cavalry) delivered in 2023-24
    - $425M of capex on projects (Fairbanks and Elliott) delivered in 2024-25
- **Financing plan unchanged, may be adjusted to reflect updated renewables timing.** This refers to the timing of debt issuances (hence the lower financing drag above)
- **Ohio rate case.** NI is in the process of filing its response to the underwhelming Staff recommendation; it is expected later this month
- **Investor Day formally delayed until some point in the fall.**

Q1 results are more of a side show, with most of the focus being on NI's update with respect to the timeline for its renewable projects. And we think the update there is better than feared given that the EPS growth commitments were reaffirmed, with NI expecting to completely offset the impact of the project delays. That said, there are still a lot of moving pieces and the extent of the delays will be key to understanding the ultimate EPS impact in 2024. We expect that NI will have more specific timelines at its Investor Day this fall after the DoC's preliminary decision is released in late August. The perverse impact of this all is that NI is now having to extend the lives of its Schahfer coal units 17 & 18 (850 MW) until 2025 from 2023 to ensure reliability! In addition, we will also be looking for an update on the Ohio rate case as well as the strategic review under new CEO Lloyd Yates.

<u>FTS – Q1 EPS in-line, rate base/dividend growth affirmed; quantifies MISO transmission as $1.0-1.5B opportunity</u>

- **FTS reported adjusted 1Q22 EPS of $0.78 vs. $0.77 last year – in-line** versus $0.78 consensus and our $0.78
    - ITC +0.01 on rate base growth
    - Canadian utilities +0.02 on rate base growth
    - Central Hudson -0.01 on costs
    - Energy infrastructure -0.01 on weaker Belize hydro
    - Share dilution -0.01
- No 2022 guidance as expected (consensus: $2.81, WRe: $2.87)
- **Reaffirms 6% dividend growth target through 2025**
- Five-year capex plan of $20.0B reaffirmed
    - Upside: Lake Erie Connector ($1.7B) – Ontario Minister of Energy directed ISO to negotiate procurement contract before 8/15/22
    - Upside: MISO long-range transmission – quantified as $1.0-1.5B (USD) opportunity for the first time; 6 of 18 projects run through service territory, including MI/IA where there are ROFRs for incumbents; spend would occur through 2030, unclear if any materializes in five-year plan
    - Woodfibre LNG issued notice to proceed in April and pending FID – would unlock FTS' Eagle Mountain gas line ($350M of capex in the plan)
    - Q1 capex of $1.0B, relative to $4.0B guidance
- **Filing Arizona rate case next month.** Will propose to eliminate certain adjustor mechanisms and modify existing adjustor to provide timely renewable investment recovery.
- **Rate base growth reaffirmed at 6% CAGR** ($37.3B/41.6B in 2024/2026)
- **FX.** No impact in Q1 (every $0.05 in FX change = $0.06 EPS and $450M capex)

- **Sales.** Arizona/UNS: Weather-normal flat
    - Other Electric sales – Eastern Canada up 6% and Caribbean up 7% on tourism recovery

Overall an in-line earnings print from FTS with the rest of the plan reaffirmed. The company quantified the much-anticipated MISO opportunity and we'll be curious where from a timing perspective the capex could show up from this, as well as the Lake Erie transmission line. We'll also be looking for more color on the Arizona rate case strategy.

PNW – Q1 beats on strong sales growth, 2022 guidance reaffirmed; uneventful

- **Q1 beat.** PNW reported Q1 EPS of $0.15 – ahead of us/cons at $0.07
- **2022 guidance, 5-7% EPS CAGR both reaffirmed.** PNW still expects 2022 EPS range of $3.90-4.10 – vs consensus/us at $4.02/$4.01
    - Drivers for 2022 guidance are unchanged; still expects W/A sales growth of 1.5-2.5%
- **Capex, financing plans both unchanged too.** 2022-23E capex of 1.53B/yr, 2024E is $1.65B; no equity until after next rate case
- **1Q22 W/A sales growth of 4.4%.** Retail up 3.5%, C&I up 5.1%; total customer growth was 2.2%

The update from PNW looks pretty uneventful as Q1 results tend to have a pretty small impact on the full-year outlook. That said, the strong sales growth from last year looks to be continuing which likely bodes well for future quarters. On the call, we will mostly be looking for an update on rate case timing. The upcoming rate case coupled with the ACC election this fall are what matters most for PNW this year, in our view.

AEP – KyPSC approves Mitchell Operating Agreement; sale order expected today

- On 5/3, the KyPSC approved the Mitchell Operating Agreement between KY Power and Wheeling Power; both currently AEP subsidiaries but the former is being sold to Algonquin/Liberty Utilities.
- Mitchell is a coal plant jointly owned by KY Power and Wheeling (in WV). MOA approval by both the KyPSC and WV PSC is a condition to close the deal. WV PSC is expected to issue a decision soon.
- One condition of the deal is to sell KY Power's share in Mitchell to Wheeling by 2028 (though at what price is TBD); as the latter has been authorized by the WV PSC to make the necessary investments to comply with the EPA's Effluent Guidelines, which will allow Wheeling to operate the plant beyond then. Wheeling is looking to take over operations of Mitchell from KY Power.
- The KyPSC is scheduled to issue a decision on the sale of KY Power to Liberty by today (5/4) - the statutory deadline to issue an asset sale/transfer in the state.
- If there is no decision today, the application is deemed approved.
- FERC approvals of both the MOA and sale/transfer are required.

Despite the lack of a quorum at the KyPSC (only one commissioner), yesterday's MOA and

presumably today's decision put AEP on track to close the deal by its end of 2Q22 target. We think deal closing is largely in the stock.

AES – Expands renewables relationship with Microsoft to data centers in California

- This morning, AES announced a 20-yr agreement with Microsoft to provide renewable energy to its data centers in California
    - AES and MSFT already have an agreement where AES will supply 24/7 renewable energy to its data centers in Virginia
- Under the agreement, AES will partially match MSFT's load with energy sourced from a portfolio that includes 110 MW of solar and 55 MW of 4-hr battery storage located in CASIO

This is a further demonstration of AES' ability to supply its core C&I customer base with innovative solutions to help them achieve their sustainability goals. It appears that AES is not developing/won't own the assets being used, but still makes a nice margin by providing the solution for MSFT. This is similar to its other 24/7 agreements with GOOG and MSFT where not all the assets are actually AES-owned.

ERCOT – Issues warning expecting record temps/demand for May

- Yesterday, ERCOT issued a warning that higher-than-normal demand is expected for the upcoming weekend due to extreme hot weather
    - ERCOT is expecting 69.3 GWs of demand on Saturday, which would be a record for a May weekend, as temperatures surpass 100 degrees
        - This compares with the previous May demand record of ~67 GWs and all-time summer demand record of 74.8 GWs
- ERCOT is asking for power plants to either postpone or return from outages, but at this time sees sufficient generation to meet demand

This will obviously be closely watched after the Winter Storm Uri catastrophe last year. ERCOT warnings since then have generally been managed. The commodities environment has already been incredibly volatile and we haven't even reached ERCOT summer yet.

EIX – 2022 & 2023-25 CoC cases key this year

Click here to view our complete note

Higher 17/18 damages but more color on recovery plans; CoC key 2022 event. EIX's 1Q22 EPS of $1.07 beat consensus by $0.26 but included $0.17 of timing. EIX reaffirmed 2022 guidance of $4.40-4.70 and 2025 guidance of $5.50-5.90. Mgmt announced an increase in 2017/18 wildfire damages but also for the first time specified the amount on which it will seek recovery and when the request will be made. And EIX touched on its recent 2023-25 Cost of Capital application (10.53% request vs 10.30% currently allowed), as well as the pending 2022 CoC case. In the latter, a proposed decision is expected at any time on whether to cut 2022 ROEs by ~60bp or leave them unchanged. We think the CPUC's decision will be a key data point for the market, as it gauges the risk to 2023-25 ROEs, which could be decided by YE22. EIX assumes its currently allowed CPUC ROE in guidance, whereas our estimates

assume a 50bp cut. That's ~$0.25 depending. We see the stock at a 24% discount to peers on our 2024E. We think it remains undervalued, given continued progress on wildfire prevention/mitigation, and we see upside from recovery of 2017/18 damages or a better 2023-25 ROE than we assume.

CNP – Energizer bunny...capex keeps going and going

Click here to view our complete note

Q1 in-line, 2022 guide and growth outlook reaffirmed. CNP reported 1Q22 EPS of $0.47 which matched us and was in-line with cons. Comparable results were flat YoY as customer growth and favorable weather were offset by expense timing and lost earnings from the LDC sales. CNP reaffirmed its 2022 guide of $1.36-1.38 and said that EPS growth will be back half weighted. The annual 8% EPS growth target through 2024 and expectation to be at the mid-to-high end of 6-8% annually thereafter through 2030 was also reaffirmed.

PEG – Don't Wreck-it Ralph

Click here to view our complete note

Big Q1 beat on asset sale timing. PEG's 1Q22 EPS of $1.33 easily bested our above-consensus estimate of $1.23. Most of this stemmed from timing impacts of the fossil/solar sale, with headwinds coming in 2H22 related to last year's held-for-sale classification and resulting depreciation/interest savings.

CMS – Coaling all ESG investors, we're clean

Click here to view our complete note

Q1 EPS beats and 2022 guidance reaffirmed. CMS reported Q1 EPS of $1.20 – beating our above-consensus estimate and ahead of $1.09 last year. Favorable weather and strong sales were key drivers. CMS reaffirmed 2022 guidance at $2.85-2.89. CMS affirmed its 6-8% EPS CAGR long-term, with continued confidence in the high-end excluding any IRP upside.

Midstream

LNG – Big Q1 beat, 17% 2022 guidance boost and another contract for Corpus Stage III; wow!

- LNG reported Q1 EBITDA of $3.153B vs., $1.452B last year, trouncing consensus of $1.9B. EBITDA more than doubled on increased output from a full quarter of CCL3, the in-service of Sabine 6 and much higher global gas prices. Higher gas prices means both higher margins for marketing and higher lifting margins under the Henry Hub + 15% pricing structure
- Significant 2022 guidance boost. Based on the quicker in-service of Sabine 6, prospects for increased output and the strength in global gas prices Cheniere boosted 2022 guidance to $8.2B-$8.7B from $7B-$7.5B. Distributable cash flow is now expected to be $5.5B-$6B vs. $4.3B-$4.8B
- Uses of cash. Cheniere paid down $800M of debt and repurchased $25M of shares
- A new contract for Corpus Stage III. Cheniere announced a 15-year, 0.85 mtpa integrated production marketing deal with ARC Resources, a Canadian natural gas producer. Pricing would be based on JKM, less shipping costs and Cheniere's fee. The contract would start on commercial operation of Train 7 of Stage III. FID for Stage III continues to be targeted for this summer once financing is completed. First LNG from

the site expected in late 2025.

Investor expectations (and ours) were pretty elevated for the Q1 report but we think the updated guidance far exceeded any of those expectations. The additional $1B+ of distributable cash flow could mean an acceleration of leverage reduction and other capital return. We'll be looking for more color on use of cash flow, how the company can further boost production from its existing LNG terminals under the DOE/FERC authorizations, and next steps on future trains.

OKE – Q1 a little light vs consensus and maintained 2022 guidance; mixed

- ONEOK reported Q1 EBITDA of $864M, about flat with last year but short of the $884M consensus as well as our estimate. The benefit of higher NGL volumes and lower operating costs was largely offset by the absence of Uri gains from last year
- NGL volumes were up 24% in the Rockies and 10% in the Mid-Con though were down vs. Q4 largely on seasonality
- MB-5 construction schedule moved forward. OKE now expects the MB-5 fractionator to be completed in Q2-23, one quarter earlier than before
- Guidance unchanged. OKE continues to see EBITDA of $3.47B-$3.77B for 2022

The quarter was short of expectations which we believe may have been due to weather, which tends to have an outsized impact on volumes in Q1. That said we believe the main investor focus will be any additional color on the 2022 guidance. Most companies reporting so far have boosted their 2022 outlooks on the elevated commodity price environment so we'll be looking for whether the company is in a position to suggest if it's trending higher in the range.

ET – Incremental smaller 0.4 mtpa contract for Lake Charles LNG; Making lot of progress

- Yesterday, ET announced an SPA with SK Gas and Trading for 0.4 mtpa over an 18-year term starting as soon as 2026
- Total contracts announced over the past month now equal 5.1 mtpa, all with fixed liquefaction fees and 18-20 year terms
- ET's press release says recent contracting activity has increased their confidence in reaching FID by yearend

ET has been active on the LNG contracting front with deals with ENN, Gunvor, and now SK! Our understanding is ET would prefer to build out all three trains totaling 16.5 mtpa but could also do a two train project totaling 11 mtpa. On tonight's earnings call we'll be looking for updates on contracting goals to move forward as well as plans to bring in strategic and infrastructure partners. For more on our thoughts on the value of Lake Charles to ET, see our recent Midstream of Consciousness (**link**).

WMB – Gas strategy paying off
Click here to view our complete note
Strong update but street seems to have been there. Williams put up a strong quarter and

boosted 2022 guidance by 5% along with a message of even greater comfort in the long-term growth potential of the company over the next several years. Despite this the stock was only about in line with the sector on the day. This is the third company so far in Q1 earnings that had a good report and better outlook but just a tepid stock reaction. It appears that that market has been baking this upside in. We remain Peer Perform on WMB but it remains a high-quality gas play that has been executing well.

ETRN – Pleading the Fourth
Click here to view our complete note
New 2022 guide and MVP timeline. ETRN posted a solid Q1 that topped consensus by ~2%. The 2022 EBITDA guide came in a little light vs. expectations but we view the outlook as a little conservative given the commodity backdrop. MVP remains in play but is now targeted for a 2H-23 completion under a new set of permits, but there is a lot of focus on legislative solutions. We remain Outperform as we view ETRN stock as a cheap call option on MVP completion.

MPLX – Steady results meet a high bar
Click here to view our complete note
In line quarter with light volumes. MPLX reported 1Q22 EBITDA in line with consensus. Volumes missed our expectation in G&P due to weather and timing issues, and in L&S pipelines likely due to MPC refinery outages. MPLX's sector-leading and formulaic capital return story continued with $850M of Q1 FCF almost exactly equal to $758M of common / pref distributions plus $100M of buybacks. On the call, mgmt. expressed openness to another special distribution in addition to buybacks, and we see more excess FCF over the balance of the year as capex is front-end loaded and MPLX had working capital outflows in Q1.

Wolfe Events

May 9-10: AWK virtual non-deal roadshow in Europe
May 17-18: Wolfe hosted in-person AGA meetings
June 1-2: FTS virtual non-deal roadshow in Australia
June 2: DUK in-person non-deal roadshow in Boston
June 16-17: BE in-person non-deal roadshow in Europe
June 29: EMA in-person non-deal roadshow in NYC

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Clean Energy Top 10 for 2022
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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
5/3/22	SO	Hearing on SO testimony		VCM26
5/5/22	Various	CPUC voting meeting		
5/10/22	NYSE	Short Interest Release		
5/11/22	AGR/DUK/ORS	BOEM Lease Auction Results		Carolinas
5/16/22	OGE	Rebuttal Testimony	202100164	OG&E OK Rate Case
5/18/22	OGE	Settlement Conference	202100164	OG&E OK Rate Case
5/19/22	Various	CPUC voting meeting		
5/20/22	ED	Staff Testimony	22-E-0064/22-G-0065	CECONY Electric & Gas Rate Cases
5/24/22	NYSE	Short Interest Release		

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Utilities & Power

April 19, 2022

Q1 EPS preview – Gas spikes and solar disarray

The Wolfe Byte

A year after Uri, volatility is back with spiking gas and solar projects in limbo due to the AD/CVD review. Winners/losers on these issues will be the focus. But utilities should post a solid qtr. and reaffirm in a tough environment.

Rising gas and solar uncertainty to dominate earnings; but these trades are getting crowded. The continued spike in nat. gas and power prices benefits a couple generators (CEG, VST) and we are meaningfully raising our estimates and PTs. See more in our Weekly Mark here. On the flip side, investors will likely focus on how utilities are managing upward rate pressure from rising fuel/power costs and which ones are better or worse positioned. Solar will be the other hot topic with projects in limbo amidst the DoC's anti-circumvention review (AD/CVD). Developers NEE and AES stocks have been hit on this uncertainty, and it will be hard to calm all concerns right now. That said, we think this will ultimately be a buying opportunity. Utilities that have above average risk to solar project delays include NI, D, and LNT and it could slow down important RFPs for DUK, POR, and many others. Cautionary note…the long gas, short solar trade feels crowded.

Positives: 1) CEG – higher estimates, PT on rising power curves; first EPS call as a standalone company; **2) VST** – higher estimates, PT on rising power curves; first call since CEO transition; **3) AEE** – upward bias on ROEs, MISO transmission, MO legislation, and well positioned on customer rates. **4) ETR** – energy territory, positive momentum into Analyst Day.

Negatives: 1) NEE – will likely execute well but tough to calm concerns on AD/CVD; first call for new CEO, CFO. **2) AES** – also tough to calm AD/CVD concerns, and we are below consensus; Moody's IG may happen. **3) NI** – most risk of solar delays in utilities, but lot of levers to pull; Analyst Day in Fall now. **D, LNT, DUK, POR** also likely get lot of solar questions among others. Will **ED** see impact to their strategic review process?

Important: 1) CMS – Michigan IRP draft order likely by Q1 call. **2) ES** – Moody's review, equity plans and most importantly do they pursue sale of offshore wind leases and/or stake. **3) PPL** – Close to RI merger approval and finally an Analyst Day and LT plan. **4) AGR** – do we hear anything new from incoming CEO?

Quarter beats: AEE, CMS, DTE, PEG, AGR (1-timer). **Quarter misses:** AES, EMA, NI, POR, VST. See page 5. For the sector overall, we project earnings up 4.4% this qtr. and 5.7%/6.1% for 2022/2023 as utilities are handling the inflationary environment better than most.

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April 19, 2022

Quarterly Estimates

Exhibit 1: Wolfe Research Earnings Estimates vs. Consensus

					Q1 2022E		Q1 2021	2022E		2023E		2024E		2025E	
Company Name	Ticker	Price	PT	Rating	WR	Cons	Actual	WR	Cons	WR	Cons	WR	Cons	WR	Cons
AES Corp.	AES	$24.10	$32	OP	$0.24	$0.31	$0.28	$1.61	$1.62	$1.77	$1.77	$1.93	$1.94	$2.14	$2.10
Alliant Energy	LNT	62.71	67	OP	0.72	0.72	0.68	2.75	2.75	2.89	2.90	3.07	3.08	3.26	3.27
Ameren	AEE	96.08	105	OP	1.06	0.95	0.91	4.08	4.06	4.36	4.35	4.71	4.63	4.96	4.93
American Electric Power	AEP	101.66	107	PP	1.19	1.21	1.15	4.99	4.99	5.30	5.29	5.62	5.63	5.97	5.97
American Water	AWK	162.44	160	PP	0.76	0.76	0.73	4.44	4.45	4.82	4.84	5.28	5.20	N/A	5.64
Avangrid	AGR	48.53	46	UP	1.14	0.89	1.14	2.32	2.11	2.08	2.18	2.17	2.39	N/A	2.57
CMS Energy	CMS	71.44	73	PP	1.18	1.09	1.21	2.87	2.87	3.16	3.13	3.43	3.40	3.66	3.67
CenterPoint**	CNP	32.28	34	OP	0.47	0.48	0.47	1.38	1.37	1.48	1.48	1.61	1.60	1.73	1.72
Con Edison	ED	96.94	92	PP	1.51	1.51	1.44	4.54	4.50	4.77	4.81	5.14	5.07	5.34	5.25
Dominion	D	86.83	94	OP	1.18	1.16	1.09	4.11	4.12	4.40	4.38	4.70	4.66	5.05	4.97
DTE Energy	DTE	137.17	136	PP	2.12	2.01	1.99	5.88	5.92	6.23	6.25	6.61	6.68	7.10	7.19
Duke Energy	DUK	114.24	117	PP	1.38	1.32	1.26	5.45	5.46	5.78	5.77	6.16	6.14	6.53	6.50
Edison Int'l	EIX	71.75	77	OP	0.85	0.72	0.79	4.34	4.50	4.67	4.83	5.08	5.20	5.43	5.47
Emera*	EMA	64.22	66	PP	0.92	0.97	0.96	3.07	3.06	3.29	3.26	3.48	3.41	3.65	3.65
Entergy	ETR	124.44	128	OP	1.31	1.38	1.47	6.29	6.32	6.72	6.73	7.13	7.12	N/A	7.56
Evergy	EVRG	70.86	79	OP	0.55	0.56	0.55	3.54	3.54	3.84	3.78	4.04	4.04	4.29	4.28
Eversource Energy	ES	91.67	90	PP	1.20	1.19	1.08	4.07	4.10	4.35	4.37	4.67	4.64	4.95	5.05
Exelon**	EXC	49.23	51	OP	0.67	0.66	0.52	2.24	2.25	2.37	2.40	2.57	2.58	N/A	2.78
FirstEnergy	FE	47.29	50	OP	0.62	0.61	0.69	2.42	2.42	2.58	2.57	2.77	2.75	N/A	2.95
Fortis*	FTS	50.38	49	UP	0.78	0.79	0.77	2.87	2.83	3.07	2.99	3.21	3.15	3.31	3.31
NextEra Energy	NEE	81.71	91	OP	0.73	0.69	0.67	2.80	2.81	3.04	3.04	3.27	3.26	N/A	3.52
NiSource	NI	31.74	34	OP	0.75	0.79	0.77	1.45	1.45	1.53	1.55	1.74	1.73	N/A	1.83
OGE Energy	OGE	41.71	44	PP	0.20	0.17	0.26	2.05	2.09	2.04	2.14	2.18	2.22	2.32	2.42
PG&E	PCG	12.18	17	OP	0.26	0.25	0.23	1.09	1.09	1.19	1.22	1.31	1.33	1.42	1.45
Pinnacle West	PNW	77.14	73	UP	0.07	0.03	0.32	4.01	4.01	4.22	4.19	4.52	4.47	N/A	4.67
Portland General	POR	53.30	56	PP	0.86	1.00	1.07	2.82	2.82	2.97	2.96	3.10	3.09	3.23	3.20
PPL Corp.	PPL	29.22	32	OP	0.40	0.41	0.28	1.52	1.51	1.62	1.69	1.72	1.76	N/A	1.86
PSEG	PEG	72.43	78	OP	1.23	1.11	1.28	3.48	3.47	3.74	3.72	4.00	3.95	N/A	4.23
Sempra Energy	SRE	171.12	179	OP	2.70	2.75	2.95	8.54	8.50	8.92	8.94	9.55	9.54	N/A	10.13
Southern Company	SO	75.83	75	PP	0.89	0.90	0.98	3.56	3.55	3.75	3.81	4.14	4.14	4.45	4.43
WEC Energy Group	WEC	102.84	107	PP	1.70	1.66	1.61	4.31	4.30	4.59	4.57	4.88	4.87	5.22	5.20
Xcel Energy	XEL	74.20	79	PP	0.66	0.68	0.67	3.17	3.17	3.40	3.40	3.61	3.63	3.82	3.81

Source: Wolfe Research Utilities & Power Research, FactSet
*Estimates in $CAD
**WR estimates and actuals for CNP and EXC are utility-only

Exhibit 2: Wolfe Research EBITDA Estimates vs. Consensus

					Q1 2022E		Q1 2021	2022E		2023E		2024E	
Company Name	Ticker	Price	PT	Rating	WR	Cons	Actual	WR	Cons	WR	Cons	WR	Cons
Constellation Energy Corp.	CEG	$63.31	$69	OP	$647	$670	N/A	$2,745	$2,594	$3,428	$2,867	$3,625	$3,144
Clearway Energy	CWEN	33.79	40	OP	235	233	198	1,236	1,207	1,164	1,206	1,112	1,170
NextEra Energy Partners	NEP	75.00	95	OP	405	399	354	1,775	1,727	1,879	1,882	2,033	2,007
NRG Energy	NRG	39.83	41	PP	490	575	567	2,150	2,184	2,300	2,317	2,300	2,390
Vistra Energy	VST	24.84	34	OP	669	728	(1,227)	3,096	3,113	3,606	3,258	3,364	3,259

Source: Wolfe Research Utilities & Power Research, FactSet

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Wolfe Research Estimate and Target Price Revisions

See company-specific commentary on estimate changes later in this report where we discuss each company in more depth. Please see our revisions summary below.

Exhibit 3: Wolfe Research Earnings Estimate Revisions – Regulateds / Diversified

		2022E		2023E		2024E		2025E	
Company Name	Ticker	New	Prior	New	Prior	New	Prior	New	Prior
CMS Energy	CMS	N/A	N/A	N/A	N/A	$3.43	$3.48	$3.66	$3.71
Exelon	EXC	N/A	N/A	$2.37	$2.40	$2.57	$2.60	N/A	N/A
PSEG	PEG	$3.48	$3.47	$3.74	$3.67	$4.00	$3.90	N/A	N/A

Source: Wolfe Research Utilities & Power Research

Exhibit 4: Wolfe Research EBITDA Estimate Revisions – IPPs and YieldCos

		2022E		2023E		2024E	
Company Name	Ticker	New	Prior	New	Prior	New	Prior
Constellation Energy Corp.	CEG	$2,745	$2,582	$3,428	$2,971	$3,625	$3,315
Vistra Energy	VST	$3,096	$3,017	$3,606	$3,164	$3,364	$3,250

Source: Wolfe Research Utilities & Power Research

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Exhibit 5: Wolfe Research Price Target Revisions

Company Name	Ticker	Price	New PT	Old PT	Rating
Alliant Energy	LNT	$62.71	$67	$64	OP
Ameren	AEE	$96.08	$105	$100	OP
American Electric Power	AEP	$101.66	$107	$96	PP
American Water	AWK	$162.44	$160	$151	PP
Avangrid	AGR	$48.53	$46	$41	UP
Constellation Energy Corp.	CEG	$63.31	$69	$60	OP
CMS Energy	CMS	$71.44	$73	$69	PP
Con Edison	ED	$96.94	$92	$82	PP
Dominion Energy	D	$86.83	$94	$86	OP
DTE Energy	DTE	$137.17	$136	$132	PP
Duke Energy	DUK	$114.24	$117	$108	PP
Emera	EMA	$64.22	$66	$61	PP
Entergy	ETR	$124.44	$128	$121	OP
Evergy	EVRG	$70.86	$79	$71	OP
Eversource Energy	ES	$91.67	$90	$85	PP
Exelon	EXC	$49.23	$51	$47	OP
FirstEnergy	FE	$47.29	$50	$46	OP
Fortis	FTS	$50.38	$49	$45	UP
NiSource	NI	$31.74	$34	$31	OP
OGE Energy	OGE	$41.71	$44	$39	PP
PG&E	PCG	$12.18	$17	$15	OP
Pinnacle West	PNW	$77.14	$73	$65	UP
Portland General	POR	$53.30	$56	$53	PP
PPL Corp.	PPL	$29.22	$32	$30	OP
PSEG	PEG	$72.43	$78	$70	OP
Sempra Energy	SRE	$171.12	$179	$158	OP
Southern Company	SO	$75.83	$75	$70	PP
Vistra Energy	VST	$24.84	$34	$29	OP
WEC Energy Group	WEC	$102.84	$107	$98	PP
Xcel Energy	XEL	$74.20	$79	$72	PP

Source: Wolfe Research Utilities & Power Research

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1Q22 Beats/Misses – Wolfe Estimates vs. Consensus

Exhibit 6: 1Q22 Beats/Misses – Wolfe Estimates vs. Consensus

	1Q22 Estimate	
Ticker	**WR**	**Cons**
Beats		
AEE	$1.06	$0.95
CMS	$1.18	$1.09
DTE	$2.12	$2.01
PEG	$1.23	$1.11
AGR	$1.14	$0.89
Misses		
AES	$0.24	$0.31
EMA	$0.92	$0.97
NI	$0.75	$0.79
POR	$0.86	$1.00
VST	$669	$728

Source: Wolfe Research Utilities & Power Research

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Average Spot Prices

In Exhibit 7 below, we highlight the year over year change in the average spot power price in different regions. Spot prices were up considerably in every region except ERCOT compared to 1Q21. Most notably, NY spot prices were up ~141%, on average, New England spot prices were up ~121%, and PJM spot prices were up ~78%. This was largely driven by the spike in natural gas prices stemming from geopolitical tensions due to the Russia/Ukraine war as spot gas averaged $4.58/MMBtu, representing a 68% YoY increase. ERCOT spot prices were down ~94%, on average, after averaging $500+ over 1Q21 due to Winter Storm Uri.

Exhibit 7: Average 7x24 Spot Prices

Northeast	Q122	Q121	% Change
Mass Hub	$109.09	$49.44	121%
Connecticut	106.11	47.98	121%
SE Mass	109.80	49.81	120%
NY Zone A	65.38	24.36	168%
NY Zone G	92.78	40.54	129%
NY Zone - J	95.31	42.50	124%
PJM West	54.90	30.81	78%
Pepco Zone	55.41	34.32	61%
Midwest	**Q122**	**Q121**	**% Change**
Cinergy	$50.42	$36.87	37%
NI Hub	39.64	28.56	39%
AD Hub	48.05	30.47	58%
South Central	**Q122**	**Q121**	**% Change**
ERCOT North	$35.99	$530.80	(93%)
ERCOT South	33.15	527.56	(94%)
ERCOT West	29.34	529.44	(94%)
ERCOT Houston	37.86	531.59	(93%)
West	**Q122**	**Q121**	**% Change**
Palo Verde	$40.30	$34.47	17%
NP 15	49.58	42.02	18%
SP 15	45.95	42.51	8%
Mid-Columbia	37.44	32.02	17%
Natural Gas	**$4.58**	**$2.72**	**68%**

Source: Wolfe Utilities & Power Research, SNL

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April 19, 2022

Wolfe Research Prices vs. Market Prices

We revised our power price deck to reflect the material upward move in forwards. Thus far, we've seen gas/power prices rise to levels not seen in over a decade. This is occurring across markets. The rise in forwards has been more material near-term, but even in out-years, nat. gas is now above $5 in 2023 and above $4 in 2024-2025. Given the steep backwardation in the curve, we've including some shaping to our commodities deck update. In 2022, we are still ~20% below market on power, while out in 2023/2024 we are closer to ~15/10% below market. This is more conservative than we've typically been, but the moves have been dramatic. We've also updated our coal price assumptions to reflect increases in the spot market. PRB has somewhat stabilized after spikes last year, with the recent increases more NAPP/CAPP (small impact for our coverage). Net-net, our IPP estimates move higher, and marking-to-market still shows upside.

Exhibit 8: Wolfe 7x24 power price estimates

	2022	2023	2024
PJM West	$60.99	$57.56	$46.68
PJM East	$61.88	$58.51	$47.64
NEPOOL	$78.35	$81.31	$63.53
NY Zone A	$51.93	$43.83	$37.57
NY Zone G	$55.92	$64.64	$54.33
NY Zone J	$66.36	$68.33	$58.42
A/D Hub	$60.80	$52.79	$42.08
NI Hub	$54.62	$45.57	$35.82
Indiana Hub	$61.23	$55.65	$45.53
ERCOT (Houston)	$57.37	$52.90	$42.12
ERCOT (South)	$52.82	$45.63	$35.46
ERCOT (North)	$54.05	$49.01	$39.07
ERCOT (West)	$47.27	$40.05	$29.81
NP-15	$66.79	$64.69	$57.33
SP-15	$66.41	$62.61	$55.25
Mid-C	$54.97	$61.31	$58.84
Palo Verde	$73.61	$70.46	$63.75
Nymex Gas ($/Mcf)	$5.90	$4.72	$3.90
CAPP Coal ($/ton)	$90.00	$90.00	$90.00
PRB Coal ($/ton)	$16.00	$16.00	$16.00

Source: Platts, Wolfe Research Utilities & Power Research

Exhibit 9: Market 7x24 power price estimates

	2022	2023	2024
PJM West	$76.96	$67.92	$52.43
PJM East	$77.96	$68.92	$53.43
NEPOOL	$93.95	$90.53	$68.84
NY Zone A	$65.64	$50.76	$40.23
NY Zone G	$69.12	$75.09	$59.65
NY Zone J	$81.23	$79.01	$63.90
A/D Hub	$76.43	$61.96	$47.27
NI Hub	$68.85	$53.66	$39.92
Indiana Hub	$77.04	$64.85	$49.89
ERCOT (Houston)	$72.86	$61.11	$48.09
ERCOT (South)	$67.11	$53.40	$39.57
ERCOT (North)	$69.04	$56.99	$43.38
ERCOT (West)	$61.51	$47.23	$33.53
NP-15	$77.90	$70.93	$60.38
SP-15	$77.33	$69.05	$58.26
Mid-C	$63.98	$67.83	$59.66
Palo Verde	$89.84	$79.35	$67.88
Nymex Gas ($/Mcf)	$7.50	$5.43	$4.29
CAPP Coal ($/ton)	$90.00	$90.00	$90.00
PRB Coal ($/ton)	$16.00	$16.00	$16.00

Source: Platts, Wolfe Research Utilities & Power Research

Exhibit 10: Market 7x24 vs. Wolfe 7x24

	2022	2023	2024
PJM West	20.8%	15.3%	11.0%
PJM East	20.6%	15.1%	10.8%
NEPOOL	16.6%	10.2%	7.7%
NY Zone A	20.9%	13.6%	6.6%
NY Zone G	19.1%	13.9%	8.9%
NY Zone J	18.3%	13.5%	8.6%
A/D Hub	20.5%	14.8%	11.0%
NI Hub	20.7%	15.1%	10.3%
Indiana Hub	20.5%	14.2%	8.7%
ERCOT (Houston)	21.3%	13.4%	12.4%
ERCOT (South)	21.3%	14.5%	10.4%
ERCOT (North)	21.7%	14.0%	9.9%
ERCOT (West)	23.2%	15.2%	11.1%
NP-15	14.3%	8.8%	5.1%
SP-15	14.1%	9.3%	5.2%
Mid-C	14.1%	9.6%	1.4%
Palo Verde	18.1%	11.2%	6.1%
Nymex Gas ($/Mcf)	21.3%	13.2%	9.2%
CAPP Coal ($/ton)	0.0%	0.0%	0.0%
PRB Coal ($/ton)	0.0%	0.0%	0.0%

Source: Platts, Wolfe Research Utilities & Power Research

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April 19, 2022

Market Power Prices (12/31/21 vs. 03/31/22)

In Exhibits 11-13, we show market 7x24 power and commodity prices at December 31, 2021 and March 31, 2022. 2022-2024 contracts were up across the board compared to marks at 12/31/21. ERCOT contracts were up 32-36% in 2022, 30-33% in 2023, and 16-23% in 2024. On average, PJM contracts were up ~46% in 2022, ~37% in 2023, and ~17% in 2024. Contracts out West (NP-15, SP-15, and Mid-C) were up 22-26% in 2022, ~18% in 2023, and 12-19% in 2024.

Exhibit 11: 12/31/21 Market 7x24

	2022	2023	2024
PJM West	$41.63	$40.48	$39.60
PJM East	$42.63	$41.48	$40.60
NEPOOL	$58.67	$61.82	$51.00
NY Zone A	$32.03	$32.69	$32.66
NY Zone G	$44.42	$45.68	$47.54
NY Zone J	$46.75	$49.69	$52.05
A/D Hub	$40.94	$39.39	$38.23
NI Hub	$36.39	$34.71	$33.73
Indiana Hub	$42.73	$41.01	$41.34
ERCOT (Houston)	$44.39	$38.79	$35.19
ERCOT (South)	$39.85	$34.06	$29.71
ERCOT (North)	$41.52	$35.96	$32.00
ERCOT (West)	$36.73	$29.72	$25.76
NP-15	$57.84	$55.05	$50.53
SP-15	$57.06	$53.43	$49.24
Mid-C	$47.21	$51.64	$48.43
Palo Verde	$76.35	$66.75	$59.57
Nymex Gas ($/Mcf)	$3.68	$3.36	$3.13
CAPP Coal ($/ton)	$60.00	$60.00	$60.00
PRB Coal ($/ton)	$12.00	$12.00	$12.00

Source: Wolfe Utilities & Power Research, Platts

Exhibit 12: 3/31/22 Market 7x24

	2022	2023	2024
PJM West	$60.92	$55.53	$46.57
PJM East	$61.92	$56.53	$47.57
NEPOOL	$82.02	$84.40	$63.67
NY Zone A	$51.78	$42.46	$38.23
NY Zone G	$57.80	$66.26	$54.48
NY Zone J	$68.61	$70.18	$58.73
A/D Hub	$60.91	$51.19	$42.59
NI Hub	$55.25	$44.48	$36.72
Indiana Hub	$61.29	$53.80	$45.89
ERCOT (Houston)	$58.89	$51.60	$42.47
ERCOT (South)	$54.10	$44.19	$36.39
ERCOT (North)	$55.89	$47.88	$39.40
ERCOT (West)	$48.61	$38.72	$30.00
NP-15	$70.65	$64.80	$57.64
SP-15	$70.51	$62.82	$55.36
Mid-C	$59.63	$60.73	$57.40
Palo Verde	$82.75	$73.18	$64.97
Nymex Gas ($/Mcf)	$5.76	$4.44	$3.78
CAPP Coal ($/ton)	$60.00	$60.00	$60.00
PRB Coal ($/ton)	$12.00	$12.00	$12.00

Source: Wolfe Utilities & Power Research, Platts

Exhibit 13: 3/31/22 vs. 12/31/21 Market 7x24

	2022	2023	2024
PJM West	46.3%	37.2%	17.6%
PJM East	45.2%	36.3%	17.2%
NEPOOL	39.8%	36.5%	24.8%
NY Zone A	61.7%	29.9%	17.0%
NY Zone G	30.1%	45.1%	14.6%
NY Zone J	46.8%	41.2%	12.8%
A/D Hub	48.8%	29.9%	11.4%
NI Hub	51.8%	28.1%	8.9%
Indiana Hub	43.5%	31.2%	11.0%
ERCOT (Houston)	32.7%	33.0%	20.7%
ERCOT (South)	35.7%	29.8%	22.5%
ERCOT (North)	34.6%	33.1%	23.1%
ERCOT (West)	32.3%	30.3%	16.5%
NP-15	22.1%	17.7%	14.1%
SP-15	23.6%	17.6%	12.4%
Mid-C	26.3%	17.6%	18.5%
Palo Verde	8.4%	9.6%	9.1%
Nymex Gas ($/Mcf)	56.4%	32.1%	20.8%
CAPP Coal ($/ton)	0.0%	0.0%	0.0%
PRB Coal ($/ton)	0.0%	0.0%	0.0%

Source: Wolfe Utilities & Power Research, Platts

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April 19, 2022

Earnings Call Calendar

Below, we have provided the 1st quarter 2022 earnings call calendar for companies in our coverage universe. Please note all times are in Eastern Daylight Time.

April 2022

Monday	Tuesday	Wednesday	Thursday	Friday
			9am: NEE / NEP	10am: FE
18	**19**	**20**	**21**	**22**
		10am: AGR 11am: ETR	9am: AEP, AWK, DTE 10am: XEL 11am: PCG, POR 1pm: SO	10am: LNT
25	**26**	**27**	**28**	**29**

May 2022

Monday	Tuesday	Wednesday	Thursday	Friday
2pm: WEC	8am: CNP 9am: CMS 11am: PEG 4:30pm: EIX	8:30am: FTS 11am: NI (tent.) 12pm: PNW	8am: CWEN 8:30am: ES 9am: EVRG, OGE 10am: D 12pm: SRE 4pm: ED*	8am: VST 10am: AEE, AES 11am: PPL (tent.)
2	**3**	**4**	**5**	**6**
10am: DUK, EXC			10am: CEG	8:30am: EMA
9	**10**	**11**	**12**	**13**

*No earnings call
**No call dates have been set yet for NRG

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April 19, 2022

Highlights and Lowlights

AEE: Big updates on MO IRP/renewables, MISO transmission but not till Jun/Jul

- We estimate 1Q22 EPS of $1.06, above consensus, possibly on timing of rate relief and absence of a FERC-related charge in 1Q21. We expect AEE to affirm 2022 guidance of $3.95-4.15 vs our $4.08 and consensus of $4.06. But we expect AEE to acknowledge the tailwind YTD from the 30Y UST, which is ~70bp higher than AEE's assumed 2.25%; every 50bp is $0.04-0.05 EPS.
- The 1Q22 call is looking to be quiet, as we anticipate several updates after the call, including AEE on MO renewables plans (updated IRP filing in June), MISO transmission opportunities (late July), IL electric rate case plans (fall) and possibly MO legislation (by 5/13). Recall the MO renewables and MISO transmission are not in AEE's current plan.
- **MO renewables:** AEE will file an update MO IRP in June, reflecting the anticipated early retirement of Rush Island coal plant. AEE previously projected 1.2 GW of new renewables (800 MW solar and 400 MW wind) in MO by YE25. Aside from 150 MW solar plant announced earlier this year, AEE has yet to detail any of the remaining renewables and suggested possible changes to the 1.2 GW in the update filing. Every $100M of MO capex adds about $0.02 in 2024.
- **MISO transmission:** Portions of two projects identified by MISO as multivalue projects cross AEE's service territory in MO and IL. Although AEE has not been awarded any projects, it is reasonable to assume there is a decent chance they may develop some of those segments within MO and IL. Last decade, AEE won some MISO MVP transmission projects in IL and MO. For each of the current projects, MISO has estimated the segment costs. Those fully within MO is ~$1.2B, and those within IL total ~$2.1B. The MISO Board is expected to issue approvals in late July. Every $100M of MISO transmission capex adds about $0.02 in 2024, though most of the investment would likely be outside of AEE's current 5yr plan.
- **IL electric rate case:** Workshops for the new regulatory framework established last fall are almost complete, and AEE expects clarity this fall. A multiyear rate case filing is anticipated in Jan 2023 for new rates effective 1/1/24. Our 2024E of $4.71 reflects a 9.5% ROE at Ameren Illinois, which is close to the 9.7-9.8% ROEs awarded to the IL gas LDCs over the past year and half. The current formula rates (30Y UST yield + 580bp) sunsets YE23.
- **MO legislation:** The MO legislature may pass legislation that extends the PISA law to 2028 with an option for the MoPSC to extend to 2033. It also changes the cap to PISA-specific portion of the bill as opposed to total bill; the cap would be 2.5% CAGR starting in 2024 (as opposed to 2.85%/3% on bills currently). The legislation also includes a property tax tracker. Both chambers have passed similar but not exact versions of the legislation (SB576/HB1734); the session ends 5/13. Although MO has been constructive for AEE, we believe the legislative proposal would likely prolong the constructive environment. The legislative session ends in May.
- On commodity/supply chain issues, AEE MO is actually net long power and still has several coal plants online. Nearly all of AEE MO's wholesale margins go to benefit retail customers.

AEP: Focus is on closing KY Power sale

- We estimate 1Q22 EPS of $1.19, slightly below consensus. We anticipate AEP will affirm its 2022 guidance of $4.87-5.07. Our 2022E is $4.99 vs consensus of $4.98.
- We do not expect many new disclosures, given AEP raised 2022 guidance and long-term EPS growth target on its Feb call.
- But we anticipate an update on the KY Power sale (and related proceedings), which AEP still expects to close by the end of 2Q22. The sale/transfer proceeding at the KyPSC has a statutory deadline of 5/4, regardless of whether the KyPSC has a quorum or not. Currently, the PSC does not. The Mitchell operating agreement is a precedent for sale approval; but AEP expects resolution there as well, both in KY and WV, ahead of its targeted close date. AEP plans to host an analyst day after the close, likely in the summer or early fall.

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- AEP expects announcements on several pending RFPs with 9.9 GW. But those all appear to be after the 4/28 earnings call. Most of the capacity is for post 2023. AEP's capital plan assumes $8.2B worth of investment opportunities.
- We do not anticipate an update on AEP's plans to sell its unregulated renewables portfolio.
- On commodity/supply chain issues, AEP has idled some coal plants in the East to preserve resources heading into peak seasons.

AES: Solar overhang but everything is still on track

- We forecast 1Q22 EPS of $0.24, a miss vs current consensus at $0.31. We see results down YoY, largely driven by about a nickel of dilution from FLNC (FLNC's # for AES are reported on a quarter lag). Incremental PTC from the Andes buy-in and new renewables should mostly be offset by a higher effective tax rate and the impact of the adjustment for the 2021 equity units. Most of AES' EPS growth is back-half weighted.
- We expect AES to reaffirm its 2022 guidance and 7-9% EPS CAGR. Our $1.61E is a penny below current consensus of $1.62 and toward the midpoint of AES' 1.55-1.65 range. Despite the solar overhang, we believe AES will reaffirm all guidance measures.
- Impact of the DoC's AD/CVD investigation will be a major topic for AES. We recently had management on the road and believe the company is as well positioned as any developer. All 2022 panel needs were in the U.S. prior to the investigation being launched. Should tariffs ultimately be implemented, AES believes that its core customer base has enough price elasticity to handle commensurate price increases. That said, given the retroactive nature of the investigation, we think it is likely that AES' backlog additions will be more back-half weighted, likely seeing an acceleration once the preliminary decision is issued in August. Management feels confident it will still be able to hit its 4.5-5.5 GW target for PPA additions.
- In our recent meetings, it sounded like AES was close to getting its investment grade rating at Moody's. Our sense is that this could be announced in time for AES' earnings call or will come shortly after.
- We think AES may be in a position to announce a nice-sized solar award in Puerto Rico. Earlier this year, PR said it was close to disclosing the awards for its latest RFP for 800 MW of solar and 220 MW of battery storage. AES playing a big role in PR's adoption of solar seems logical given its existing footprint on the island. A second RFP is also being planned that would target 500 MW solar and 250 MW storage.
- We also expect commodities/inflation to be a big topic. Fortunately, AES it is on the right side of the moves globally. 80% of contracts are inflation-indexed and commodities are generally a passthrough. There is also likely upside to plan in 2022 from Bulgaria wind and from potentially diverting some Henry Hub-linked LNG in Central America to Europe. The post-PPA value of Maritzia coal in Bulgaria has never been higher.

AGR: Big offshore wind gain in Q1, long-term still very in flux

- We estimate Q1 earnings of $1.14 – well above consensus. This is actually flat versus a year ago. There are 3 major drivers in Q1 – the offshore wind accounting gain is a big positive ($0.45-0.52), while the absence of the Uri gain ($0.27 last year) and presence of equity dilution are the big negatives. Based on Iberdrola data, we estimate a 30.3% capacity factor for wind, which is below 31.3% last year and 32.1% normal. However, there is also new renewables capacity online that helps. The utilities should benefit from NY rate relief and the end of the 100bps ROE penalty at CMP, offset primarily by depreciation.
- We expect 2022 guidance of $2.20-2.38 to be reaffirmed. As a reminder, this includes the offshore wind accounting gain mentioned above.
- There's been more turnover in leadership since the last call, with CEO Dennis Arriola following former CFO Doug Stuver out the door. Iberdrola's Pedro Azagra will officially takeover the CEO position on May 28. AGR is also holding off on its Analyst Day for now, which will be the next important update for framing the long-term outlook.

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- On PNM, the New Mexico Supreme Court case will likely run into next year before there is any clarity. On NECEC, the Maine Supreme Court has already seen briefs filed with hearings next month. Construction on the transmission line remains paused, but a court decision is expected in 3Q22.
- Offshore wind remains a focus area. Costs on Vineyard Wind appear locked up with offshore construction set to start this summer. Park City and Commonwealth Wind won't firm up costs until next year. For Commonwealth, we could get a disclosure on the MA PPA price soon (contracts will be filed on 4/27).
- On ADCVD, AGR is obviously a big renewables developer, but it actually has added zero to its contracted backlog onshore in two straight quarters (it even cancelled one small project). AGR has 400 MWs of solar expected online this year and another 350 MWs next year, and the status of the panels remains unclear.

AWK: Busy regulatory calendar; focused on execution post HOS, NY & MI sales

- We see 1Q22 EPS of $0.76, which is in-line with consensus at $0.76. We expect YoY results in Q1 to be up $0.03, driven by traditional rate relief/rider mechanisms, interest income from the seller's note, and revenue share from Homeowner Services (HOS). Partial offsets include higher O&M, D&A, and property taxes, as well as lost revenue from the sale of HOS.
- Our expectation is that AWK will reaffirms its 2022 guidance of $4.39-4.49. Our 2022E of $4.44 is in-line with consensus at $4.45 and at the midpoint of AWK's 2022 guidance.
- We anticipate that investors will be most focused on AWK's rate cases in NJ and IL. In AWK's rate case in NJ, which represents ~25% of rate base, ~68% of the proposed revenue increase is primarily driven by over $985M of capital investments in system upgrades. In IL, which constitutes ~8% of rate base, AWK's first rate case since 2017 is driven by over $1.1B in infrastructure improvements and regulated acquisitions. At Q4/YE, AWK stated that it expects to file additional rate cases in its other service territories in 2022. We will be interested to see if AWK provides more clarity on when it intends to file rate cases in its two other largest jurisdictions (PA and MO).
- We will also be curious to see if management has any updated thoughts on inflation trends. Recall, at Q4/YE, AWK disclosed that it was facing labor and chemical/treatment cost pressures specific to water utilities, which, in-part, was spurring the company to file rate cases for recovery as some of these costs may not be recoverable outside of general rate cases.
- Other items we will look for updates on include any developments in the search of a new permanent CFO, an update on the municipal tuck-in pipeline and the regulated acquisitions activity for 2022, and any developments at Military Services Group (MSG) on the company's active bid for Naval Station Mayport in FL.

CEG: Off to a strong start; first earnings report as new company

- We estimate 1Q22 EBITDA of $647M, below consensus. But we think the quarters won't matter in 2022. CEG has not disclose the reclassifications of ExGen EBITDA during 2021, making the starting point of ongoing EBITDA for each quarter difficult to estimate.
- However, we believe CEG raises or points to the high end of its FY22 guidance of $2.35-2.75B, given the spike in power prices since CEG's last update. We raised our 2022E to $2.745B from $2.582B vs consensus of $2.536B. Although it is mostly hedged in 2022, CEG's guidance would have been $50M higher (to $2.6B) had it not haircut the guidance implied by 11/30/21 marks. Current 2022 prices are 25-35% higher than on 11/30/21.
- For 2023, CEG did not give guidance but implied that EBITDA would be ~$200M higher than 2022, using the $300M increase in gross margins (using 11/30/21 marks) less $100M increase in O&M. Given a ~25% open position in 2023, and increase in prices, we estimate gross margins would rise by $650M (using 3/31/22 marks), implying a $550M increase in 2023 over 2022 EBITDA. Prices have risen even more since 3/31/22. But we do not expect CEG to update its outlook on 2023 (or beyond) on its first earnings call in May.

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- Below we show our estimates of CEG margins as of 3/31/21 vs those using 11/30/21 pricing. Prices for 2022, rose ~25-35% in NiHub/PJM, a little less so in NY and ERCOT (sparks); but ExGen was over 93% hedged in 2022. For 2023, when ExGen is ~25% open, prices rose ~30-35% in NiHub/PJM.

Wolfe Projected CEG Total and Open Gross Margin		
	2022	2023
3/31/2022		
Total Gross Margin Est	7,500	8,150
Open Gross Margin Est	8,500	6,550
	-	-
11/30/2021		
Total Gross Margin	7,350	7,650
Open Gross Margin	6,200	4,450

- We are raising our 2022-24 EBITDA to $2.7/3.4/3.6B from $2.6/3.0/3.3B, reflecting our latest commodity assumptions, which as we noted earlier are 20%/15%/10% below current market, respectively. We are also raising our CEG PT to $69 from $60, based on 7x our 2024 EBITDA.
- We also anticipate an update on clean energy legislation, particularly nuclear PTCs. We think Sen Manchin's recent comments on energy are encouraging, and Biden/Dems need a political win heading into election season.
- Given the commodity price spikes, we have gotten questions on liquidity and collateral. CEG appears to be in a relatively comfortable liquidity position ($3.4B as of YE21), as CEG hedges a lot through its retail segment and many of those customers do not require margin. CEG also hedges mainly with power sales, not with gas, meaning CEG has daily settlements not monthly ones.

CMS: All about the IRP

- We forecast Q1 EPS of $1.18 – above consensus, but below $1.21 last year. The absence of Enerbank earnings is the primary driver, as it had strong performance last year. Otherwise Q1 should be driven by electric/gas rate relief and favorable weather; offset some by investment costs.
- We expect CMS to reaffirm its 2022 guidance range of $2.85-2.89. This was also raised from $2.85-2.89 last quarter.
- Longer-term, CMS is still targeting growth at the high-end of 6-8% off 2022, with the IRP being an upside. We include the rate-basing of Covert in our estimates, as this has been generally well-supported by parties. However, we are lowering our estimates by ~$0.05 in 2024/2025 to better account for parent financing costs (debt/preferred equity). Thus, our new 2024/2025 estimates are now $3.43/$3.66 from $3.48/3.71.
- The Integrated Resource Plan is the key focus area here. By the time of the CMS call we should have a draft order from the MI PSC (due 4/26). At this point, a settlement is seeming less likely given this date is only days away. We viewed the Staff recommendation as relatively balanced in that it supported Covert rate-basing and regulatory asset treatment for coal shutdown recovery. The ALJ wanted to punt on the latter, but we believe this is untenable, and that CMS is working to make that point clear. Rate-basing DIG has mostly been opposed given it is an affiliate transaction and the discrepancy between the purchase/book value, but this is less material in terms of the earnings outlook.
- CMS is also in a pending gas rate case and will file another electric rate case by the end of the month. The last electric rate case was a bit disappointing in terms of total percentage of the rate ask granted, but ROEs remain mostly steady.
- On ADCVD, CMS has already seen the timing slip on its Mustang Mile and Washtenaw solar projects tied to supply chain. These are build-own-transfers, so it's possible the DoC investigation further impacts timing. Long-term, CMS is looking to add 8 GWs of solar by 2040.

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CNP: More capex upside?

- We forecast 1Q22 EPS of $0.47, which is slightly below current consensus at $0.48. We see CNP flat YoY as rate relief and customer growth are mostly offset by the lost earnings from the AR/OK gas LDCs.
- We expect CNP to reaffirm its 2022 guidance of $1.36-1.38. Our 2022E of $1.38 is a penny above current consensus.
- CNP's exposure to potential solar delay risk is small. We estimate that ~$850M of CNP's $19.2B 5-year capex plan is earmarked for solar investment (<5%). About $250M of that is to be spent next year for a build-transfer project (Posey – 200MW). The remaining solar isn't scheduled to come online until late-2024 and are still pending CPCN approval. While Posey could be delayed, we expect CNP would be able to backfill capex elsewhere to avoid any adverse impact to plan.
- In our recent NDR recap note (here), we detailed a couple capex upsides that we expect CNP to talk to on the Q1 call. One is related to the City of Houston's Resilient Now plan. The other is to support potential new large industrial customers in Indiana. Depending on the size, we think it is likely CNP would look to sell more LDCs rather than going to the market for equity. That said, we don't expect a formal update to the capital plan until the 2H of 2022 – likely at Q3.
- Other items we continue to keep an eye on include the MN gas rate case, prudency case regarding Winter Storm Uri cost recovery in MN, and approval of the CPCN for its gas CT in Indiana (expected in Q2 or Q3).

CWEN: 2022 results and thermal sale on track; Relatively less risk from DoC anti-circumvention

- **Expecting in line Q1.** We forecast 1Q22 EBITDA of $235M and negligible CAFD in what is typically a less impactful quarter. This is up from $198M in the year ago period which included a $25M headwind from winter storm Uri, but benefitted from strong wind resource at the more important Alta wind asset. Growth investments since last year should be additive, including Utah solar, Mount Storm, Mesquite Sky, and Blackrock.
- **Long-term targets on track even with DoC uncertainty.** We expect CWEN to reiterate dividend growth at the upper end of the 5-8%/yr. range through 2026. We think the Department of Commerce investigating anti-circumvention of solar tariffs in Southeast Asia creates some uncertainty over sponsor GIP's development plans as they don't use FSLR modules, and could impact some of the projects in the $250M of identified drop-down opportunities over 2023-25. However, CWEN is about to receive $750M of thermal sale proceeds by the end of Q2, which could be redeployed to buybacks in a worst case and still meet growth targets. CWEN also takes on no direct development and thus no direct risk to tariffs impacting returns on growth investments, while GIP's scale could be a relative advantage in being able to source solar from other locations or on better terms. The company also remains interested in third-party acquisitions of completed assets as another growth vehicle. Overall, CWEN is much better positioned on this issue than others in clean energy.

D: Looking for the latest on solar and offshore wind plans

- Our 1Q22 estimate of $1.18 is slightly above consensus and in the upper half of D's $1.10-1.25 range. Positive drivers include rider investments, sales growth, and lower interest expense. Partial offsets include higher taxes and O&M and share dilution.
- We expect D to reaffirm its 2022 guidance of 3.95-4.25. Our 2022E of $4.11 is in-line with consensus at $4.12. We don't expect any updates to D's capex or financing plan.
- As it relates to potential solar delay risk, D's exposure is relatively high. The current 5-year capex plan has $9.5B earmarked for solar investment ($6.5B at VEPCO, $3B contracted generation). Fortunately, all module needs for 2022 projects were in the U.S. prior to the DoC's investigation being launched. Thus, the net exposure of potential at-risk capex is $7.7B or 16% of its 5-year plan. We estimate D plans to spend ~$2B on solar projects in 2023 and 2024.
- By the time of D's earnings call, the company will have filed its reply testimony in its offshore wind rider proceeding. Our view of Staff's testimony was that it was OK, no red flags – Staff took no position on

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prudency issues and didn't call for a cost cap or in-service date guarantee. Both Staff and the AG are advocating for performance guarantees, which we expect D to rebut against in its reply testimony.

- Outside of the CVOW rider filing things are relatively quiet for D on the regulatory front. We expect a Questar rate case to be filed in May, but that should be relatively straight forward. D recently filed for a 6% fuel increase in South Carolina and will file for something similar at VEPCO in May – we will be watching here to see if there is any pushback from regulators (so far, we have seen no signs of this across our coverage).

DTE: Strong start to 2022, with long-term update later in the year

- We forecast Q1 EPS at $2.12 – ahead of consensus and up from $1.99 last year (excluding $0.45 midstream). We expect Q1 to be driven by favorable weather and electric/gas rate relief; more than offsetting the REF roll-off at Vantage and a strong trading performance last year tied to Uri.
- We expect 2022 guidance of $5.80-6.00 to be reaffirmed. Recall, DTE already raised this from $5.70-5.98 with the year-end call. The year appears to be off to a strong start and DTE is already building contingency into 2023.
- Investors remain focus on the long-term growth rate refresh coming later this year. For now, mgmt. has indicated strong confidence in continued execution at the high-end of 5-7%. However, once the IRP is filed and the electric rate case is close to conclusion in the Fall, DTE will have more visibility to provide an update.
- In terms of the IRP, we expect the Monroe (3 GWs) coal plant retirement to be pulled forward to the early-2030s from 2040. DTE will also lay out a plan to add a lot of solar and storage.
- DTE filed its first electric rate case in almost 3 years back in January. It seems mostly straightforward, driven by capex and actually featuring an O&M decline. An ALJ recommendation its due in September, though settlement seems possible.
- On ADCVD, DTE feels comfortable near-term, though if uncertainty sustains it could be a problem. DTE has 500 MWs of solar approved to add this year and long-term is looking to add 7 GWs.

DUK: NC remains in focus; solar questions

- We estimate 1Q22 EPS of $1.38, above consensus likely due to rate relief at both electric and gas segments and the absence of an unfavorable Uri hit in 1Q21. We expect DUK to affirm 2022 guidance of $5.30-5.60; our estimate is $5.45, in line with consensus.
- In Feb, DUK said 400-500 MW of planned solar capacity would be delayed to 2023 from 2022. That was before the AC/CVD review was announced. Last month, DUK proposed a RFP targeting a minimum of 700 MW of solar to serve DUK's NC and SC customers; DUK's Carbon Reduction Plan, which is required under last fall's utility legislation in NC, is due 5/16. Under that law, DUK can rate base 55% of new solar generation. This would be on top of a roughly 600 MW RFP put out under the Competitive Procurement of Renewable Energy program.
- The NCUC is not expected to issue a decision on the Carbon Reduction Plan until YE22. Also in NC, DUK has yet to file a multiyear rate case under last fall's utility law, despite the framework being in place. DUK can file at any time but has not specified timing. New rates would unlikely be in effect until late 2023 at the earliest.
- And in Indiana, DUK is expected to file CCNs by YE22 reflecting results from the RFP.

ED: All eyes on the CECONY rate case; AD/CVD impact on potential CEBs sale?

- We estimate 1Q22 EPS of $1.51, which is in-line with consensus at $1.51. We project YoY results in Q1 up $0.07, mostly driven by rate relief at CECONY and the reversal of COVID-related headwinds in 1Q21 from foregone late payment fees. Partial offsets include higher O&M, property taxes, D&A, and interest expense, share dilution and earnings lost from the sale of Stagecoach.
- We anticipate that ED will reaffirm its 2022 guidance of $4.40-4.60. Our 2022E of $4.54 is above consensus at $4.50 and the midpoint of ED's 2022 guidance.
- CECONY's pending rate case is a key catalyst for ED in 2022. The first datapoint we will be watching for is Staff's initial testimony, which will be filed on May 20th. CECONY requested a 10% ROE and 50/50

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capital structure vs. its currently allowed 8.8% ROE and 48% equity ratio. For reference, O&R received approval of its joint proposal from the NY PSC last week, stipulating a 9.2% ROE w/ an earnings-sharing mechanism and 48% equity ratio, signaling that there could be upside from a higher ROE at CECONY. Every 10 bps of ROE at CECONY is worth $0.05 of EPS.

- We will be curious to see if ED has any update with respect to the planned sale of its Clean Energy Businesses (CEBs). Recall, at Q4/YE, ED formally announced that it was considering strategic alternatives for its renewables businesses. However, news flow has since been quiet. We expect ED to reach a conclusion in its strategic review of CEBs by calendar year-end.
- As it relates to the AD/CVD solar tariffs investigation, all the equipment required by CEBs for their 2022 projects is physically located in the U.S. and ED has secured most of the solar modules needed for 2023 projects in its line-of-sight. Given that CEBs are not a major growth driver for ED, the downside risk to 2023 earnings from solar panels not yet secured is relatively low, in our view. However, the valuation and timing of CEBs' potential sale could be impacted. Recall, CEBs have ~3 GW of solar projects in-service with an average contract life of 18 years, which are largely shielded from the solar overhang, but the 4 GW development pipeline would be impacted.
- In addition, we are focused on ED's detailed plan for the first of two clean energy hubs, worth ~$1B each, to be submitted later this month pursuant to the NY PSC's January order, with filings for the second interconnection hub due before year-end. Offshore wind transmission projects of ~$4B proposed under *Propel NY*, including these two clean energy hubs, are excluded from ED's current capex forecasts, providing incremental investment opportunities at CECONY and CET.

EIX: CoC filing in focus, possible storage delay

- We estimate 1Q22 EPS of $0.85, above consensus of $0.72; but the range of sellside estimates was $0.39-$1.00 as of publication time. The quarter is skewed by the timing of rate relief in Sep 2021.
- We expect EIX to affirm 2022 guidance of $4.40-4.70 vs our $4.47E and $4.51 consensus; we continue to assume a 50bp ROE cut to CPUC jurisdictional assets.
- EIX 2025 guidance of $5.50-5.90 implies 5-7% CAGR off 2021 of $4.52, but EIX has said the growth is not expected to be linear. We do not expect any updates to that outlook.
- We will be watching for an update on the CA utilities' CoC, both the pending 2022-specific proceeding and the 2023-25 filing expected this week. The Moody's BAA Utility Bond value is at the highest level since spring 2020 (4.71%) and above the 4.5% benchmark value that was established in the CoC mechanism for 2020-22. While that is an encouraging data point, the CPUC has the final say in authorized ROEs.
- We are also watching timing of common or preferred equity. EIX needs $300-400M of equity content, but about $100M can be met from internal programs. Also, some of the equity is expected to fund the 537 MW storage project that is being developed by Ameresco; the latter announced a delay to the 8/1/22 deadline, as lockdowns in China impact the shipment of some batteries.

EMA: Canadian buying American

- We forecast 1Q22 EPS of C$0.92 – a miss vs consensus at C$0.97. We see results down YoY driven by the reversal of SBC gains from 1Q21, share dilution and lower earnings from Emera Energy (last year saw a nice benefit from Uri). Partial offsets include rate relief at TECO, customer growth at People's Gas and return to normal weather at Nova Scotia Power.
- EMA does not provide annual EPS guidance. Our current 2022E of C$3.07 is in-line with consensus at C$3.06. We don't expect any major updates to EMA's capital plan.
- EMA is fairly insulated from potential solar project delay. Panels for Tampa Electric's Solar Wave 1 &2 are being supplied by First Solar who is not subject to the DoC's investigation. This covers most of EMA's solar spending through 2023. Panels for Solar Wave III have yet to be contracted but only account for $280M USD or less than 5% of EMA's 3-yr capex plan. Note, the allocation for Wave III is $165M in 2023 and $115M in 2024.
- We do not expect a material update on the Atlantic Loop project. It sounds like that won't be until sometime in the 2H of the year. That said, it was encouraging to see that the project was referred to as

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"critical" in Nova Scotia's Path to 2030 Emission Reduction Plan. Within Nova Scotia's Federal Budgetary process, the project was also recognized as something that would help the province achieve its climate goals.

- EMA has several regulatory items that we are keeping an eye on. Most notable is Nova Scotia Power's rate case. Currently that case in the middle of discovery and we wouldn't expect party positions until late summer. NMGC and Barbados rate cases are also pending and likely won't be decided until sometime in Q4. Lastly, we would mention that ROE mechanism in TECO's rate settlement was triggered on April 7th. This means that if the 30Y Treasury sustains 50bps above 2.13% (currently 3.0%) for 6 months consecutively from the 7th, TECO's allowed ROE range would move 25bps higher (worth $10M USD revenue or C$0.03-0.04 of EPS).

ES: Offshore remains in focus; Moody's review

- We estimate 1Q22 EPS of $1.20, in line with consensus. We expect ES to affirm 2022 guidance of $4.00-4.17 vs our $4.07 and consensus of $4.10.
- In Feb, ES projected offshore wind cost of $5.1-5.8B, with $1.2B already spent and $3.9-4.6B planned in 2022-26. ES' 50% share of the 1.76 GW offshore wind projects being jointly developed with Orsted is $4.7-5.4B. In Feb, ES said 80% of those project costs were fixed; we expect an update on that. ES included some contingency in its estimates.
- We also anticipate ES to discuss its overall outlook on offshore wind, including strategic plans. We believe ES could monetize some or all of its offshore wind interests if it chooses to do so. The recent NY Bight auction valued offshore lease areas at roughly $9k per acre. We think ES could sell its share of about 150-170k undeveloped lease acreage (Bay State), which we estimate could fetch at least $700M using the Bight results.
- We are also watching Moody's review of ES' Baa1 credit rating, which it has on negative outlook. ES has $1.8B of equity needs (includes $600M of DRIP) in its plan through 2025. If ES does not monetize offshore wind, then we believe ES could explore a forward equity deal, given sector valuations. In 2019, ES did a $1.3B forward deal.
- ES also has potential upside capex from $1B of AMI investments in CT/MA, but regulatory reviews are underway, with decisions not expected until late this year. ES' MA electric distribution rate case is also pending, with intervenor testimony mostly due on 4/29. ES received a constructive order five years ago.

ETR: Stock finally showing life heading into Q1, June analyst day

- We estimate 1Q22 EPS of $1.31, below consensus, but the range of sellside estimates is $1.01-1.85 (median $1.37). We anticipate ETR will affirm its 2022 guidance of $6.15-6.45. Our 2022E is $6.29 vs consensus of $6.32.
- We think the quarter will be relatively quiet, as ETR will update investors on the LT outlook at its 6/16 analyst day. The key updates will be on ETR's resiliency, decarbonization and electrification opportunities.
- Although ETR will still be going through the regulatory process in LA and NOLA this summer, we expect management to lay out some paths on resiliency investments, which it estimates at $5-15B over the long-term.
- ETR also is well-situated in the Gulf Region to benefit from the bull market in commodities. Decarbonization and electrification by its customers could be a tailwind, and the opportunity is sizeable given C&I customers' move to reduce emissions.
- ETR has $700M of equity needs through 2024. ETR's stock has outperformed peers in recent months, and we think ETR should remove the equity overhang before analyst day and hurricane season. ETR has an ATM program, as well as authorization to issue preferred equity.
- There is some risk from SERI proceedings at FERC on ROE, capital structure and uncertain tax provisions and leaseback. Last summer ETR said those could hit EPS of $0.15-0.20. Final decisions are possible this year. In Feb 2021, intervenors also asked FERC to review allegations of imprudence at Grand Gulf both on a 2012 uprate and on capacity factors and safety performance in 2016-20 period.

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But we have not seen any updates since the intervenors filed a motion this past Feb, calling on FERC to take action.

- ETR has a couple of solar plants totaling 280 MW expected online in 2022-23. At this point, ETR feels good, as it has most of the panels installed in one and is working with NEE on the other. Most of ETR's planned solar capacity is expected online in 2024-25.

EVRG: More solid legislative progress; waiting for rate case update

- We forecast Q1 EPS of $0.55 – in-line with consensus and flat versus $0.55 last year. We expect Q1 positive drivers to be sales growth, transmission rate relief, O&M savings and bill credit expirations; offset by higher depreciation, taxes timing, and power marketing outperformance last year. Recall that, EVRG pulled out a $0.40 power marketing gain tied to Uri last year, but there was further outperformance beyond that.
- We expect EVRG to reaffirm 2022 guidance of $3.43-3.63. Not much has changed since this range was introduced at the September Analyst Day.
- EVRG has gotten more constructive news on the legislative front, as a bill that extends PISA another 5 years through 2028 (with MO PSC option to 2033) passing the Senate. It still has to go through the House and Governor before the session ends on May 13. In Kansas, the bill to limit rate increases ended up going nowhere.
- On the regulatory front, the Missouri rate cases are still pending with no recent news. The next key data point will be Staff/intervenor testimony due on June 8. EVRG continues to view the cases as relatively straightforward/uncontroversial. The window to settle would be around late-August.
- On ADCVD, EVRG had already pulled its predetermination filing for 190 MWs of solar due to tariff / supply chain. So, this only adds further uncertainty to the projected 2023 in-service date. However, EVRG can still more forward with the Lawrence coal shutdown filing and has 300/500 MWs of wind planned for 2024/2025. Mgmt. quantified the EPS contribution from new renewables in 2025 EPS as less than 2% – so a relatively small impact if anything fails to come to fruition.

EXC: First quarter as standalone but no empty-nest syndrome

- We estimate 1Q22 EPS of $0.67, in line with consensus. We also expect EXC to affirm 2022 guidance of $2.18-2.32; we estimate $2.24 vs consensus of $2.26.
- This is the first call for EXC as a pure-play T&D utility. We expect it to be relatively quiet, with perhaps an update on the workshops for the new regulatory framework established last fall. Clarity is expected this fall, with a multiyear rate case filing in Jan 2023 for new rates effective 1/1/24. We assume 9.4% ROE at ComEd, which is close to the 9.7-9.8% ROEs awarded to the IL gas LDCs over the past year and half.
- The current IL formula rates (30Y UST yield + 580bp) sunsets YE23, but the rising 30Y is a tailwind this year and next. It is now about 100bp higher than when EXC issued guidance, and the 2022 forward is over 75bp higher. Every 50bp is about $0.03 in 2022-23.
- EXC has previously said its 6-8% growth target is not expected to be linear, particularly outside of the first year of a PECO rate plan. PECO received rate relief this year, but its next rate case is not expected to bring relief until 2025.
- We are cutting our 2023-24E by $0.03 to reflect deteriorating PECO earned returns, but we still see the at least 7% EPS growth by 2025 when new PECO rates are effective.
- But we are still raising our PT by $4 to $51 on a higher group avg P/E, as well as adding a one-turn premium to the multiple. Our new PT is based on 20x 2024E of $2.57.

FE: A quiet quarter for once?

- We project Q1 EPS of $0.62 – just above the midpoint of $0.55-0.65 guidance and in-line with consensus. This is down from $0.69 last year, as we see headwinds in 2022 – Ohio rate credits, vegetation mgmt. accounting change, and equity dilution. That said, we see no changes to the $2.30-2.50 guide for 2022.

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- We expected a quiet quarter for once in Q4, but that didn't end up happening with the big shareholder derivative settlement news. That has since seen some noise created by the Akron judge, despite being filed in Columbus. However, FE is optimistic this can ultimately move forward. Notably, it results in $180M in proceeds, has 6 legacy Board members step-down, and sets up a mgmt. strategic review. FE recently filed its proxy statement that features 2 new Board members, including Blackstone's Sean Klimczak.
- Speaking of Blackstone, the other source of equity funding, the transmission stake sale, remains on schedule for closing around mid-year. Approvals from FERC and CFIUS are the only ones needed.
- FE remains on positive credit outlook at Moody's for a return to an IG-rating, though our latest conversations there indicates it is still at least a year away. FE is still working from ~11% to 13% FFO/Debt longer-term.
- No recent news on any of the other pending litigation/audits. Still waiting on resolution of SEC/FERC. FE booked a $37.5M reserve for the Civil RICO with customers. While the AG civil RICO remains stayed. On the PUCO audits – there was finally a due date set for the political/charitable contribution – December. All the other audits have come out already (DCR, DMR, corporate separation).

FTS: Moving closer to the MISO transmission opportunity

- We project Q1 EPS of $0.78 – in-line with consensus and similar to $0.77 a year ago. We see Q1 earnings driven by ITC rate base growth, offset by less strong hydro conditions than last year. There are some moving pieces at UNS that mostly offset, while FX was unimpactful. As a reminder, FTS doesn't give annual guidance.
- The latest from the Ontario ISO on Lake Erie Connector, was an update last week that set August 15 as the date to enter into a procurement contract by. This remains a $1.7B long-term opportunity, but it seems like the timing continues to get pushed out as transmission service agreements have been in negotiations for some time.
- The other long-term transmission opportunity is MISO, where the first tranche of projects was recently released and totaled $10.4B. Much of this overlaps with FTS' service territory and the company has ROFRs in IA/MN/MI. We'll be listening to see mgmt's conviction in ultimately winning some of these projects. Last time around a decade ago, FTS ended up winning just shy of 25% of the MISO Multi-Value-Projects. However, these are all long-dated, as even Cardinal Hickory Creek is still being constructed (and facing hurdles).
- On the year-end call, FTS indicated it is contemplating when to file its next rate case in Arizona. This seems to be a matter of when, not if, as there is roughly $500-600M of investment not in rates plus Oso Grande, since the last case. We believe FTS will look to consolidate trackers and hopefully add one for renewables that helps with its future buildout. However, we remain wary on this jurisdiction overall given all the issues with in-state peer PNW.
- In Canada, Alberta extended its cost of capital parameters (8.50% ROE / 37% equity ratio) to 2023 as expected.

LNT: Quiet regulatory, but ADCVD creating some solar growth noise

- We forecast Q1 EPS of $0.72 – in-line with consensus and slightly ahead of $0.68 last year. We see the quarter driven by rate relief in Wisconsin and some sales growth / weather; offset mainly by depreciation.
- LNT already raised guidance from $2.65-2.79 with year-end. We see the new range of $2.67-2.81 as likely to be reaffirmed.
- LNT isn't in any rate cases this year, so all quiet on that front. It has a 414 MW solar filing pending approval in Wisconsin. While the schedule for its Iowa solar/storage (400/75 MWs) has been pushed out some. Decisions on both are expected this year.
- However, the ADCVD investigation by the DoC has once again introduced uncertainty on the tariff / supply chain front. LNT had initially taken a more back-end-loaded view of capex given uncertainty in the fall, before pulling it forward with year-end earnings. We expect the total capex to be reaffirmed, but there could be continued shifting within years as things progress.

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- In terms of solar build, LNT expects to bring online 325 MWs in Wisconsin this year. Our understanding is nearly all of the panels are already onshore and the remainder are in transit. LNT then has 350 MWs expected online next year and another 414 MWs in 2024. For the final tranche, there are about 25% of panels currently onshore, while next year's build is somewhere north of that. In Iowa, it's still early days on the buildout.
- In terms of costs, the first Wisconsin tranche was originally set at ~$1,400/kW with inflation pushing this up by 7-10%. The second Wisconsin tranche was just revised up to $1,594/kW from $1,449/kW. In Iowa, LNT requested a $1,575/kW cost cap initially, but it seems likely that this will go up.

NEE/NEP: Focus on AD/CVD implications for solar and backlog growth

- We estimate Q1 NEE earnings of $0.73 – above consensus and $0.67 last year. We see 8-9% rate base growth at FPL, with the earned ROE ramping to the upper-half of the 9.7-11.7% band throughout the year. Notably, NEE's reserve amortization usage is limited to $200M/quarter in 2022 (last year it used $315M in Q1). New Resources projects online and a return to normal wind conditions (97%) could also be tailwinds. Last year featured the Winter Storm Uri impact that weighed on existing generation and trading, while gas infrastructure benefitted – we expect these impacts to reverse.
- NEE just laid out its updated 6-8% growth rate with year-end earnings, which is based off 2022 guidance of $2.75-2.85 and runs through 2025. We expect mgmt. to continue to reiterate confidence in the high-end in all years, just as it did right after the DoC tariff investigation was announced.
- The DoC investigation into ADCVD will likely be the major focus here, as it very disruptive for solar development until there is more clarity. NEE feels confident this is ultimately resolved favorably, but it could take up to 150 days (from late-March) just for a preliminary decision, which creates an overhang. Our understanding is that NEE has most, but not all, of its panels for 2022 solar development. Longer-term even less. We expect an interim shift in focus to wind development, but how this impacts planned commissioning and contracting will be important. As of Q4, NEE had 3.9 GWs of solar contracted for 2021-2022 and 5.9 GWs for 2023-2024. This compared with its targets of 4.8-5.6 GWs and 7.0-8.8 GWs for those time periods respectively. NEE typically averages 1.5-2.0 GWs of backlog adds per quarter, so how Q1 stacks up versus this will be in focus (NEE added 1.75 GWs in Q1 last year and 1.5 GWs between Q3 and the year-end call). Any project cancellations will also likely get attention.
- This will also be the first official call with new CEO John Ketchum, as well as CFO Kirk Crews. We'll also be curious the latest thoughts on the potential for clean energy tax credits to pass after the Biden BBB bill got waylaid last year. NEE also has an Analyst Day upcoming in June, though it's unclear if there will be any sort of preview given.
- At FPL, it's relatively quiet post the latest rate deal. However, it is notable that the 30-year Treasury is now above 2.59%, which is needed to increase the ROE range up to 11.8% (if it averages that for 6 months). FPL also has a robust solar development plan, so the DoC investigation matters here too.
- At NEP we estimate Q1 EBITDA of $405M – in-line with consensus and above $354M last year. This is being driven by a multitude of dropdowns that closed last year, including the 2.52 GW drop from NEER in late-2021. NEP's Texas operations net benefitted from Uri last year, so we don't expect to repeat. NEP also had an outage at Genesis last year and 98% normal wind conditions that were headwinds. We expect 2021 year-end run-rate guidance of $1,635-1,795M to be reaffirmed.

NI: Delays seem likely – solar projects/full renewable EPS uplift, analyst day

- We estimate 1Q22 EPS of $0.75 – a miss vs current consensus of $0.79. We see results down slightly YoY, driven by share dilution from the 2021 convert offering and higher O&M/D&A. A partial offset will be rate relief.
- Our expectation is that NI will reaffirm its 2022 guidance of $1.42-1.48. Our 2022E of $1.45 matches consensus.
- NI's exposure to solar project delay is among the highest in the sector. Two projects are expected to be brought online be YE22 ($440M of capex, 465 MW) and four other projects by YE23 ($1B of capex, 1,085 MW of solar and 135 MW of batteries). Our understanding is that the 2022 projects have some modules in the U.S., but not all; 2023 projects have little if any. Our expectation is that NI will see delays

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in the 2022 and 2023 projects. The extent of potential delays will impact NI's earnings in 2023 and 2024 as these are all build-transfer agreements. That being said, we still think NI will reaffirm its 7-9% CAGR through 2024.

- We believe NI still intends to file a NIPSCO electric rate case in the 2H of 2022 to recover the renewable investments. NI has flexibility with a forward test year and the ability to adjust rate base up to 12 months after the test-year end. The latter allows for up to three separate step increases. This is helpful from the perspective that NI likely won't have to immediately refile and go through the process all over again if projects are delayed.
- The recent Staff recommendation in NI's OH rate case was disappointing overall. Some positives were the ROE range, an equity ratio in-line with ask and the continuation of key rider programs. That said, there were a lot of O&M disallowances that if adopted by PUCO could cause lag issues. We will be looking for an update on the following – chances of a settlement, when a final order is expected, and how resilient the plan is should there be an adverse outcome in the case.
- We believe that NI will delay the timing of its May Analyst Day until some point in the fall. In our view, there is too much uncertainty with respect to the 2022-23 solar projects as well as the RFP to replace Michigan City. It also makes sense to have the strategic review complete.

NRG: 2022 on track; What do much higher gas and power prices mean for NRG?

- **Expecting in line Q1.** We forecast 1Q22 EBITDA of $490, which is below consensus and down from Uri-adjusted EBITDA of $567M in the prior year period. The decline is driven by the generation plant sale to ArcLight, the Limestone outage (which we believe has now ended), coal and chemical supply constraints, and higher ancillary services costs in Texas that cannot yet be passed through to retail customers. Partially offsetting positives include greater Direct Energy synergies and likely better performance given gas volatility, as well as higher PJM capacity revenues.
- **Think 2022 guidance is reiterated with some upward bias.** We expect NRG to reiterate FY 2022 EBITDA and FCF guidance. On the last call, management indicated they hoped to give a further update on positive mitigation efforts to improve the outlook. We think progress has been made, but given still significant supply constraints across the market and volatile commodity prices, our base case expectation is that NRG will once again maintain guidance this quarter.
- **What do much higher gas and power prices mean for NRG?** We think this is a key uncertainty for the company. NRG has indicated their commodity exposure is minimal given an integrated business, but there isn't much disclosure to provide a lot of confidence. At a high level, today's rising price environment should be bad for stand-alone retailers and a relative advantage for integrated retailers like NRG. We also think Direct Energy's gas logistics and trading business is doing quite well. On the other hand, we still see some challenges for NRG to retain margins on their high-margin retail customers in a rapidly rising price environment. Time will tell, but for now our sense is the business continues to be pretty stable with Direct providing good diversification (offsets).

OGE: Important OK rate case dates on the horizon; solar RFP in flux?

- Our 1Q22 utility-only estimate is $0.14, up $0.08 YoY, driven by the reversal of the $0.10 headwind from the February Winter Storm (Guaranteed Flat Bill program) in 1Q21, more normal industrial and oilfield use in the absence of forced curtailments, and rate relief from the AR FRP and OK's grid enhancement mechanism. Partial offsets include the reversal of a one-time benefit of $0.04 from February 2021 weather, higher D&A, O&M, interest expense, and ad valorem. Our 1Q22 estimate for the midstream business is $0.06, down $0.13 YoY, largely due to shifting from recognizing equity investment income from ENBL to collecting distributions from ET. Our ongoing earnings estimate for the midstream business excludes the MTM gain on ET units owned by OGE. Our consolidated 1Q22 estimate for OGE is $0.20, above current consensus at $0.17.
- We believe that OGE will reaffirm its 2022 utility guidance of $1.87-1.97. Our 2022E for OG&E is $1.92, at the midpoint of OGE's 2022 utility guidance.
- OGE's pending rate case in OK has a couple of important dates upcoming in April and May – intervenor testimony will be filed on April 27th and a settlement conference is scheduled to start on May 18th. OGE is confident that it will be able to reach a settlement by mid-June.

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- We think OGE's solar RFP, responses to which were received in March and contracts for which are set to be awarded in the summer, may be in flux due to the solar AD/CVD tariffs investigation. Given the 60% solar capacity credit in SPP, OGE will need ~280MW of solar resource additions by the summer of 2023 to offset the planned retirement of Horseshoe Lake 6 (168MW). Overnight costs for solar are currently in the ~$1,300/kW range, but uncertainty around solar panel availability due to supply chain bottlenecks and cost pressures due to inflation persist. That said, OGE's current 5-year capital plan of $4.75B excludes any potential investments associated with the 2021 IRP. We will be interested to see if OGE follows-up by issuing a flexible resource RFP soon and pulls combustion turbine (CT) resource additions forward from the 2025-2027 timeframe.
- OGE doesn't appear to have an immediate use of proceeds from ET unit sales. Therefore, we expect the company to follow its previously stated strategy of gradually exiting a majority of its midstream business by YE22, whilst utilizing ET distributions for reinvestments in its core utility business. In our estimates, we assume that OGE exits ~75% of its ET investment by YE22.
- Other items we are watching include: (i) OK Supreme Court certification for the securitization of Storm Uri fuel/purchased power costs of $739M, with OGE expecting the transaction to close in Q2 or Q3; and (ii) a subsequent hearing related to the AR FRP extension on May 15th to address the ROE and equity ratio, with the APSC already having approved the extension in mid-March.

PCG: A lot going on but mind the GAAP

- We estimate 1Q22 EPS of $0.26, in line with consensus. We anticipate PCG will affirm 2022 guidance and its total return target of at least 10% annually.
- There are several things to watch, from undergrounding legislation to FVT sales to eligibility in the S&P 500 Index. Let's start with the most recent news.
- **FVT stock sale:** On 4/14, the FVT sold a 60M block to MS for $12.04, a nickel below the price it sold a 40M block to MS at the end of Jan. The FVT now holds 377.7M shares, below 18% of shares outstanding. The FVT is in a 30-day lock up, but we expect PCG to work on better coordinating future stock sales by the FVT.
- **S&P 500 Index inclusion:** The FVT sales also impact PCG's GAAP earnings, as the company recognizes a tax benefit as the FVT sells. Investors have been focused on PCG's potential inclusion in the S&P 500 index. Eligibility includes positive cumulative GAAP earnings over consecutive four-quarters. That was ~$100M negative for the TTM YE21. For the TTM 1Q22, PCG's GAAP earnings for the quarter must be at least $222M. The Jan FVT stock sale will be included in 1Q22 GAAP earnings, which we estimate adds a positive $130-140M to GAAP. There are some negative GAAP items, such as amortization of the wildfire fund contribution (~$85M) and in this quarter the $55M charge from settling criminal cases regarding the Kincade and Dixie Fires. It may be close, but there is a reasonable shot at a positive TTM GAAP in 1Q22 and therefore eligibility for S&P 500 inclusion.
- **Undergrounding:** We are watching this on several fronts. At least two bills with undergrounding features have been proposed. One (SB 884) passed the Senate in Feb and is scheduled to be heard at an Assembly committee hearing on 4/20; the bill has both supportive and unsupportive features. The other (AB 2889) has constructive language but has yet to be scheduled for any upcoming committee hearings. We anticipate the legislative process to pick up more later this spring. The OEIS is reviewing PCG's wildfire mitigation plan filed in Feb, which detailed some of PCG's planned 3,575 miles of undergrounding in the 2022-26 period. Undergrounding is also a part of PCG's 2023 GRC; intervenor testimony is set for 6/13. With a price tag of $3.75M/mile (though declining to $2.5M by 2026), we will be watching intervenor comments, given the CPUC's focus on affordability.
- **CoC:** We will be watching for an update on the CA utilities' CoC, both the pending 2022-specific proceeding and the 2023-25 filing expected this week. The Moody's BAA Utility Bond value is at the highest level since spring 2020 (4.74%) and above the 4.5% benchmark value that was established in the CoC mechanism for 2020-22. While that is an encouraging data point, the CPUC has the final say in authorized ROEs.

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PEG: Straightforward utility story, while long-term power upside is growing

- We see Q1 EPS of $1.23 – well-above consensus, but below $1.28 last year. There are a few moving pieces, but most in focus is the absence of the fossil assets that were sold earlier this year. While there are lost revenues, this is mostly offset by lower O&M/D&A/interest. Later in the year, PEG faces a headwind from lost revenues without the tailwind of lower D&A/interest (recall once moved to held-for-sale in August, PEG stopped booking depreciation and paid down debt). Thus, we see a more 1H-weighted shaping to PEG's earnings trajectory this year. At the utility, rate base growth is the primary driver; offset some by a lower transmission ROE. The new CIP mechanism shield both electric/gas from weather impacts.
- We see 2022 guidance of $3.35-3.55 as likely to be reaffirmed. Recall this was tightened from $3.30-3.60 at the midpoint with year-end, once there was more visibility on the pension.
- The utility story remains mostly straightforward. The $848M IAP filing remains pending at the BPU and there are also filings tied to storage/EVs.
- While a much smaller part of the business now, the exponential rise in power forwards is starting to have an impact on PEG's margin profile out in 2023-2024 where it is less hedged. We've updated our commodities deck to reflect this somewhat, though still bake in below-market conservatism. As such, our estimates move up to $3.48/3.74/4.00 from $3.47/3.67/3.90. We don't expect any changes to PEG's 5-7% EPS target CAGR over 2022-2025.
- We expect more questions on federal nuclear support and whether a nuclear PTC can ultimately pass or whether PEG has to again go the state legislative route. Once there is more clarity on all this, we expect PEG to determine whether it is the long-term owner of its nuke fleet.
- Not much new on the offshore wind front. PEG still feels comfortable with its 25% stake in Ocean Wind in NJ and will look to see how its partnership with Ørsted influences future ownership stakes around its Garden State lease area.

PNW: Eye toward upcoming rate case filing, ACC election

- Our 1Q22 EPS estimate of $0.07 is above current consensus at $0.03. The YoY decline is being driven by the negative rate case outcome, higher D&A, and the reversal of a tax benefit from 1Q21. Partial offsets include lower O&M and sales growth.
- We believe PNW will reaffirm its 2022 guidance of $3.90-4.10. Our $4.01E matches current consensus. We don't expect many new updates outside of the print as FY22 guidance was recently raised $0.10 on the YE21 call due to better sales expectations. We also don't expect any changes to PNW's capex plan.
- PNW has little exposure to potential solar delays. The only project scheduled is 150 MW for 2023 and the panels procured did not come from the 4 SE Asian countries in question. PNW is currently in the midst of RFPs for 2024 projects which could get delayed pending the outcome of the DoC's investigation. PNW's 2022 battery project is being added to existing solar sites.
- The challenge of PNW's recent rate case at the Appellate Court is still very early days. PNW's opening briefs are due later this month, to which the ACC when then file its response (timing unclear). Oral arguments likely won't take place until sometime in the 2H of 2022. Our sense is that outcome in the case likely won't be known until 2023. The ultimate goal of the challenge is to reverse the SCR disallowance so that there isn't any ambiguity around the prudency standard in Arizona.
- We believe PNW is on track to file its next rate case around midyear. A reasonable outcome + continued sales growth is what is assumed to achieve PNW's 5-7% EPS CAGR through its 5-year planning period.
- The upcoming ACC election is most in focus for us for PNW this year. Candidate signatures are due by the end of the month in order to qualify for the primaries. Our understanding that at least one candidate has qualified – Lauren Kuby (D) – who is running alongside Sandra Kennedy, both as consumer watchdogs. As a reminder, two seats are open – Justin Olson (R) and Sandra Kennedy (D). Mr. Olson is not seeking reelection, so there will be one guaranteed new face at the ACC.

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POR: Full settlement in rate case upcoming? Uncertainty around RFP, inflation

- We estimate 1Q22 EPS of $0.86, below current consensus at $1.00. We see YoY results down $0.21 in Q1, primarily driven by backing out one-time benefits from a local tax flow-through adjustment ($0.09) and non-qualified benefit trust ($0.04) in 1Q21, as well as higher power costs, D&A, interest expense, and lower AFUDC income. Partial offsets include sales growth and lower O&M.
- Our expectation is that POR will reaffirm its 2022 guidance of $2.75-2.90. Our 2022E of $2.82 matches consensus and is a penny below the midpoint of POR's 2022 guidance. Our sense is that delivery/load trends have remained robust from hi-tech manufacturing, industrial firms, and data centers, but cost pressures and inflation that has crept into O&M will be key variables.
- We think the biggest focus will be POR's update with respect to the RFP. The shortlist of bidders will be released later this month and winning bids will be selected late in the summer. It is unclear how the AD/CVD solar tariffs investigation is going to affect this RFP for which resources need to be energized by YE24, but POR could pursue more wind plus batteries due to bottlenecks for solar or team-up with a renewables developer to eliminate supply chain and equipment risk. POR will also look to re-propose an unregulated affiliate interest application after its filing was rejected without prejudice by the OPUC in December.
- POR has reached 4 partial stipulations in its rate case thus far, largely resolving all important issues, and reached generally balanced outcomes. POR is currently working on addressing Faraday (~$100M of rate base) within this rate case and getting approval for recovery either through a tracker or a pre-approved amount provided that Faraday is energized by YE22. All the equipment required to complete construction is on-site and the company expects Faraday to be online by December 1st. POR expects the OPUC to issue a final order by April-end, with new rates effective May 9th.
- After the conclusion of the rate case, POR will work on addressing the COVID-19 ($36M) and PCAM ($29M) deferrals in September-October. These deferrals are formulaic, and POR will propose amortizing them over a shorter period of ~2 years starting early 2023. The wildfire restoration ($46M) and February 2021 ice storm ($67M) deferrals are subject to the OPUC's prudency test. POR will re-propose securitization legislation during the longer 5-month session in 2023. If securitization legislation cannot be passed, POR will propose a 7-10 year amortization period to the OPUC. These deferrals are expected to increase customer bills by ~2%.
- POR has secured all the required equipment for 2022. However, beyond this year, the company's management of equipment inventory depends on how supply chain constraints evolve. With CPI running high, POR is experiencing elevated inflation and cost pressures, which might necessitate the company to file an O&M rate case sooner than it anticipated. In-state/small-cap peers AVA, NWN, and Puget have ongoing O&M rate cases, which are datapoints worth monitoring for POR.

PPL: Rhode, where we're going we need Rhode Island

- We estimate 1Q22 EPS of $0.40, in line with consensus. PPL has not provided any earnings guidance and will not until the NEC acquisition closes.
- All eyes are on settlement talks with the RI AG over an appeal of the DPUC's approval of the deal in Feb. A state court judge granted a stay, but the parties postponed a 4/13 hearing to 4/26. RI is the final hurdle to close NEC.
- After the deal closes, PPL plans to hold an analyst day within weeks. This is a highly anticipated event. PPL has committed to provide LT EPS growth off a pro forma 2022. We project a little over 6% off $1.52 pro forma in 2022, about 1% below that implied by consensus.
- PPL is targeting 16-18% FFO/Debt, which would put its B/S among the best in the sector.

SO: Quiet for now but latest Staff testimony looms

- We estimate 1Q22 EPS of $0.89, in line with consensus and SO's 1Q22 guidance of $0.90. We expect SO to affirm 2022 guidance of $3.50-3.60, despite a TTM well below that. There is some timing in O&M (1Q21 omicron surge). Our 2022E of $3.56 is in line with consensus.
- We believe SO will reaffirm its 2024 guidance of $4.00-4.30. Our 2024E is $4.14 in line with consensus. We also expect reaffirmation of SO's 5-7% LT EPS growth target.

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- We anticipate the usual updates on Vogtle 3 and 4 cost and schedule. SO announced its delays and overruns in Feb. But the company has made progress on ITAACs, reducing pressure to hit the 36 completed ITAACs per month that are budgeted for May-Jul. In testimony last week, SO said it still sees challenges on documentation and productivity. A hearing on SO's testimony is set for 5/3. The GaPSC Staff will submit testimony on 6/17 with a hearing on that on 7/12.
- We do not expect any update on the Vogtle co-owner agreement until a decision is made in mid-August. SO previously said in a worst case it may face an incremental $460M cost.
- On commodity/supply chain issues, SO's sizeable coal fleet has helped; but they did some coal curtailments to ensure sufficient resources for peak season; they ran more gas than normal.
- On solar investigations/tariff issues, SO does not expect any impact to its outlook. SO does not plan to rate base any solar, and Southern Power is focused on incremental wind opportunities as opposed to solar.
- SO will file a GA rate case on 7/1. The GaPSC will issue a decision in Dec. Although two PSC comms are up for reelection this year, all current comms will vote on the rate case because new terms don't begin until Jan 2023. We will be watching during the campaign season for any political pushback on rates or Vogtle.

SRE: The LNG angle

- Our Q1-22 EPS estimate for Sempra is $2.70 vs. $2.95 last year; we are a little below the $2.75 consensus. We expect a down quarter on the combination of lost earnings from the SIP asset selldown and the absence of some gas marketing gains, though we expect some growth at Oncor.
- **Not expecting major guidance changes.** On the yearend call SRE reaffirmed 2022 guidance of $8.10-$8.70, initiated a 2023 outlook of $8.60-$9.20 (including a $1B share buyback), and introduced a 6%-8% long-term EPS growth rate through 2026. We expect that the company remains on track for these targets.
- **LNG will be the focus.** With the heightened focus on LNG exports to Europe Sempra's LNG platform has gotten a lot more attention. We expect to get the latest on the Cameron expansion, progress on commercializing Vista Pacifico, and potentially any sense of a revival of Port Arthur.
- **Boosting price target on LNG potential.** We are raising our price target on SRE to $179 from $158. This includes reflecting a higher utility multiple reflecting the current sector averages (18x vs. 16.5x before) and adding value for Cameron expansion and ECA which are beyond our 2024 valuation year but key value drivers.

VST: Commodity bull market a big long-term tailwind

- We're forecasting Q1 EBITDA of $669M – miss versus consensus. This is way above -$1,277M a year ago, when VST absorbed the massive Uri-related loss. This makes the YoY comparison difficult, as this is the sole major driver. We sense shaping to the Retail margin profile that weighs on Q1 this year.
- VST is well-hedged in 2022 and thus the recent commodity moves should be less of a swing factor. The 2022 guidance range was wider than usual, but VST still needs to get through the important summer months in ERCOT. So while a tightening of $2,810-3,310M range is possible, we're not counting it.
- The bullish commodities environment has been well-documented and we've updated our commodities deck, which is still conservatively below market. We've also incorporated retail-related cost offsets and higher coal prices. That said, our estimates are still moving materially higher – to $3,096/3,606/3,364M from $3,017/3,164/3,250M. Our new estimates are all well-above consensus, where we expect upward revisions. However, it's important to note that VST has no formal guidance beyond 2022. It has pointed to the illustrative range of $3,050-3,550M in 2022 as a proxy for 2023. So while, mgmt. will likely indicate the upside it is seeing, we're expecting more directional commentary than specifics.
- We expect the commodity discussion to dominate the call. Importantly, VST must demonstrate any risk mitigation measures it is taking in the wake of Uri, to make sure its plants are running well and it has the fuel it needs to meet retail obligations and hedges. We've gotten several question on liquidity/margin posting and we continue to believe VST is comfortable on this front.
- The next PJM auction could also be topical as it is scheduled for June. While drivers seem to be modestly net negative, the absolute downside is limited for VST as the prior auction resulted in just

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$176M in annualized capacity revenues (which is what we bake into our model). Elsewhere, we'll also be curious if there have been any developments on the ERCOT market structure reform front.

- From a capital allocation standpoint, we'll get the latest dividend boost and update on buyback progress. As of the last call, VST had repurchased $764M shares and was ahead of ratable pace to hit its $2B target by YE22.
- On ADCVD, VST just announced the commissioning of its Brightside solar in ERCOT and reaffirmed the Spring 2022 CODs for Emerald Grove solar and Decordova storage. VST has a number of solar/storage projects it's planning to bring online over 2023-2024 in TX/IL/CA. However, Brightside used FSLR panels, and VST announced an agreement to buy 869 MWs of panels from FSLR back in 2020 for ERCOT growth, which basically covers most of it. The question would be whether the DoC investigation impacts the IL/CA solar growth.

WEC: Waiting on Wisconsin rate case

- We forecast Q1 EPS of $1.70 – at the top-end of $1.68-1.70 guidance and above consensus. We see Q1 EPS up YoY versus $1.61 – driven by favorable weather and Wisconsin rate relief; offset some by depreciation, fuel costs, and absence of a tax one-timer.
- WEC usually budgets conservatively, and we believe mgmt. could point to the top-end of the $4.05-4.07 guidance range for 2022. WEC continues to see solid sales growth and economic/COVID recovery, and is targeting 0-1% O&M cuts for the year. WEC also assumes the 50bps transmission RTO adder goes away, which hasn't officially happened at FERC yet.
- The big focus on the call will be the Wisconsin rate case, which should be filed by then. This will cover the 2023-2024 future test-year, featuring its solar buildout and coal retirements. Most of the rate ask will be capex-related, over 60% of which has already been approved by the WI PSC in other proceedings. Given recent constructive outcomes for in-state peer LNT, we expect similar treatment here.
- Longer-term the recent first tranche of MISO transmission projects totaling $10.4B could be an opportunity. WEC's ATC was able to realize a portion of this last time around a decade ago, but this will likely occur towards the end of the decade.
- On ADCVD, WEC has a planned solar/storage buildout that it continues to work through approvals at the WI PSC. The Badger Hollow 2 solar project had already slipped in timing to 1Q23 due to supply chain, but costs and materials seem mostly locked up at this point. Longer-term, WEC is planning to bring online Paris storage (279 MW) in 2023 and Darien/Koshkonong solar (293/419 MW) in 2023-2024. It's unclear if these projects will be impacted if the DoC investigation persists.

XEL: Lot of regulatory stakes in the fire

- We estimate 1Q22 EPS of $0.66, which is modestly below current consensus at $0.68. We see results down slightly YoY driven by higher D&A, the reversal of a one-time gain in 1Q21 related to Uri and from Comanche 3 replacement power costs. Rate relief, sales growth, and modestly positive weather should act as partial offsets.
- We expect XEL to reaffirm its 2022 guidance of $3.10-3.20. Our $3.17E matches current consensus. We don't expect any material updates to XEL's capital plan.
- XEL's exposure to potential solar delay risk is minimal. Only around $700M of its $26B 5-yr capex plan is earmarked for solar projects (3%). And the only actual project delay we think is likely is Western Mustang – 74 MW or $100M of capex – which is scheduled to come online in 2023. Sherco Solar is the only other project and that wasn't expected to be online until the 2025 timeframe; it is possible approval proceedings with the MN PUC will be put on holding pending the outcome of the DoC's investigation.
- The Comanche 3 coal plant is still out. And in the interim, XEL agreed to pay for excess replacement power costs until the plant is back online. The initial budget for that was around $10M. But this assumed the plant would be online by the end of April, and that no longer appears to be the case. We continue to watch this closely as an outage lasting into the important summer months could impact XEL's 2022 guidance.

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- We will be looking for an update on the Uri gas cost disallowance proceeding that is pending in MN. Some of the intervenor recommendations in the case were quite punitive, but XEL is hopeful it can reach constructive resolution. An ALJ report is due in May.
- Other items we will be looking for an update on include XEL's resource plans in MN and CO, rate cases in MN (electric & gas) and CO (gas), and MISO transmission opportunities. XEL has ROFRs in MN and the Dakotas re the transmission, but it still isn't exactly clear what projects will be in XEL's territories in MISO's first tranche of projects.

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ARGUS

NYSE: NI

NISOURCE INC

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 in six states. 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. The company has approximately 7,500 employees. NI shares are a component of the S&P 500.

Analyst's Notes

Analysis by David Coleman, August 12, 2022

ARGUS RATING: BUY

- Maintaining BUY
- NiSource reported 2Q22 results on August 3. The company posted adjusted net income of $53.9 million or $0.12 per share, compared to $52.6 million or $0.13 per share a year earlier. Revenue rose 24% year-over-year to $1.18 billion.
- NI shares have underperformed over the past quarter, returning 3% while the S&P 500 has gained 7%. They have outperformed the broad market and the Utility industry ETF, IDU, over the past year but have underperformed over the past five years.
- Management reiterated the 2022 guidance that it issued at the end of the fourth quarter.
- We are maintaining our 2022 and 2023 EPS estimates.

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 trade above their historical five-year average for P/E and price/book, though price/cash flow remains below the historical average. Our target price is $34.

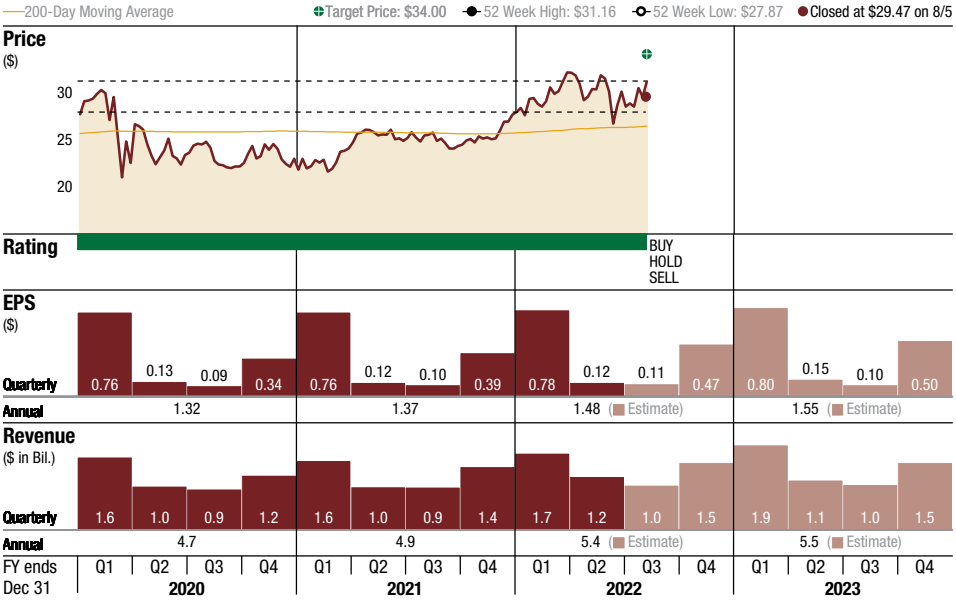
We note that NiSource could become a buyout target, as larger utilities and private equity firms pursue smaller utilities because of their stable earnings growth and above-average dividend yields. The company has also allocated significant capital to green energy generation.

RECENT DEVELOPMENTS

NI shares have underperformed over the past quarter, returning 3% while the S&P 500 has gained 7%. They have outperformed the broad market and the Utility industry ETF, IDU, over the past year but have underperformed over the past five years.

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	**$31.14**
Target Price	**$34.00**
52 Week Price Range	**$23.65 to $32.59**
Shares Outstanding	**392.41 Million**
Dividend	**$0.94**

Sector Overview

Sector	**Utility**
Sector Rating	**MARKET WEIGHT**
Total % of S&P 500 Market Cap.	**3.00%**

Financial Strength

Financial Strength Rating	**MEDIUM**
Debt/Capital Ratio	**57.5%**
Return on Equity	**10.6%**
Net Margin	**13.3%**
Payout Ratio	**0.64**
Current Ratio	**0.70**
Revenue	**$5.42 Billion**
After-Tax Income	**$722.90 Million**

Valuation

Current FY P/E	**21.04**
Prior FY P/E	**22.73**
Price/Sales	**2.25**
Price/Book	**2.23**
Book Value/Share	**$13.99**
Market Capitalization	**$12.22 Billion**

Forecasted Growth

1 Year EPS Growth Forecast
8.03%
5 Year EPS Growth Forecast
4.00%
1 Year Dividend Growth Forecast
6.82%

Risk

Beta	**0.69**
Institutional Ownership	**96.36%**

Please see important information about this report on page 5

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Analyst's Notes...Continued

NiSource reported 2Q22 results on August 3. The company posted adjusted net income of $53.9 million or $0.12 per share, compared to $52.6 million or $0.13 per share a year earlier. Revenue rose 24% year-over-year to $1.18 billion.

In 2021, the company reported adjusted net income of $571.2 million or $1.37 per share, compared to $507.5 million or $1.32 per share in 2020.

Along with the results, management reaffirmed its 2022 guidance. The company expects adjusted EPS of $1.42-$1.48. It also projects 7%-9% growth in adjusted EPS through 2024 from a base of $1.37 in 2021. The company expects to reduce greenhouse gas emissions by 90% by 2030 and to be coal-free by 2026-2028. It expects capital investments of approximately $10 billion in 2021-2024. According to management, solar projects that were originally scheduled for completion in 2022 and 2023 will experience delays of 6-18 months. NiSource now expects to retire the Schahfer generating station's remaining two coal-fired units by the end of 2025.

EARNINGS & GROWTH ANALYSIS

NiSource has two segments: Gas Distribution Operations (63% of revenue) and Electric Operations (37%). In 2Q, Gas Distribution revenue rose 29% to $741 million, while Electric Operations revenue increased 9% to $437 million.

In the Electric Operations segment, operating subsidiary Northern Indiana Public Service Co. (NIPSCO) received approval for its electric TDSIC plan from the Indiana Utility Regulatory Commission (IURC) on December 28, 2021. The plan includes $1.64 billion in current and planned investments from 2021 through 2026 to enhance the safety and reliability of electric infrastructure, as well as improve customer service. NIPSCO continues to execute on 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. On March 30, 2022, NIPSCO filed a petition with IURC seeking approval for the $40 million of retirement costs for the Michigan City Generating Station.

In Gas Distribution Operations, Columbia Gas of Ohio has requested a rate increase of $221.4 million, and NIPSCO is seeking a revenue increase of $110 million annually. Columbia Gas of Pennsylvania has filed a rate case for additional revenue of $82.2 million.

We are maintaining our 2022 adjusted EPS estimate of $1.48, at the high end of management's guidance range and implying growth of 8%. We look for growth to continue in 2023 and are maintaining our adjusted EPS estimate of $1.55.

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

Growth & Valuation Analysis

GROWTH ANALYSIS

($ in Millions, except per share data)	2017	2018	2019	2020	2021
Revenue	4,875	5,115	5,209	4,682	4,900
COGS	3,120	4,114	2,890	2,695	2,848
Gross Profit	1,754	1,000	2,319	1,987	2,051
SG&A	—	—	—	—	—
R&D	—	—	—	—	—
Operating Income	927	126	1,305	961	1,015
Interest Expense	349	347	371	365	337
Pretax Income	443	-231	507	-31	707
Income Taxes	315	-180	124	-17	118
Tax Rate (%)	71	—	24	—	17
Net Income	129	-51	383	-18	585
Diluted Shares Outstanding	331	357	376	384	417
EPS	0.39	-0.18	0.87	-0.19	1.27
Dividend	0.70	0.78	0.80	0.84	0.88
GROWTH RATES (%)					
Revenue	7.7	5.5	1.2	-11.5	5.8
Operating Income	7.1	-86.4	936.7	-26.3	5.5
Net Income	-61.2	—	—	—	—
EPS	-61.8	—	—	—	—
Dividend	9.4	11.4	2.6	5.0	4.8
Sustainable Growth Rate	1.1		3.4	-2.6	1.9
VALUATION ANALYSIS					
Price: High	$27.76	$28.11	$30.67	$30.46	$27.85
Price: Low	$21.65	$22.44	$24.69	$19.56	$21.09
Price/Sales: High-Low	1.9 - 1.5	2.0 - 1.6	2.2 - 1.8	2.5 - 1.6	2.4 - 1.8
P/E: High-Low	71.2 - 55.5	— - —	35.3 - 28.4	— - —	21.9 - 16.6
Price/Cash Flow: High-Low	11.3 - 8.8	8.6 - 6.9	13.6 - 10.9	9.6 - 6.2	9.6 - 7.3

Financial & Risk Analysis

FINANCIAL STRENGTH	2019	2020	2021
Cash ($ in Millions)	139	117	84
Working Capital ($ in Millions)	-1,892	-620	-825
Current Ratio	0.49	0.73	0.70
LT Debt/Equity Ratio (%)	153.8	189.2	170.0
Total Debt/Equity Ratio (%)	188.8	200.0	181.5
RATIOS (%)			
Gross Profit Margin	44.5	42.4	41.9
Operating Margin	25.1	20.5	20.7
Net Margin	6.3	-1.6	10.8
Return On Assets	1.5	-0.3	2.3
Return On Equity	6.6	-1.5	10.3
RISK ANALYSIS			
Cash Cycle (days)	22.7	35.2	35.4
Cash Flow/Cap Ex	0.9	0.6	0.7
Oper. Income/Int. Exp. (ratio)	2.4	0.9	3.1
Payout Ratio	303.9	64.6	229.7

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Analyst's Notes...Continued

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.

Our financial strength rating on NiSource is Medium. The company receives average scores on our main financial strength criteria of debt levels, fixed-cost coverage, profitability, earnings quality, and cash generation. The company has investment-grade ratings from Moody's (Baa2), and Standard & Poor's (BBB+), both with a stable outlook.

The company had cash of $77.8 million on hand at the end of 2Q22. Debt totaled $9.5 billion and accounted for 54% of total capitalization.

The company expects to make capital investments 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.

The company has raised $350 million through its Green Bond issuance.

NiSource pays an annualized dividend of $0.94 per share, for a yield of about 3.1%. The payout ratio is approximately 61%. We think the dividend is safe and likely to grow modestly over time. Our dividend payout estimates are $0.94 for 2022 and $1.00 for 2023.

MANAGEMENT & RISKS

Lloyd Yates succeeded Joseph Hamrock as the company's president and CEO on February 14, 2022. Donald E. Brown is the CFO. The chairman is Kevin T. Kabat, the former CEO of Fifth Third Bancorp. The COO is Pablo Vegas.

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 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.

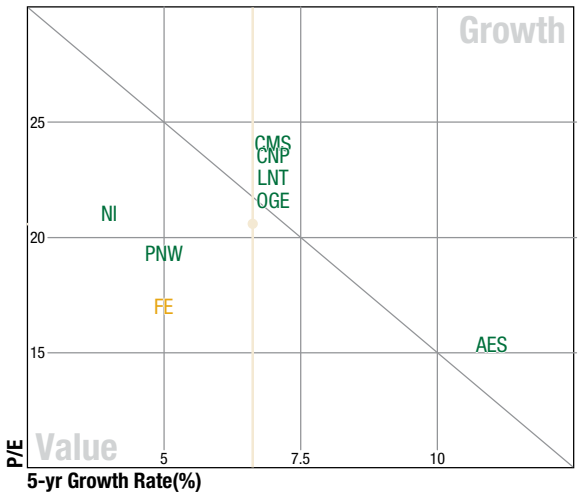
COMPANY DESCRIPTION

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 in six states. NiSource's principal subsidiaries include NiSource Gas Distribution Group Inc., a natural gas distribution holding company, and NIPSCO, a regulated gas and

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.	22,219	5.0	17.0	11.8	6.3	HOLD
CMS	CMS Energy Corporation	20,180	7.0	24.1	16.5	6.9	BUY
CNP	Centerpoint Energy Inc.	18,866	7.0	23.6	18.2	8.7	BUY
AES	AES Corp.	16,586	11.0	15.4	-3.0	8.0	BUY
LNT	Alliant Energy Corp.	15,854	7.0	22.6	17.8	1.4	BUY
NI	Nisource Inc. (Holding Co.)	12,220	4.0	21.0	13.3	4.7	BUY
PNW	Pinnacle West Capital Corp.	8,721	5.0	19.3	13.9	1.3	BUY
OGE	OGE Energy Corp.	8,399	7.0	21.6	32.6	16.0	BUY
Peer Average		**15,381**	**6.6**	**20.6**	**15.1**	**6.7**	



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Analyst's Notes...Continued

electric company. NiSource derives substantially all of its revenues and earnings from the operating results of these rate-regulated utilities. The company has approximately 7,500 employees. NI shares are a component of the S&P 500.

VALUATION

We think that NI shares are attractively valued at current prices near $30, above the midpoint of their 52-week range of $24-$33. On the fundamentals, the shares trade at 21-times our 2022 EPS estimate, above the average multiple of 19 for comparable electric and gas utilities. They are also trading at a price/book multiple of 2.2, above the peer average of 2.0. The price/cash flow ratio is 8.6, below the peer average of 12. The dividend yield of about 3.1% is in line with the industry average. We are reiterating our BUY rating on NI with a 12-month target price of $34.

On August 12, BUY-rated NI closed at $31.14, up $0.72.

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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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IN Fact

July 25, 2022 | 19:53 ET~

BMO Capital Markets

Utilities, Power & Renewables

MISO LRTP Tranche 1 Approved

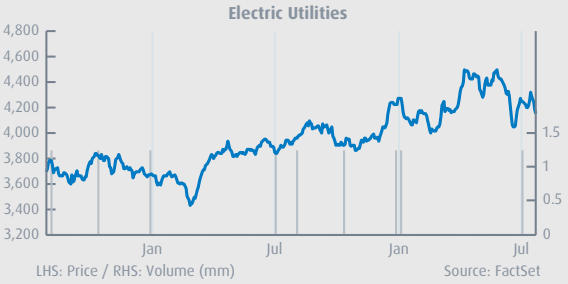
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Bottom Line:

Today, the MISO Board of Directors approved the Tranche 1 projects of the Long-Range Transmission Plan that total an estimated ~$10.3bn capital opportunity. Companies within our coverage universe with exposure to this thematic include AEE, XEL, NI, and WEC/LNT (through their investment in ATC). The projects have expected in-service dates ranging from 2026 to 2030 and are a mix of new build projects that will be competitively bid, upgrade projects that should be awarded to the incumbent transmission operators, and projects in states that have ROFRs. **We estimate that the breakdown includes ~$5.5bn of projects to be awarded under ROFRs, ~$3.9bn of upgrades, and only ~$970mn of competitive opportunities.**

Key Points

For the competitive projects, MISO is expected to post the schedule for the various RFPs on 8/24/22 with the first RFP being released by 9/23/22 and running through 7/25/22. The developer selected for the first RFP should be announced on 8/19/24.

In terms of the ROFR-eligible projects, the appropriate incumbent utilities will make filings with their respective state commissions. **Within MISO's footprint states with a ROFR include IA, IN, MI, MN, ND, SD, and TX. For the upgrade projects, in MISO the transmission owners have the "right to develop, own, and operate any upgrade to its transmission facilities."** An upgrade also specifically includes the expansion of a given project. As such, we would expect those projects to be allocated to the local transmission owner.

In an attempt to evaluate company-specific impacts, we cross-referenced Appendix A from the final draft MTEP21 LRTP Addendum, which identifies the cost estimates for the various components of each project, with the latest list of eligible projects. The list of eligible projects identifies the governing allocation process for each component as a ROFR, upgrade, or competitive.

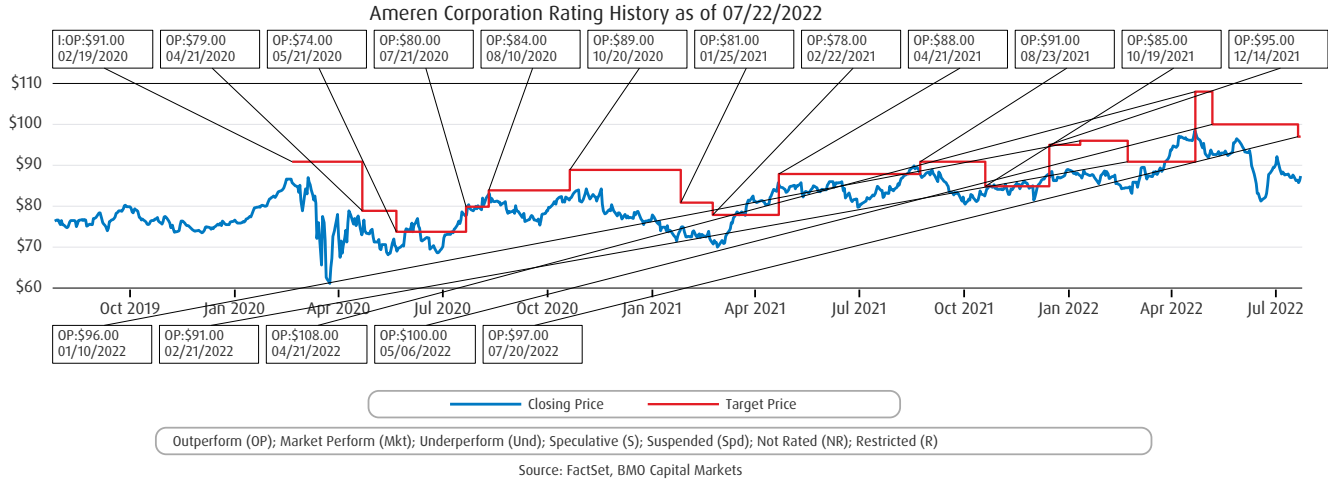
Based on this approach, we see the clearest results for AEE. **Across MO and IL we estimate ~$1.8bn of upgrade projects that could be awarded to AEE based on the traditional brownfield allocation process**. There could be additional upside if AEE is successful in the competitive solicitations should they choose to bid (~$717mn of competitive opportunities in MO).

For NI, we estimate there could be upwards of ~$300mn of upgrade projects allocated to its system in IN. In addition, there is also a ~$254mn competitive opportunity in IN.

We continue to expect the Tranche 1 projects to provide a benefit to XEL; however, many of the projects that are potentially in its service territory do not list an explicit "TO Member System". Instead, they simply list the member system/location as "Local TO(s)". The company previously estimated that the Tranche 1 projects could provide a $1-2bn capital opportunity and with the projects now approved, we could see that estimate refined on the call this Thursday.

Industry Research
Glossary

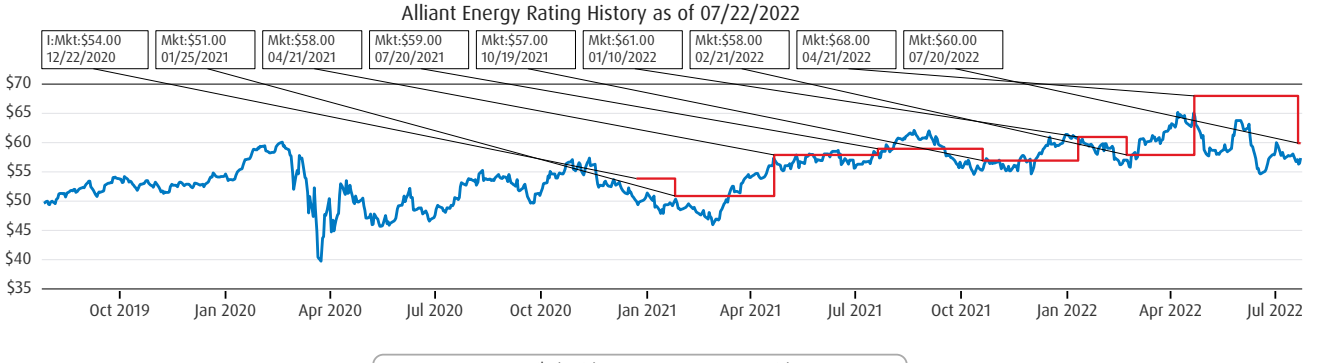
Ameren Corporation Rating History as of 07/22/2022



Outperform (OP); Market Perform (Mkt); Underperform (Und); Speculative (S); Suspended (Spd); Not Rated (NR); Restricted (R)

Source: FactSet, BMO Capital Markets

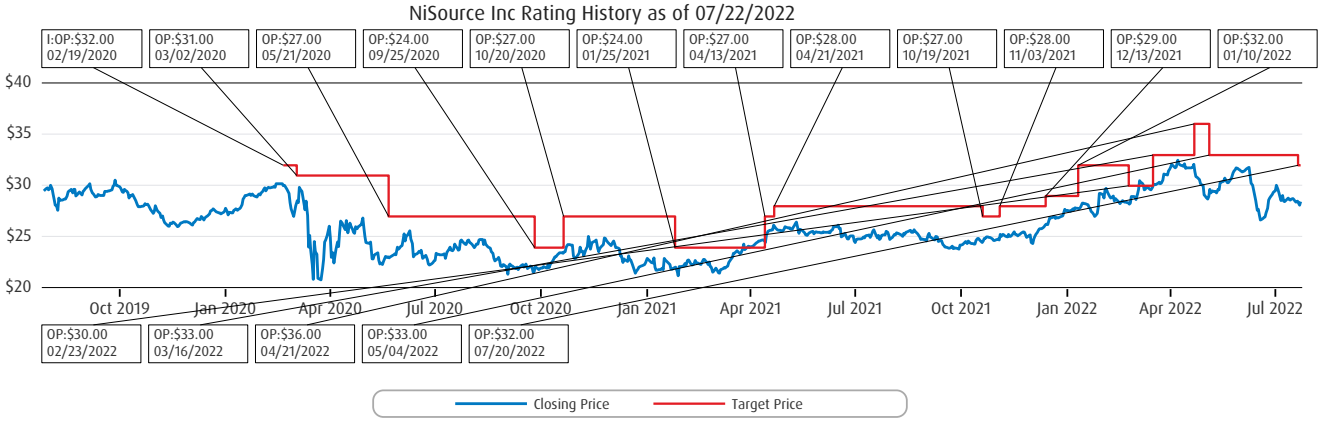
Alliant Energy Rating History as of 07/22/2022



Outperform (OP); Market Perform (Mkt); Underperform (Und); Speculative (S); Suspended (Spd); Not Rated (NR); Restricted (R)

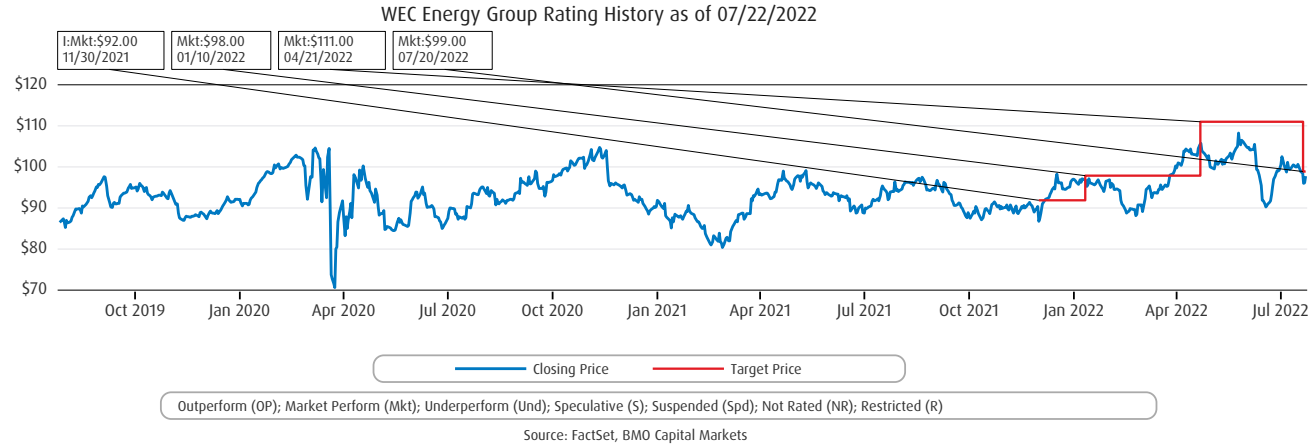
Source: FactSet, BMO Capital Markets

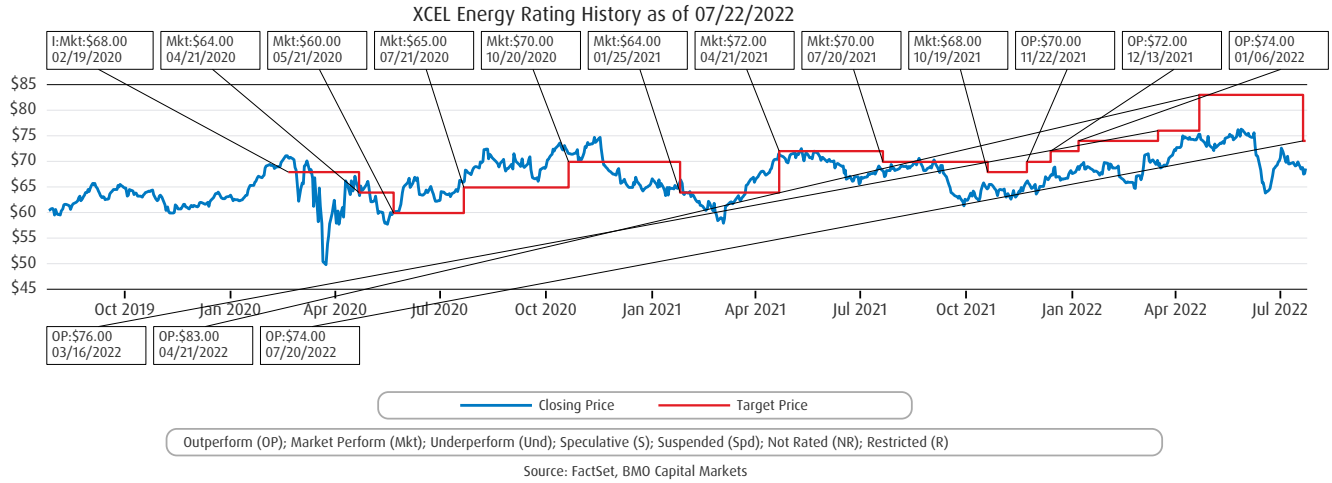
NiSource Inc Rating History as of 07/22/2022



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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Methodology: Sum of the parts, relative multiple, discounted cash flow.

Risks: LNT'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.

Methodology and Risks to Target Price/Valuation for Ameren Corporation (AEE-NYSE)

Methodology: Our target price is based on a sum-of-the-parts methodology. Our framework begins with the relevant sector average P/E 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: AEE'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. Ameren Illinois formula rates also directly exposes 20% of the company's consolidated rate base to fluctuations in the 30-year Treasury yield.

Methodology and Risks to Target Price/Valuation for NiSource Inc (NI-NYSE)

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 2024E 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.

Methodology and Risks to Target Price/Valuation for WEC Energy Group (WEC-NYSE)

Methodology: Sum of the parts, relative multiple, discounted cash flow.

Risks: WEC'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 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 2024 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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Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
Buy	Outperform	53.6 %	18.9 %	51.5 %	56.4 %	59.8 %	57.7%
Hold	Market Perform	44.6 %	19.7 %	44.7 %	42.0 %	37.8 %	37.5%
Sell	Underperform	1.7 %	44.4 %	3.9 %	1.4 %	2.4 %	4.8%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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Utilities, Power & Renewables

2Q Sector Preview: Shoulder (Shrugging) Season as Macro Still in Driver's Seat

Bottom Line:

Given the second quarter is seasonally a shoulder season, 2Q quarterly results do not generally drive sustained relative performance outside of material changes in fundamental drivers that impact the full year or forward estimates. However, given the continued sharp climb in inflationary indicators, mounting recessionary fears, rising interest rate and pension costs, and supply-chain disruption/cost uncertainty, similar to 1Q22 earnings, we expect investors' focus this reporting season to remain centered around macro-related issues/updates (discussed inside). **Given the sharp moves in power prices since the 1Q22 calls and numerous curtailment and conservation notices in ERCOT, MISO, and PJM, we see 2Q for independent power as garnering the most attention this reporting season.**

Key Points

While ratable hedging programs dampen the near-term upside for merchant power, we see the continued strength in natural gas and power prices as a tailwind for the merchant power sector's longer-term (2024+) cashflow profile as they are able to add incremental hedges at attractive prices through both retail and wholesale channels. **This should ultimately drive positive EBITDA and FCFbG estimates revisions for both Outperform-rated CEG and VST and add incremental visibility to their ability to create value and/or return a significant amount of cash flow to shareholders in the intermediate term.** While our full-year estimates throughout our forecast period remain unchanged for now, we would expect both CEG and VST managements to update their ratable hedging programs given the continued strength in power prices. We would also expect an update on liquidity given the rise in commodity prices as well as higher overall hedging levels.

So how are we thinking about the sector now? Despite what has been a very abrupt closing of the gap across both valuation (Exhibits 11, 12, 15) and, to a lesser, degree performance, we continue to be positive on the sector and see it as a core holding in investors' portfolios. While we would not expect to see the same level of outperformance from here, we would expect the sector to continue to widen its relative outperformance to the broader market at least through year-end given persistent inflationary pressures and growing probability of the U.S. economy entering a recession. **Specifically, we believe the broader utility sector is well positioned to provide investors with a defensive safe harbor and a significantly better "rate-of-change" growth profile as well as an attractive "inflation-resistant" income profile.**

Although we would expect defensive sponsorship in the sector to continue to benefit the higher-quality/more liquid names broadly, we would also still expect macro-related factors including style rotation and capitalization to impact relative performance. For these reasons as we take inventory within our coverage universe after significant YTD outperformance we continue to favor our BMO Barbell framework, which is constructed to provide exposure to both the thematic and directional aspects of the group through the Quality/Compounders end but also gain exposure to pure Relative GARP/Value ideas with catalysts that can drive relative performance. After additional compression in relative sector multiples our revised pecking order on each side is as follows: **On the "Quality/Compounder" side we recommend NEE, AEE, XEL, and CNP. And on the "GARP/Value" side we continue to favor D, AEP, EXC, CEG, and VST.**

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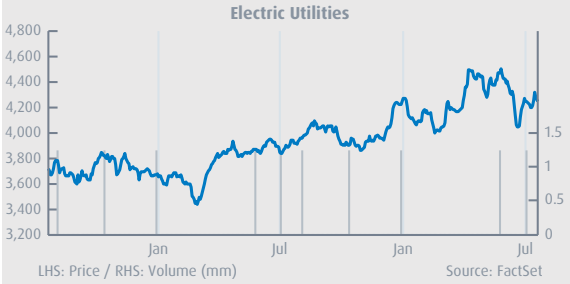
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2Q22 Sector Preview: Shoulder (Shrugging) Season – Macro Increasingly Driving Quarterly Calls and Sector Performance

Second quarter earnings for our Utilities, Power & Renewables coverage kicks off this week with bellwether NextEra Energy (NEE) reporting this Friday. Given the second quarter is seasonally a shoulder season, representing only ~20% of full year earnings, and variability is primarily related to rate relief, O&M timing, and occasionally weather, 2Q quarterly results do not generally drive sustained relative performance outside of material changes in fundamental drivers that impact the full year or forward estimates. However, given the continued sharp climb in inflationary indicators, mounting recessionary fears and supply-chain disruption/cost uncertainty, similar to 1Q22 earnings, we expect investors' focus this reporting season to remain centered around macro-related issues/updates including: 1) customer bill impacts due to the sharp rise in commodity prices and other inflationary pressures; 2) interest rate sensitivity; 3) regulatory updates/outlooks regarding pending and future rate cases and integrated resource plans; 4) generation supply adequacy given recent curtailment warnings in ERCOT, PJM, and MISO; and 5) managements' evolving tool boxes to help manage through these challenges.

Our quarter preview suggests a generally quiet set up for the group outside of the aforementioned macro-related topics (which we discuss more below) and a handful of stock-specific updates. The combination of a steady recovery in C&I demand, residual hybrid-related positive mix, continuous cost programs, and annualized rate relief has smoothed quarter-over-quarter comps for most of the companies in our universe with few material surprises. Due to an uneven and slower return-to-office trend, residential sales have remained stickier while C&I volumes are largely back to pre-COVID or better levels. Although the country has seen continued bouts of COVID resurgences, mask requirements, and distancing mandates have been increasingly relaxed and our base-case calls for continued sales normalization into 2022 with some positive mix and run-rate cost mitigation/lean programs that could add some modest cushion to 2022.

Although we do not expect any material changes in full-year outlooks at this time of the year, due to uneven weather across the U.S. in 2Q22 and several regulatory and spin-related one-time items, we see quarter-over-quarter EPS down modestly at ~2%. In terms of earnings surprises there are only a handful on each side of the ledger and none we would expect to drive full year revisions. While it appears consensus estimates continue to be updated as we publish, at a high level we see ~35% of our regulated utility coverage at or above current consensus estimates, with SRE and ES the names where we are most out of consensus (Exhibit 1). Regarding the balance of our regulated coverage, we see NI, DTE, AEE, PEG, and DUK as currently below the Street's estimates. **Following, we discuss in more detail the handful of quarters that we believe will be most impactful including AEE, ES, NI, and SO.**

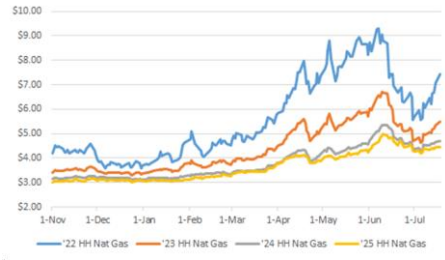
Exhibit 1: BMO Capital Markets and Consensus 1Q22 Estimates and Earnings Calendar

Company	BMO 2Q22 EPS	Consensus 2Q22 Estimates	Consensus Change Last 4W	Q-O-Q EPS Change	Company 2Q22 Guidance Range		2Q22 Reporting Date	Call Time
AEE	$0.82	$0.85	(3%)	+2%			8/5	10:00AM
AEP	$1.18	$1.18	+0%	(0%)			7/27	9:00AM
CNP	$0.28	$0.27	+1%	+2%			8/2	8:00AM
CMS	$0.45	$0.45	(13%)	(17%)			7/28	9:30AM
D	$0.75	$0.76	(2%)	(1%)	$0.70	$0.80	8/8	10:00AM
DTE	$0.98	$1.03	(9%)	(22%)			7/28	8:30AM
DUK	$1.07	$1.09	(2%)	+0%			8/4	10:00AM
ES	$0.86	$0.84	(2%)	+9%			7/29	9:00AM
ETR	$1.38	$1.38	+9%	+3%			8/3	11:00AM
EXC	$0.45	$0.46	+0%	(1%)			8/3	10:00AM
LNT	$0.59	$0.58	(0%)	+3%			8/5	10:00AM
NEE	$0.74	$0.75	(1%)	+4%			7/22	9:00AM
NI	$0.10	$0.13	(11%)	(20%)			8/3	11:00AM
PEG	$0.64	$0.66	(5%)	(9%)			8/2	11:00AM
SRE	$1.85	$1.76	+5%	+14%			8/4	12:00PM
SO	$0.83	$0.83	+6%	(1%)			7/28	1:00PM
WEC	$0.85	$0.85	+0%	(3%)	$0.82	$0.84	8/2	2:00PM
XEL	$0.61	$0.60	(2%)	+6%			7/28	10:00AM
VST	$700	$749	(25%)	(15%)			8/5	8:00AM
NRG	$380	$462	(27%)	(42%)			TBD	TBD
CEG	$590	$523	(5%)	+50%			8/4	10:00AM
NEP	$455	$452	(1%)	+28%			7/22	9:00AM
AY	$231	$237	+0%	(1%)			TBD	TBD

Source: BMO Capital Markets, Bloomberg, Company Filings

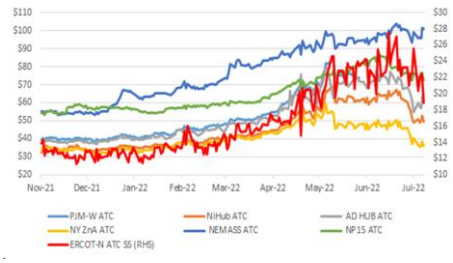
All Eyes on Independent Power Update – Hedging & Reliability in Focus

Exhibit 2: HH Forward Natural Gas



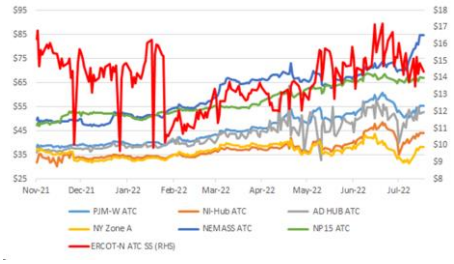
Source: BMO Capital Markets, Bloomberg

Exhibit 3: 2023 Forward ATC Power



Source: BMO Capital Markets, Bloomberg

Exhibit 4: 2024 Forward ATC Power



Source: BMO Capital Markets, Bloomberg

Given the sharp moves in power prices since the 1Q22 calls and numerous curtailment and conservation notices in ERCOT, MISO, and PJM, we see 2Q for independent power as garnering the most attention this reporting season. While ratable hedging programs dampen the near-term upside for merchant power, we see the continued strength in natural gas and power prices (Exhibits 2, 3, and 4) as a tailwind for the merchant power sector's longer-term (2024+) cashflow profile as they are able to add incremental hedges at attractive prices through both retail and wholesale channels. This should ultimately drive positive EBITDA and FCFbG estimates revisions for both Constellation Energy (CEG, Outperform) and Vistra Corp (VST, Outperform) and add incremental visibility to their ability to return a significant amount of cash flow to shareholders in the intermediate term. While our full year estimates through our forecast period remain unchanged for now, we would expect both CEG and VST management to update their

ratable hedging programs given the continued strength in power prices. We would also expect an update on liquidity given the rise in commodity prices as well as higher overall hedging levels.

- **Constellation Energy (CEG, Outperform). We are nearly 15% above the Street with a 2Q22 EBITDA estimate of $590 million. In terms of updates we are only expecting to get modest tweaks to its already well-hedged 2022 (99%) and 2023 (87%) profile.** As a reminder, on the 1Q22 call there was no formal update to the company's aggregate 2024 hedging levels. Management did disclose it had increased the overall hedge percentage by roughly the same amount in 2024 as seen in 2023, which at ~12% suggests CEG could be 65% hedged in 2024. While this disappointed, we believe this added visibility should provide management with increased confidence in the implementation of a more formal capital allocation strategy in the back half of 2022, including the potential for a significant return of capital to shareholders outside its targeted 10% annual growth off a nominal $180 million dividend base. We continue to see the company's capital allocation strategy as evolving and contingent on both the company's valuation as well as the growth-related opportunity set for the company. This can include organic growth opportunities including hydrogen as well as inorganic transactions such as additional nuclear acquisitions. The provision for a nuclear PTC could also accelerate/influence this decision and is again dependent on the company's valuation and/or mechanics of the credit itself. On the collateral side we would expect CEG once again to show the financial flexibility associated with its investment grade balance sheet. Although we would anticipate some additional power-related collateral postings, this should be mitigated by the company's sizeable in-the-money retail natural gas supply position.

- **Vistra (VST, Outperform). We are ~7% below the Street for 2Q22 at $700 million of EBITDA. Our forecast reflects our assumption that the company's revised hedging policy should result in a more hedged 2Q profile especially relative to 3Q where we would expect the company's ~2.2GW of length to largely reside.** For VST we would expect to not only get an update to its discrete 2022 (92%) and 2023 (53%) hedging program but also a higher level updated outlook on its 2023-2025 "average hedge profile," which as of early May was over 50% and on a risk-adjusted basis suggested a midpoint EBITDA "opportunity" in the range of $3,500-3,700 million. Importantly, within VST's ~50% hedge profile in 2023, the company retains material upside exposure to what continues to be tight conditions in ERCOT with only 15% of its gas generation hedged and residual length (67%) in its CCGT-heavy (88%) 12GW Eastern portfolio. In addition to this hedge update we will also be looking for management to provide its current liquidity profile given sizable 2023 natural gas position (-137Bcf) and the associated cash collateral for hedging both this input cost as well as adding incremental hedges to its open generation position.

- **NRG (NRG, Market Perform).For NRG we are nearly 20% below the Street's current outlook at $380 million in EBITDA.** In addition to known full-year downside drivers including the sale/retirements of its East/West/PJM generation as well as the absence of pull forward benefits related to Winter Storm Uri in 2Q21, the primary driver of our lower estimate reflects the impact of both the partial May forced outage at the company's 577MW Parish 7 plant as well as the now extended outage at its 610MW Parish 8 facility. We have also assumed that the incremental out-of-the-money hedges (including higher heat rate CTs) the company put in place not only had some additional drag due to the escalating cost of natural gas but also that the hedges did not protect the company for portions of the run up in real-time prices given their higher heat-rates. We do not expect the company to change its full year financial guidance of $1,950-2,250 million given the insurance proceeds tied to the Parish outages (net of premium paid); however, we would not be surprised to see the company point to the bottom end of the range. We will also be looking for any updates to the company's capital

allocation plan and the remaining $699 million of share repurchases it has remaining on its $1 billion authorization. We have also lowered our 2022 EBITDA to ~$2,000 million.

For our YieldCo coverage we expect a fairly quiet quarter outside of a significant focus on supply chain constraints, equipment cost inflation, PPA pricing and of course project delays. We see both NEP and AY EBITDA roughly in line with the consensus outlooks and up 28% and -1% quarter over quarter, respectively. Given NEP's own limited development pipeline and its recent updates at the June 14 analyst day we would not expect any significant change in messaging regarding its 2021 and 2022 run-rate EBITDA and CAFD guidance nor its 12-15% average annual distribution growth. Similarly, with AY's development and acquisition program focused on a diversified portfolio of assets we expect there will be likely no change in its growth or strategic outlook on the upcoming 2Q22 call, though it may update investors on its allocated capital for 2022, which was at $140-150 million of its $300 million target as of the 1Q22 call.

Normal Weather for the Quarter

Cooling degree days for the second quarter showed a 7% increase year over year and were also 6% higher than normal though there was a wide dispersion across the various regions. With 2Q being a shoulder quarter for demand, we still do not expect weather to be a major driver for the majority of companies in our coverage, though we do note the weather benefit in the Southeast was more pronounced for June specifically and could provide a tailwind.

Exhibit 5: 2Q22 Regional Degree Days

Region	2Q 2021 Actual	2Q 2022 Actual	2Q Normal	2Q YoY	2Q vs Normal
New England	179	91	110	-49%	-17%
Middle Atlantic	223	152	180	-32%	-16%
East North Central	288	259	237	-10%	9%
West North Central	317	317	277	0%	15%
South Atlantic	608	659	675	8%	-2%
East South Central	455	579	547	27%	6%
West South Central	745	1,039	867	39%	20%
Mountain	408	366	365	-10%	0%
Pacific	187	160	152	-14%	5%
National	**400**	**428**	**403**	**7%**	**6%**

Source: BMO Capital Markets, S&P Global Market Intelligence

Marking to Market Our Coverage Target Prices

As per usual, with our quarterly preview we have updated our target prices for our coverage universe to reflect the change in sector and subsector P/E multiples since our last updates in April and May. In Exhibit 5 below we outline our revised target prices which reflect a 17.2x electric group multiple, 17.2x gas distribution group multiple and a base power EV/EBITDA multiple of 5.0x, which we have maintained to reflect the strong commodity pricing environment (our best approximation of a mid-cycle multiple).

Exhibit 6: Mark-to-Market Target Price for BMO Utilities, Power & Renewables Universe

			2024 P/E Price Target		
Company (Regulated)	Ticker	Rating	New	Old	Chg.
Ameren Energy	AEE	OP	$97	$100	-3%
American Electric Power	AEP	OP	$103	$110	-6%
CMS Energy	CMS	OP	$71	$71	
Centerpoint Energy	CNP	OP	$32	$35	-9%
Eversource Energy	ES	Mkt	$93	$97	-4%
Entergy Corp.	ETR	OP	$124	$121	2%
Alliant Energy	LNT	Mkt	$60	$68	-12%
NiSource, Inc.	NI	OP	$32	$33	-3%
WEC Energy Group	WEC	Mkt	$99	$111	-11%
Xcel Energy	XEL	OP	$74	$83	-11%
			Price Target		
Diversified	Ticker	Rating	New	Old	Chg.
Dominion Energy	D	OP	$87	$90	-3%
DTE Energy	DTE	Mkt	$129	$145	-11%
Duke Energy Corp	DUK	OP	$113	$119	-5%
NextEra Energy	NEE	OP	$92	$93	-1%
Sempra Energy	SRE	Mkt	$162	$167	-3%
Southern Company	SO	Mkt	$72	$70	3%
			Price Target		
Power	Ticker	Rating	New	Old	Chg.
Exelon Corp.	EXC	OP	$49	$51	-4%
Public Service Ent. Grp	PEG	Mkt	$72	$80	-10%
NRG Energy	NRG	Mkt	$42	$42	
Vistra Energy	VST	OP	$34	$34	
Constellation Energy	CEG	OP	$65	$65	
			Price Target		
YieldCo	Ticker	Rating	New	Old	Chg.
NextEra Energy Partners	NEP	OP	$88	$86	2%
Atlantica Sustainable Infrastruc	AY	Mkt	$33	$32	3%

Source: BMO Capital Markets, Bloomberg, Company Filings

Significant Industry-specific Topics & Company Updates

1) **Solar Project Costs & Potential Delays** – On the 1Q22 calls the implications of the DOC AD/CVD investigation and potential implementation of tariffs was front and center. Early in June the Biden Administration issued an executive order to pause the implementation of any potential tariffs for two years, if they are ultimately ordered by the investigation. Before the announcement, LNT made the decision that it was in the best interest of all stakeholders to move forward with the projects as scheduled. At the heart of this decision was the cost/benefit analysis regarding the costs of breaching a contract compared to the possibility of unknown tariff payments. The company decided that the liquidated damages from not taking delivery of the panels were likely to be greater than tariff costs. However, despite the potentially beneficial economics of proceeding with projects that already have sourced panels, supply chain constraints and inflationary pressures remain persistent and may still affect projects. WEC recently filed updated timelines for their Darien and Koshkonong Solar-Battery projects, moving each back one year to 2024 and 2025. Furthermore, on the inflation side, with outstanding RFPs for several projects the bids could effectively become stale and possibly

need to be reissued (i.e., possibility for NI). We expect these upward cost pressures to be present in currently outstanding and yet to be issued solicitations and while for regulated projects it should lead to increased rate base and associated earnings, we are cognizant of crowding out customer bill headroom amidst commodity inflation.

2) **Tax Credits and Senate Majority Leader Manchin** – Press reports have suggested Senator Manchin has informed Senate Majority Leader Schumer that he would not support an economic package that "raises taxes or includes climate provisions." While we see this "miss" as more an opportunity cost for incremental growth and/or multiple expansion it is disappointing, while our recent discussions with utility managements suggested skepticism on the passage of even a slimmed down set of climate provisions ("50/50 at best"), over the past several weeks we had gotten feedback from investors that there had been renewed optimism that Democrats were getting closer to finding consensus on a package via reconciliation. It is our understanding that the climate portion, which was speculated to have been trimmed down to the $300 billionn level from the $555 billion BBB package, was still seeing friction due to cost/scoring concerns. However, as feared, the continued climb in inflationary indicators and growing recession concerns have purportedly left Manchin only supportive of the passage of a bill before the August recess "that includes provisions aimed at lowering the price of prescription drugs and a two-year extension of Affordable Care Act subsidies." The next opportunity for lawmakers to act on energy tax credits would likely be in a tax extenders package at the end of the year, but this initiative would likely only include the extension of existing wind and solar tax credits and would not address the creation of new credits proposed in the BBB proposal including standalone credits for nuclear, storage, hydrogen, and transmission. Within our coverage the primary beneficiaries would have included NEE, NEP, and CEG. However, we would again reiterate that the absence of legislation would be more a growth opportunity cost than a downside to growth as renewable adoption is being driven by 1) increasingly favorable relative economics (higher gas prices, favorable LCOE comparisons); 2) expanding TAM as corporates are increasingly making net zero pledges/addressing scope 1 and scope 2 emissions; and 3) for regulated utilities increasingly aggressive state-level renewable portfolio standard requirements. For CEG, the rise in gas/power prices has shifted the nuclear PTC from an upside call to a downside put (floor on pricing) for CEG. This option would have still had value to CEG as the replacement of state-sponsored subsidies with a federal subsidy is viewed as more durable as these credits generally do not expire and would allow investors to put a higher multiple on the associated cash flows.

3) **MISO LRTP** – On July 25 the MISO Board of Directors is expected to vote on the first tranche of Future 1 projects. Their approval may also begin to provide better insight into the allocation process for brownfield versus greenfield projects which could enable some of the companies in our coverage universe to provide better estimates of the potential investment opportunity. Though the capital deployment is probably more concentrated in the back part of the decade, the LRTP process provides a thematic runway for transmission capital deployment. Of the companies within our coverage universe, XEL estimates the projects could be a $1-2 billion capital opportunity and American Transmission Company (WEC/LNT) sees an ~$800 million opportunity from the Tranche 1 projects. We also believe that Ameren has significant amount of potential opportunity though the company has yet to provide a specific range. Our initial estimate suggests that the total value of the proposed projects with a portion of the project in AEE's service territory could be ~$3.8 billion. While we do not expect the company to be awarded the entirety of that total, it certainly could be a significant capital opportunity. Other companies under our coverage that have exposure to the process include EXC and NI, though the degree to which is unknown at this point.

4) **Pension –** We would expect pension to continue to be a topic of focus for investors within our coverage universe given market volatility. Within our regulated coverage universe the impact and potential exposure is likely largest for PEG. This is due to PEG's election to not smooth the year-end asset value. At year-end 2021 the pension was 95% funded and the company continues to expect to not have to make cash contributions. While there may not be a cash flow impact, the absence of smoothing may make the income statement headwind more pronounced. We do not expect any meaningful updates on the pension on the call as the ultimate impact still is unknown based on the back half of the year but do expect the topic to remain top of mind for investors, especially as the company enters the second year of their 5-7% growth rate.

5) **NiSource Inc. (NI, Outperform)** – We expect investors to again focus on any incremental color regarding the company's ongoing strategic review, given the continued elevated private market values that have been realized in LDC transactions as well as the June decision by Southwest Gas Holdings (SWX, Not Covered) to put itself up for sale. However, based on our conversations with management we would be surprised to see any significant incremental disclosures or new commentary until the company's strategic review is completed likely concurrent with its "Fall" analyst day. To that end we believe the timing of the company's analyst day is being more driven by the company's efforts to update the timing and contractual obligations with developers for its existing renewable projects as well as reviewing and potentially reissuing an expanded RFP for its next round IRP. We would also look for an update on the timing of the company Michigan City retirement given the more fluid cost and timelines. Finally, we would hope to have some updated color on the company's settlement efforts in its OH gas rate case given the hearings have been extended through August 9 to accommodate additional stakeholder discussions.

6) **Eversource (ES, Market Perform)** – We are expecting a quiet quarter from ES. On the 1Q22 call the company announced it was evaluating strategic options for their offshore wind business. We believe the process is just getting under way and the company will not be able to provide to details on expected proceeds, though it may generalize there is substantial interest from a wide range of bidders. The company expects to reach a decision and have an announcement by the end of the year. With few impediments to closing, we would expect the company to potentially be able to discuss the use of proceeds either simultaneous with or shortly after (possibly lining up with the 4Q call) any sale announcement. In terms of other updates, the company should be able to discuss their recently approved $200mn FERC tariff for upgrades associated with the Park City Wind project. Hearings are ongoing in the NSTAR Electric rate case and we await further updates on the CT and MA AMI proceedings.

7) **Ameren (AEE, Outperform) –** On the call Ameren is likely to discuss its updated MO IRP which proposes retiring the Rush Island Energy Center in 2025 and adding 800MWs of renewable generation in the 2023-2025 period along with 2GWs from 2026 to 2030. We do not expect the company to update its capital plan until its 4Q22 call as is its usual tendency as long as the projects have line of site to commission approval. In the interim, the IRP filing should facilitate the filing of CPCNs throughout the back half of the year that will give investors a better sense of the timing and amount of capital deployment associated with individual projects. With regards to Rush Island, the ultimate shut down date will be determined by the District Court. Though they are under no statutory, we believe the Judge could look to render a decision after receiving the final Attachment Y decision. Based on MISO's draft report and workshops Rush Island may be designated a System Support Resource (SSR) where the plant would be annually contracted for reliability through 2024. However, the District Court is ultimately the authority.

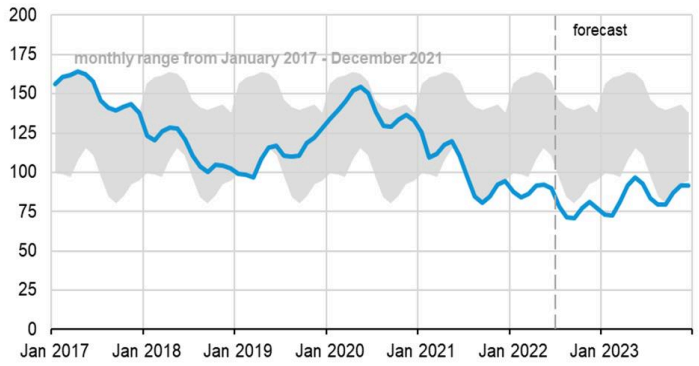
As noted above, we also could see AEE discuss the results of MISO LRTP Tranche 1 projects. To the extent that some of the capital spend falls at the tail end of the current forecast period, we would not expect the company to formally update their capital plan outside of their normal cadence on the 4Q22 call. Lastly, on June 1 the company filed a notice of intent to file a rate case in MO which would be August 1 at the earliest, though it could be later.

8) **Southern Company (SO, Market Perform) –** We expect a quiet quarter for SO. On the Vogtle front, the company should update its remaining ITAAC schedule. As of the 1Q22 call it had 53 ITAACs outstanding, but that number has been reduced to 9. We do not expect any schedule or cost estimate changes for the projects based on the testimony in the VCM 26 proceeding and the narrowing viewpoints between the company and Staff. The company could provide an update on the status of the co-owner's tender offers and the dispute over when the cost threshold was crossed. Currently, only Oglethorpe has elected to tender and SO recorded a charge on the 4Q call that assumed all three co-owners tender and reflected a reasonable outcome of the dispute around starting point. Separately, on Thursday the commission is also set to render a decision on the GA IRP, where the company reached a settlement with staff and intervenors. Based on the terms of the settlement, we would not expect the company to update its capital plan and instead it would likely make any changes on the year-end call. Lastly, the company recently filed its GA Power base rate case, and while we expect it to be a topic of conversation, with staff testimony not due out until the Fall, we are not expecting much incremental color.

9) **Sempra Energy (SRE, Market Perform)** – Given the company's strong 1Q22 performance and our anticipated beat for 2Q22 we would expect the company to at least address its 2022 full-year EPS range $8.10-8.70 or discuss what drivers might keep it in the current range at least for now (including higher development costs). We would also expect an update on the remaining $750 million buyback authorization, which we have assumed is closer to ~$500mm post 2Q22 activity. With a barrage of MOU and HOUs announced in the 1H22 we believe investors will now focus on the horse race between Cameron 4 and Port Arthur given the recent non-binding commitments to both as well as Port Arthur's permitting status which is ahead of Cameron 4. Questions on the final equity ownership in not only the new LNG development projects but the ultimate ownership in SIP will also likely be topical given the business risk implications on credit relative to the expanded development portfolio. We believe between the conditional % ownerships of each project and the 70% of SIP alone the company can mitigate this risk but also has the offramp of allowing its partners to take a bigger equity stake in each project and or selling down an incremental portion of its 70% stake in SIP. Finally, we would look for commentary on both the company's CA and TX GRC's as well as the ongoing CA cost of capital proceeding in front of the CPUC currently.

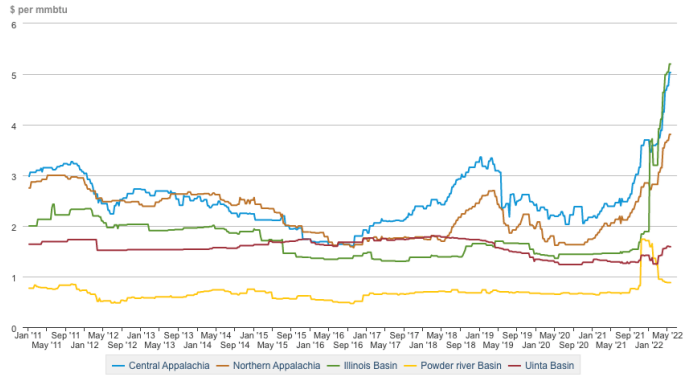
10) **Coal Inventories** – In 2020 power sector accounted for 91% of all coal consumption but only represented ~22% of total generation output, down from 48% at its peak in 2008 due persistently low natural gas prices over the past 15 years. However, both supply and transportation constraints have materially reduced coal inventory stockpiles in the U.S. (Exhibit 7) despite the relative attractiveness of coal especially that of Powder River Basin coal (Exhibit 8) which currently represents the majority of coal burned domestically.

Exhibit 7: U.S. Electric Power Coal Inventories (Millions of Tons)



Source: BMO Capital Markets, EIA

Exhibit 8: Coal Pricing – MMBtu Equivalent Basis to Natural Gas



Source: BMO Capital Markets, EIA, S&P Global

Utilities, Power & Renewables: Still the Best Game in Town for Inflation-Resistant Growth & Income

In our 2022 outlook we outlined our positive outlook on the utility sector. Our view was predicated on three primary fundamental drivers: 1) As we entered a period of normalization, investors' asset allocations were too narrow in breadth, the broader market was expensive at 21x next year's earnings and rising interest rates were likely to have a larger impact on the broader market relative to traditionally "interest rate sensitive" sectors including utilities. Moreover, we also thought the bond market no longer served as a safe harbor for investors and had principal risk given the Fed's policy normalization and historically tight credit spreads (Exhibit 14); 2) After over a cumulative 35% relative underperformance in 2022 and 2021, the sector was historically inexpensive on a price-to-earnings and yield spread basis (Exhibits 11, 12, and 15); and 3) the utility sector's fundamentals continued to improve and offered investors an attractive 9-10% total return with 6.0% EPS growth and a growing 3.2% current yield which provided investors with an equity market return at only ~50% of the systematic risk.

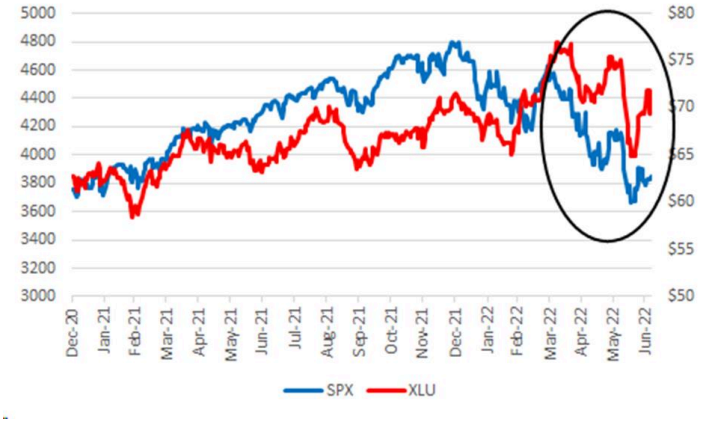
Year-to-date the sector has outperformed the broader market by ~15% as fears of a more pronounced hawkish pivot by the Federal Reserve and slowing growth/recession fears deepen. Outside of the inflation and war-related rally in commodities which has driven the energy complex's massive outperformance, sector performance has been decidedly defensive within equities with utilities leading the way followed by Staples, A&D, Gold, and Healthcare (Exhibit 9).

Exhibit 9: YTD 2022 Top & Bottom Sector Performance

Sector	YTD % Chg.	Sector	YTD % Chg.
Nat Gas	101%	U.S. High Yield Bonds	(12%)
WTI	37%	U.S Corp Bonds	(14%)
Brent	36%	REITs	(19%)
Energy	26%	S&P 500	(20%)
Dollar	12%	Materials	(20%)
MLP	10%	Transports	(22%)
Utilities	(4%)	Telco iShares	(23%)
Staples	(6%)	Growth	(27%)
A&D	(7%)	Tech (Dow US Tech)	(29%)
Gold	(7%)	Discretionary	(29%)
Healthcare	(10%)	Retail	(32%)
Low Vol Portfolio	(11%)	ARKK	(54%)

Source: BMO Capital Markets, Bloomberg

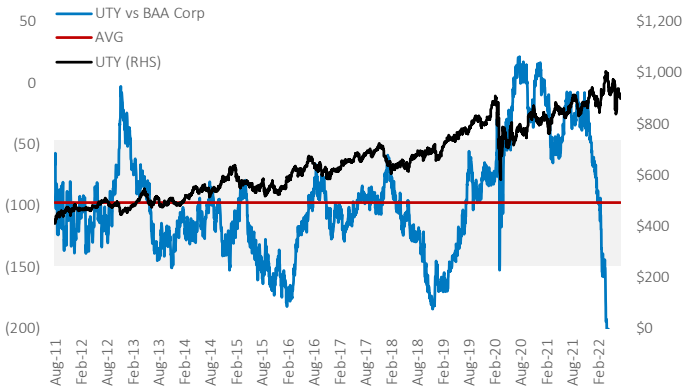
Exhibit 10: S&P 500 & XLU Price Performance



Source: BMO Capital Markets, Bloomberg

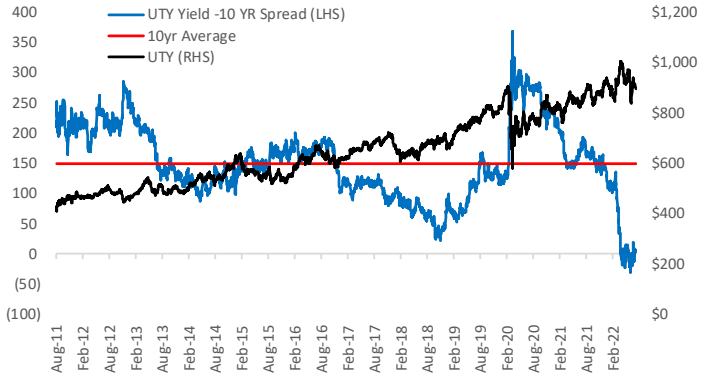
Not only is this flight to safety readily apparent but we believe we are witnessing an even deeper redistribution within investor's asset allocations across the market as evidenced by the underperformance of well-owned technology complex (-29%) as well as fixed income with both high yield (-12%) and investment grade bonds (-14%) on a total return basis. Looking at style, both large and small cap growth has massively underperformed (-27% respectively) as the multi-year reversal in growth over value trade finally reversed as the macro normalizes (Exhibit 14).

Exhibit 11: Utility Yields vs Moody's BAA Bond Yields



Source: BMO Capital Markets, FactSet

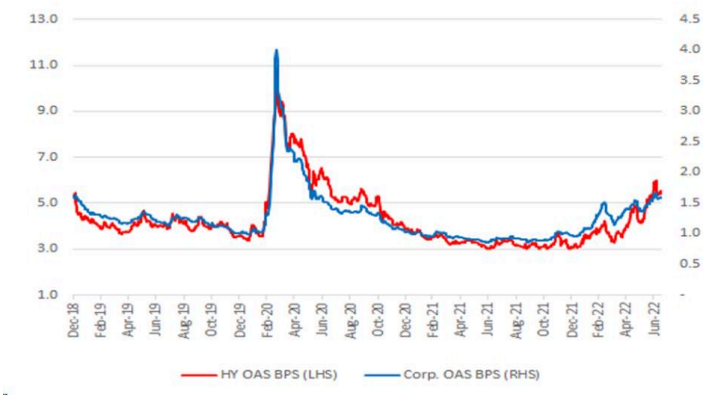
Exhibit 12: Utility Yields vs 10-Year Treasuries



Source: BMO Capital Markets, FactSet

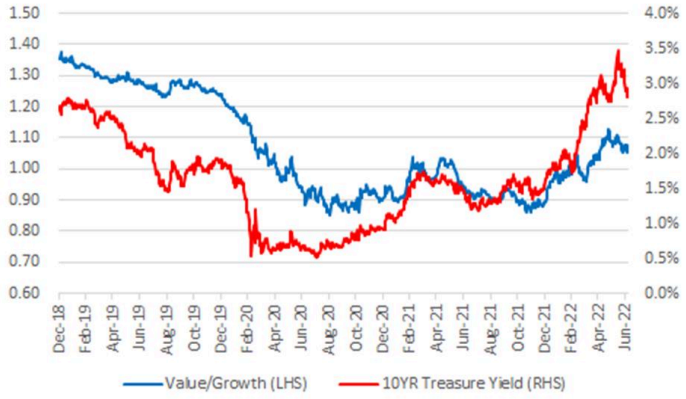
What has changed in the past six months? Actually, quite a lot. After nearly a 20% pull back from the peak on a price basis, the market is now trading more in line with its historical average P/E of ~16-17x due primarily by ~20% contraction in forward multiples. Both investment grade and high yield fixed income products have had one of the worst price performance periods in well over 100 years and credit spreads have significantly retreated from all time tights with high yield out 230 b/p and investment grade wider by 61 b/p. Meanwhile, the broader utility sector has outperformed the broader market by over 15% year to date, one of the best relative performances in over 20 years and now screens "historically" rich on both a relative P/E basis (+17% versus 12-year average) and on a yield spread basis (Exhibits 11 and 12).

Exhibit 13: ICE/BAML OAS Investment Grade & High Yield Spreads



Source: BMO Capital Markets, Bloomberg

Exhibit 14: Growth vs Value Relative Strength



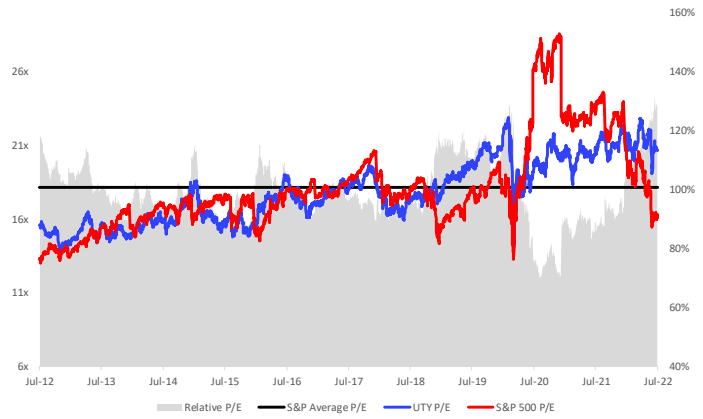
Source: BMO Capital Markets, Bloomberg

Remain Positive on Sector but Expect More Gradual Relative Outperformance

So how are we thinking about the sector now? Despite what has been a very abrupt closing of the gap across both valuation (Exhibits 11, 12, and 15) and to a lesser degree performance, we continue to be positive on the sector and see it as a core holding in investors' portfolios. While we would not expect to see the same level of outperformance from here given the sharp reversion in relative valuation and performance, we would expect the sector to continue to widen its relative outperformance to the broader market at least through year end given persistent inflationary pressures (Exhibit 17) and growing probability of the U.S. economy entering a recession (Exhibit 18).

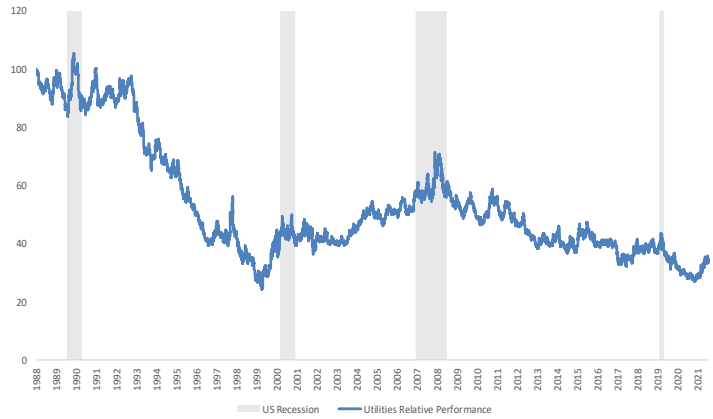
Specifically, we believe the broader utility sector is well positioned to provide investors with a defensive safe harbor with a significantly better "rate of change" growth profile should the U.S. fall into a recession, given its capital program is underpinned by the need to upgrade aging infrastructure, improve reliability, ensure energy security and advance state-mandated decarbonization goals. As can be seen in Exhibit 16, the sector has a history of not only outperforming into recessionary periods but the relative performance can continue for several months during the recession. Moreover, given the continued risk in fixed income outside of shorter-term duration offerings including U.S. Government bills, 2-3 year notes or inflation protected bonds we see the sector's "inflation-resistant income" (3.3% average yield growing at 5.0-6.0% annually) as unique relative to other income products and durable given the sector's mid-60.0% payout. Finally, we see the sector as one of the best and most stable ways to gain access to accretive decarbonization-related growth and one of the few sectors positioned to benefit from a growing awareness of the need for domestic energy security.

Exhibit 15: Relative Forward P/E – UTY vs S&P 500



Source: BMO Capital Markets, FactSet

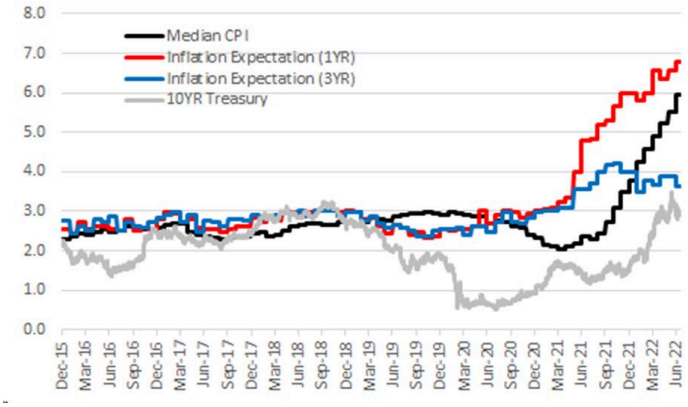
Exhibit 16: Utility Performance Around Recessionary Periods



Source: BMO Capital Markets, FactSet

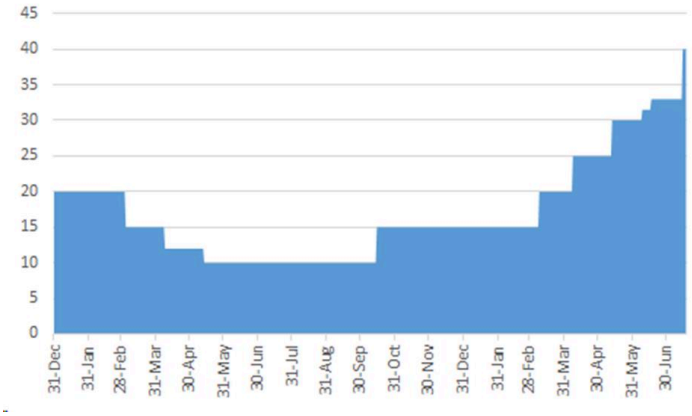
So where could we be wrong? Despite our own positive view on the sector's visible secular growth prospects, attractive and growing income stream and leading-edge decarbonization profile, the sector has clearly benefited this year from the "TINA" effect (There Are No Other Alternatives). Given the risk in fixed income, the inflows year to date have primarily favored a very narrow defensive group including heath care, staples, utilities, and diversified dividend products. Should we see a moderation in core inflation measures and at the same time investors feel we are over the hump on the Fed's tightening cycle this could begin to thaw active managers' investment processes which have been frozen due to economic, policy and overall market volatility. Investors' willingness to look through this normalization cycle and begin to position for the other side of this tightening cycle and economic slowdown (which most liken to the 1990 recession) would likely cause utilities to be one of the primary sources of funds inside this rotation. While this is not our base case as we expect to see broader earnings revision over the one to two quarters and fixed income still remains at risk as the Fed's policy rate approaches 4% and recession risk pressures spreads, we acknowledge how quickly sentiment could turn. **Under this scenario not only would we expect the group to underperform, but we could also see the highest quality and year-to-date outperformers become the primary underperformers.**

Exhibit 17: Federal Reserve Inflation Outlook & Median CPI (%)



Source: BMO Capital Markets, Bloomberg

Exhibit 18: U.S. Recession Probability Forecast (%)



Source: BMO Capital Markets, Bloomberg

BMO Barbell Portfolio Construction & Updated Pecking Order

What are our updated ideas on positioning within the sector? Given the very abrupt snap back in relative valuation, a shrinking "inventory" of differentiated relative value within the sector, and increased macro risks, we believe investors must be increasingly selective in what they own in the space. As idiosyncratic risks grow within the sector due to macro factors (commodity inflation, supply chain constraints, interest rate risk) we continue to advocate our BMO Barbell approach to portfolio construction with a refreshed pecking that reflects both our near-term and intermediate-term profile preferences.

Although we would expect defensive sponsorship in the sector to continue to benefit the higher quality and more liquid names broadly, we would also still expect macro-related factors including style rotation and capitalization to impact relative performance. For that reason as we take inventory in our coverage universe after its significant outperformance we continue to favor our BMO Barbell framework, which is constructed to gain exposure to both the thematic and directional aspects of the group through both a Quality/Thematic end as well as more pure Relative Value/GARP but with catalysts to drive relative performance. After additional compression in relative sector multiples our revised pecking order on each side of the barbell is as follows:

- **On the "Quality/Compounder" side we recommend NEE, AEE, XEL and CNP.**
- **On the "Value/GARP" side we continue to favor D, AEP, EXC, CEG and VST.**

Individual Company Quarterly Outlooks

Alliant Energy

Exhibit 19: BMO 2Q22 Earnings Bridge

2Q21 Operating Earnings	$0.57
Normal Weather 2Q21	($0.05)
Weather 2Q22	$0.04
Growth Due to Increasing Rate Base	$0.02
AFUDC	$0.03
D&A	($0.02)
IPL Preferred Dividend Redeemed	$0.01
Sales	$0.00
Interest Expense	($0.01)
2Q22E Operating Earnings	**$0.59**

Source: BMO Capital Markets, Company Filings

Exhibit 20: BMO Earnings Preview Dashboard

	LNT	XLU
YTD Performance	(7.6%)	(3.9%)
1 Month Performance	3.8%	6.0%
1 Week Performance	(1.9%)	(2.1%)
P/E - 2024 BMO Estimates	18.5x	17.2x
Passive Ownership 6/30/2021	30.2%	
Passive Ownership 6/30/2022	31.8%	
4 Week Short Interest Change	(10 bp)	
Days to Cover	1.2	
Consensus 1Q22 Estimate	$0.58	
4 Week Estimate Change	(0%)	

Source: BMO Capital Markets, FactSet

Exhibit 21: Relative Valuation FY-2 PE vs. Reg-All 1-YR



Source: BMO Capital Markets, FactSet

Exhibit 22: Relative Valuation FY-2 PE vs. Reg-All 3-YR



Source: BMO Capital Markets, FactSet

Ameren Energy

Exhibit 23: BMO 2Q22 Earnings Bridge

2Q21 Operating Earnings	**$0.80**
Weather - 2Q21 vs Norm	($0.01)
Weather - 2Q22	$0.02
MO Rates	$0.01
AEE IL Nat Gas	$0.01
AEE IL Higher ROE and Infrastructure Investments	$0.04
Transmission Rate Base Growth	$0.03
Higher Corporate Interest	($0.02)
O&M	($0.05)
Share dilution	($0.01)
2Q22E Operating Earnings	**$0.82**

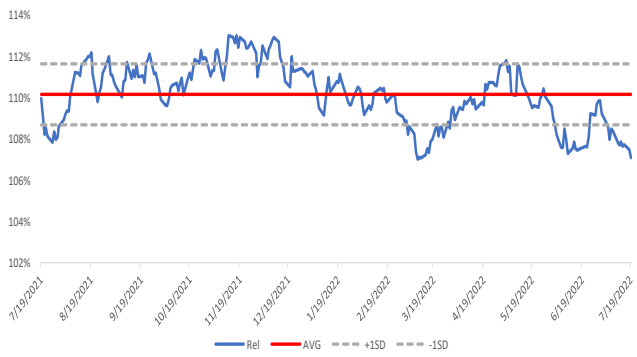
Source: BMO Capital Markets, Company Filings

Exhibit 24: BMO Earnings Preview Dashboard

	AEE	XLU
YTD Performance	(2.9%)	(3.9%)
1 Month Performance	6.2%	6.0%
1 Week Performance	(1.7%)	(2.1%)
P/E - 2024 BMO Estimates	18.8x	17.1x
Passive Ownership 6/30/2021	25.7%	
Passive Ownership 6/30/2022	26.9%	
4 Week Short Interest Change	(6 bp)	
Days to Cover	1.5	
Consensus 1Q22 Estimate	$0.85	
4 Week Estimate Change	(4%)	

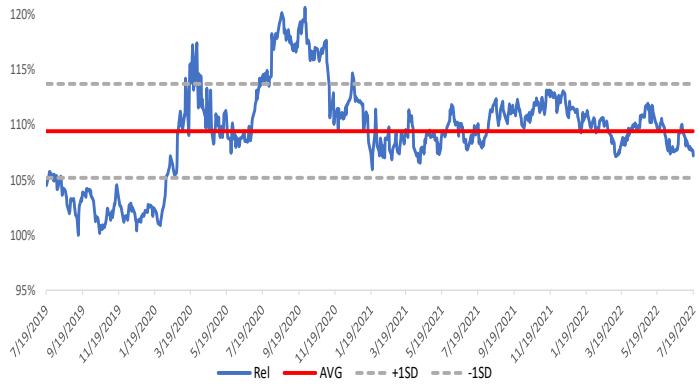
Source: BMO Capital Markets, FactSet

Exhibit 25: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 26: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

American Electric Power

Exhibit 27: BMO 2Q22 Earnings Bridge

2Q21 Operating Earnings	$1.18
Normal Weather - (1c) VIU and +1c T&D	$0.00
2Q22 Weather - QOQ	$0.04
Load Growth & Positive Mix	$0.03
VIU-Related Rate Relief (APCo, PSO, NSW, SWEPCO)	$0.07
T&D-related Rate Relief (AEP OH/DER, AEP TX/DCRF)	$0.04
Transmission HoldCo	($0.11)
VIU - Depreciation and O&M (Rockport Lease)	($0.05)
T&D - Depreciation and O&M	($0.03)
Property Taxes	($0.02)
Transmission Investment Growth	$0.03
Transmission Revenue	$0.04
ChargePoint - 2Q21/MTM	($0.07)
Generation & Marketing - Retail	$0.01
Interest	($0.01)
2Q22E Operating Earnings	**$1.18**

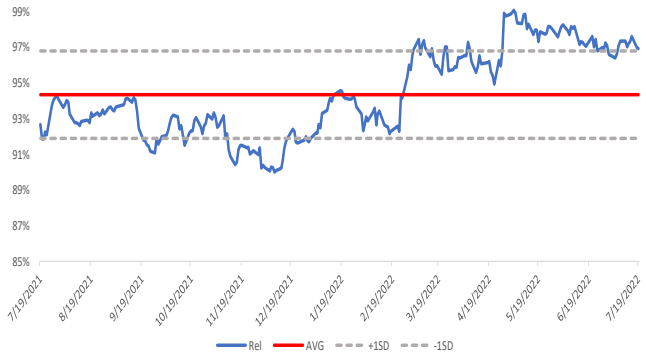
Source: BMO Capital Markets, Company Filings

Exhibit 28: BMO Earnings Preview Dashboard

	AEP	XLU
YTD Performance	4.9%	(3.9%)
1 Month Performance	5.6%	6.0%
1 Week Performance	(1.7%)	(2.1%)
P/E - 2024 BMO Estimates	16.8x	17.2x
Passive Ownership 6/30/2021	23.2%	
Passive Ownership 6/30/2022	24.5%	
4 Week Short Interest Change	24 bp	
Days to Cover	2.7	
Consensus 1Q22 Estimate	$1.18	
4 Week Estimate Change	0%	

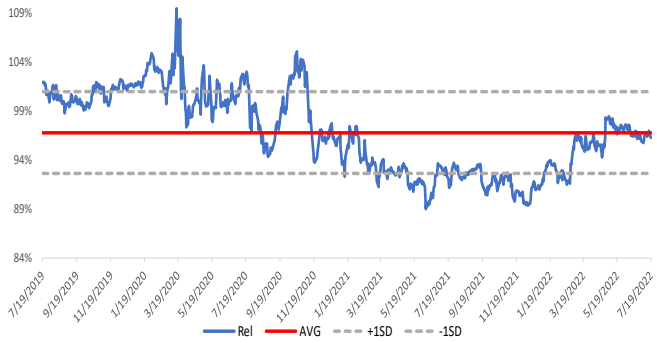
Source: BMO Capital Markets, FactSet

Exhibit 29: 1-YR Relative P/E vs Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 30: 3-YR Relative P/E vs Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Atlantica Sustainable Infrastructure

Exhibit 31: BMO 2Q22 Earnings Bridge

2Q21 Adjusted EBITDA	$234
Vento II Portfolio	$8
Coso Geothermal Plant	
Smaller Acquisitions	$1
FX Drag	($11)
Lower Solar Resource	
Organic Growth	
Lower Wind Resource Uruguay	($1)
2Q22E Adjusted EBITDA	**$231**

Source: BMO Capital Markets, Company Filings

Exhibit 32: BMO Earnings Preview Dashboard

	AY	XLU
YTD Performance	(10.1%)	(3.9%)
1 Month Performance	2.7%	6.0%
1 Week Performance	(3.2%)	(2.1%)
Passive Ownership 6/30/2021	3.2%	
Passive Ownership 6/30/2022	2.8%	
4 Week Short Interest Change	(20 bp)	
Days to Cover	2.8	
Consensus 1Q22 Estimate	$237	
4 Week Estimate Change	(2%)	

Source: BMO Capital Markets, FactSet

CenterPoint Energy

Exhibit 33: BMO 2Q22 Earnings Bridge

2Q21 Operating Earnings - UP&O	$0.28
Normalized Weather - Electric	$0.00
2Q22 Weather - Electric	$0.03
Absense of LA NOL carryforward tax benefit	($0.03)
Absense of AK and OK Gas LDC Contribution	($0.01)
Minnesota Interim Rates	$0.01
Indiana South Rate Increase	$0.01
CEHE Investment Growth & Rate Relief	$0.01
Indiana Electric Growth & Rate Relief	$0.01
Natural Gas Investment Growth/riders	$0.01
Total Corporate O&M	($0.01)
OPEX: D&A and Interest Expense	($0.02)
Parent - Income Taxes & Net Interest	($0.01)
2Q22E Operating Earnings - UP&O	$0.28

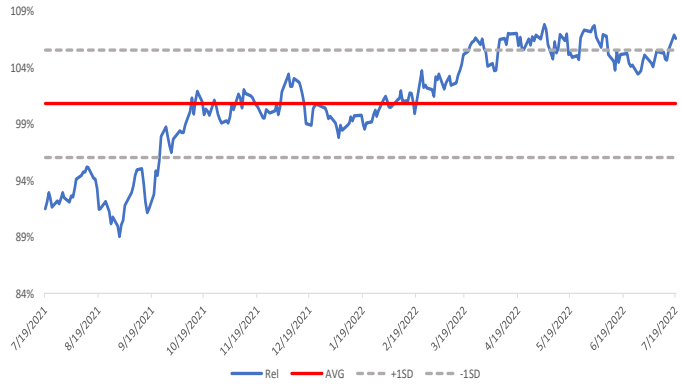
Source: BMO Capital Markets, Company Filings

Exhibit 34: BMO Earnings Preview Dashboard

	CNP	XLU
YTD Performance	5.9%	(3.9%)
1 Month Performance	7.9%	6.0%
1 Week Performance	0.1%	(2.1%)
P/E - 2024 BMO Estimates	18.7x	17.2x
Passive Ownership 6/30/2021	27.5%	
Passive Ownership 6/30/2022	27.2%	
4 Week Short Interest Change	2 bp	
Days to Cover	2.1	
Consensus 1Q22 Estimate	$0.27	
4 Week Estimate Change	1%	

Source: BMO Capital Markets, FactSet

Exhibit 35: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 36: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

CMS Energy

Exhibit 37: BMO 2Q22 Earnings Bridge

2Q21 Operating Earnings	**$0.62**
Absense of EnerBank Contribution	($0.07)
Adjusted 1Q21 Operating Earnings	**$0.55**
Normal Weather - Electric & Gas	($0.08)
Weather vs Normal - Higher CDDs	$0.03
Electric Residential & C&I Sales - Positive Mix	$0.01
Electric Rate Relief - December Order	$0.02
Gas Regulatory Impacts - Tax Flow Through	$0.02
Higher D&A, Property Taxes	($0.05)
Customer Initiatives & Storm Costs	$0.02
Regulatory Charges - IRP & Gas Settlement	($0.04)
Enterprises	$0.01
Share dilution /Preferred Interest	($0.01)
2Q22E Operating Earnings	**$0.45**

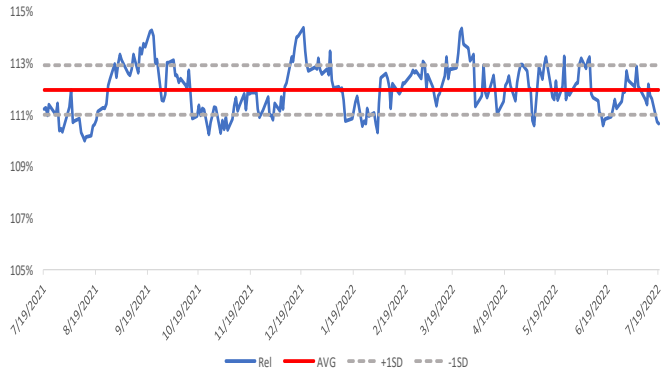
Source: BMO Capital Markets, Company Filings

Exhibit 38: BMO Earnings Preview Dashboard

	CMS	XLU
YTD Performance	(0.4%)	(3.9%)
1 Month Performance	6.0%	6.0%
1 Week Performance	(2.2%)	(2.1%)
P/E - 2024 BMO Estimates	18.8x	17.1x
Passive Ownership 6/30/2021	29.1%	
Passive Ownership 6/30/2022	29.6%	
4 Week Short Interest Change	42 bp	
Days to Cover	2.8	
Consensus 1Q22 Estimate	$0.45	
4 Week Estimate Change	(16%)	

Source: BMO Capital Markets, FactSet

Exhibit 39: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 40: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Constellation Energy

Exhibit 41: BMO 2Q22 Earnings Bridge

2Q21 Operating Net Income	$394
Non-Controlling Interest - Pre-CENG Acquisition	24
Operating Net Income - 2Q21	**$418**
Income Tax	$139
Depreciation & Amortization	$280
Interest Expense	$73
MTM Impact from Economic Hedging Activities	($160)
Decommissioning Related Activities & Equity Investments, Net	($299)
Pension & OPEB Non-Service Costs	($25)
Separation Costs	$38
Absense of Winter Storm Uri Mitigation Efforts	($49)
CENG Acquistion & Associated Revenues	$103
Capacity Market Revenues - June-Only	($33)
CMC Revenue - Illinois Nuclear Generation	$138
Non-Controlling Interest	($12)
2Q22E Operating EBITDA	$611

Source: BMO Capital Markets, Company Filings

Exhibit 42: BMO Earnings Preview Dashboard

	CEG	XLU
YTD Performance		(3.9%)
1 Month Performance	(5.7%)	6.0%
1 Week Performance	(8.4%)	(2.1%)
Passive Ownership 6/30/2021		
Passive Ownership 6/30/2022	25.8%	
4 Week Short Interest Change		
Days to Cover	1.6	
Consensus 1Q22 Estimate	$523	
4 Week Estimate Change		

Source: BMO Capital Markets, FactSet

Dominion Energy

Exhibit 43: BMO 2Q22 Earnings Bridge

2Q21 Operating Earnings		$0.76
Weather Norm 2Q21		$0.01
Weather 2Q22		$0.00
Sales		$0.05
Regulated Growth		$0.06
Millstone Outage		($0.07)
Int Expense		($0.02)
Dilution		($0.02)
Other		$0.04
Taxes		($0.06)
2Q22E Operating Earnings		$0.75
Company 4Q21 Guidance	*0.70-0.80*	*$0.75*

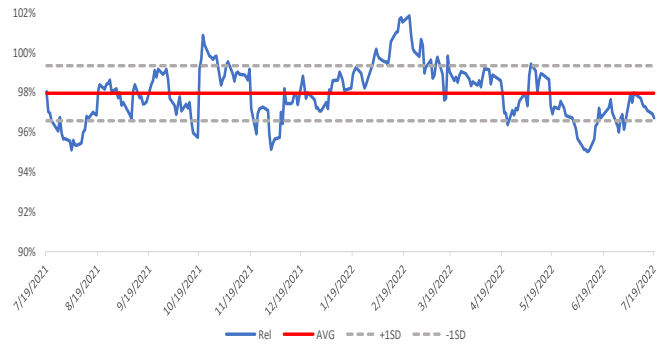
Source: BMO Capital Markets, Company Filings

Exhibit 44: BMO Earnings Preview Dashboard

	D	XLU
YTD Performance	(0.7%)	(3.9%)
1 Month Performance	6.3%	6.0%
1 Week Performance	(2.2%)	(2.1%)
P/E - 2024 BMO Estimates	16.7x	17.2x
Passive Ownership 6/30/2021	22.6%	
Passive Ownership 6/30/2022	23.0%	
4 Week Short Interest Change	(2 bp)	
Days to Cover	1.5	
Consensus 1Q22 Estimate	$0.76	
4 Week Estimate Change	(2%)	

Source: BMO Capital Markets, FactSet

Exhibit 45: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 46: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

DTE Energy

Exhibit 47: BMO 2Q22 Earnings Bridge

2Q21 Operating Earnings	$1.26
Midstream-Related Adjustment at Corprate & Other	($0.05)
Return to Normal Weather - Electric	($0.10)
Return to Normal Weather - Gas	($0.00)
2Q22 Weather - Electric	$0.07
2Q22 Weather - Gas	$0.00
2020 Electric COVID Refund Reversal	$0.03
Electric TCJA-related Accelerated ADIT	$0.00
Electric O&M - Includes accelerated tree trimming	($0.11)
Electric OPEX	($0.08)
DTE Gas Rate Relief - December 2021 Order	$0.03
Gas O&M	($0.02)
Gas OPEX	($0.03)
Corporate & Other	$0.11
Energy Trading	($0.01)
Vantage - RNG & Cogen Only - Roll off of REF Contribution	(0.14)
2Q22E Operating Earnings	$0.98

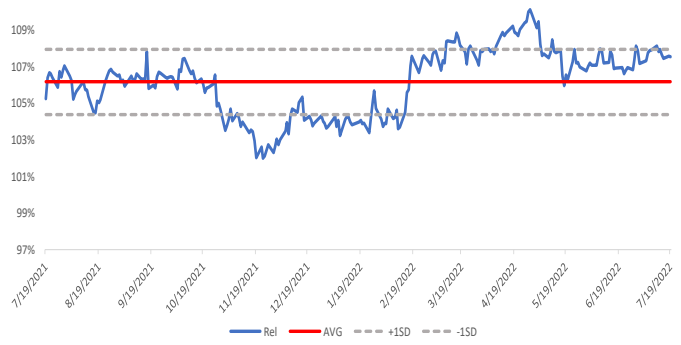
Source: BMO Capital Markets, Company Filings

Exhibit 48: BMO Earnings Preview Dashboard

	DTE	XLU
YTD Performance	3.5%	(3.9%)
1 Month Performance	6.9%	6.0%
1 Week Performance	(1.8%)	(2.1%)
P/E - 2024 BMO Estimates	18.7x	17.1x
Passive Ownership 6/30/2021	26.5%	
Passive Ownership 6/30/2022	27.1%	
4 Week Short Interest Change	(1 bp)	
Days to Cover	1.9	
Consensus 1Q22 Estimate	$1.03	
4 Week Estimate Change	(10%)	

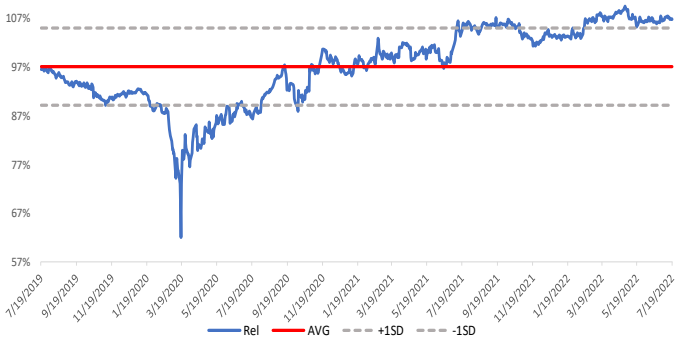
Source: BMO Capital Markets, FactSet

Exhibit 49: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 50: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Duke Energy

Exhibit 51: BMO 2Q22 Earnings Bridge

2Q21 Operating Earnings	$1.15
Phase 1 Sale of Duke Energy Indiana	($0.02)
Weather Normalized - From 1Q21	($0.01)
Weather and volumes 2Q21 vs 2Q22	$0.08
Load Growth	$0.05
Total O&M - Flat assumption outside planned outages	($0.04)
FL MYRP & SOBRA Projects	$0.01
AFUDC Equity	$0.02
Net Electric Interest Expense	($0.03)
Ohio & Indiana Storms	($0.01)
Piedmont Rate Relief	$0.01
Piedmont Utility Riders/Customer Growth	$0.01
Piedmont Rate Lag	($0.02)
Commercial Renewables - Less Projects In Service	($0.05)
Electric Regulatory Lag, D&A, Interest, Property Taxes	($0.05)
Parent, Interst & Other	($0.04)
2Q22E Operating Earnings	$1.08

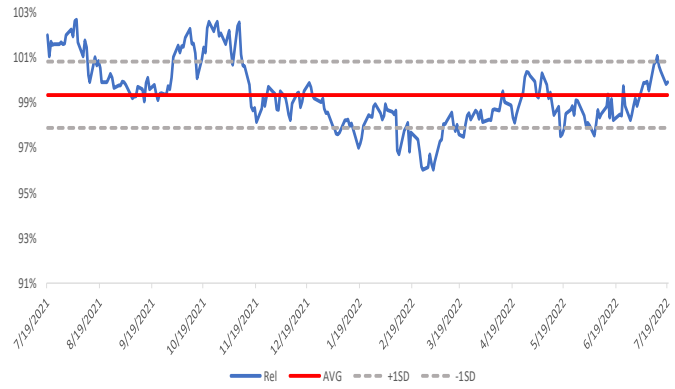
Source: BMO Capital Markets, Company Filings

Exhibit 52: BMO Earnings Preview Dashboard

	DUK	XLU
YTD Performance	0.5%	(3.9%)
1 Month Performance	7.8%	6.0%
1 Week Performance	(2.3%)	(2.1%)
P/E - 2024 BMO Estimates	17.2x	17.1x
Passive Ownership 6/30/2021	23.0%	
Passive Ownership 6/30/2022	23.8%	
4 Week Short Interest Change	8 bp	
Days to Cover	2.3	
Consensus 1Q22 Estimate	$1.09	
4 Week Estimate Change	(3%)	

Source: BMO Capital Markets, FactSet

Exhibit 53: 1-YR Relative P/E Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 54: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Entergy Corp

Exhibit 55: BMO 2Q22 Earnings Bridge

2Q21 Operating Earnings	$1.34
Normalized Weather	$0.07
2Q22 Weather	$0.02
Volumes	$0.02
Utility Other O&M	($0.05)
D&A	($0.09)
Interest	($0.03)
MSS - 4 ROE Reserve Adjustment	($0.05)
Regulatory Credit for E-MS	($0.05)
Income Tax Items	($0.04)
Utility Taxes - Other Than Income (Ad Valorem)	($0.06)
Rate Relief - FRPs, Riders & Other	$0.31
Dilution	($0.02)
2Q22E Operating Earnings	**$1.38**

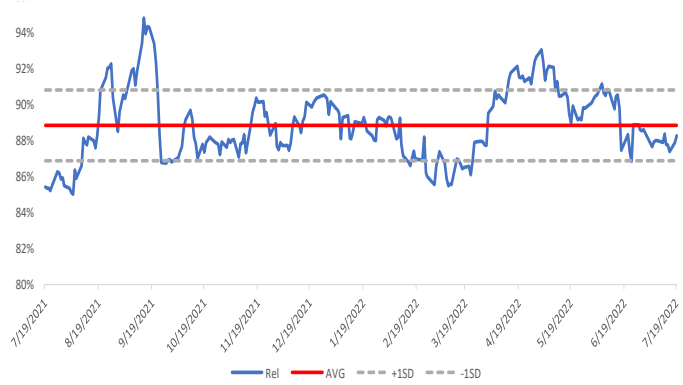
Source: BMO Capital Markets, Company Filings

Exhibit 56: BMO Earnings Preview Dashboard

	ETR	XLU
YTD Performance	(3.0%)	(3.9%)
1 Month Performance	6.6%	6.0%
1 Week Performance	(1.4%)	(2.1%)
P/E - 2024 BMO Estimates	15.3x	17.2x
Passive Ownership 6/30/2021	27.3%	
Passive Ownership 6/30/2022	28.9%	
4 Week Short Interest Change	33 bp	
Days to Cover	2.8	
Consensus 1Q22 Estimate	$1.38	
4 Week Estimate Change	9%	

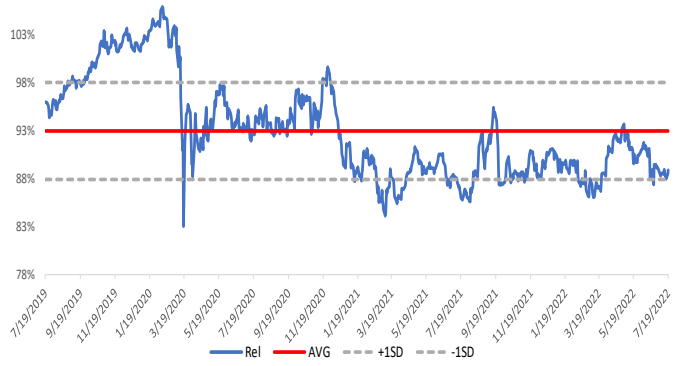
Source: BMO Capital Markets, FactSet

Exhibit 57: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 58: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Eversource Energy

Exhibit 59: BMO 2Q22 Earnings Bridge

2Q21 Operating Earnings	**$0.79**
Gas incl. ES Gas of MA	$0.00
Electric Distribution (incl. Lower Pension Cost)	$0.08
Water	$0.00
Transmission	$0.04
D&A	($0.03)
Interest Expense	($0.01)
Clean Energy Fund MTM	$0.00
Shares	($0.00)
2Q22E Operating Earnings	**$0.87**

Source: BMO Capital Markets, Company Filings

Exhibit 60: BMO Earnings Preview Dashboard

	ES	XLU
YTD Performance	(9.4%)	(3.9%)
1 Month Performance	5.7%	6.0%
1 Week Performance	(1.5%)	(2.1%)
P/E - 2024 BMO Estimates	17.7x	17.2x
Passive Ownership 6/30/2021	30.1%	
Passive Ownership 6/30/2022	32.3%	
4 Week Short Interest Change	10 bp	
Days to Cover	2.2	
Consensus 1Q22 Estimate	$0.84	
4 Week Estimate Change	(2%)	

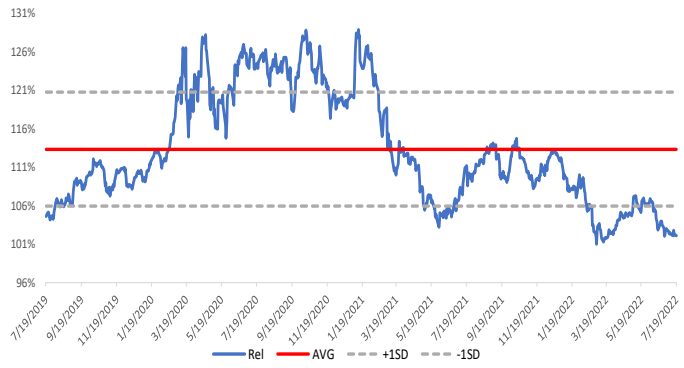
Source: BMO Capital Markets, FactSet

Exhibit 61: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 62: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exelon Corp

Exhibit 63: BMO 1Q22 Earnings Bridge

2Q21 Operating Earnings	**$0.49**
Parent Taxes - Reversal from 2Q21	($0.04)
2Q21 Adjusted Operating Earnings	**$0.45**
Normalized Weather (PECO & PHI)	($0.01)
2Q22 Load & Weather (PECO & PHI)	($0.01)
Utility Rates (PHI - MD & DC)	$0.02
Utility Rates (PECO - Electric)	$0.02
Utility Rates (PECO - Gas)	$0.01
Utility Rates (ComEd)	$0.01
ComEd ROE +80 b/p - Backend Weighted	$0.01
O&M Expense - $150mm for full year	($0.01)
OPEX - D&A, Interest & Taxes	($0.03)
Parent Interest Expense	($0.01)
2Q22E Operating Earnings	**$0.45**

Source: BMO Capital Markets, Company Filings

Exhibit 64: BMO Earnings Preview Dashboard

	EXC	XLU
YTD Performance	6.2%	(3.9%)
1 Month Performance	7.0%	6.0%
1 Week Performance	(1.5%)	(2.1%)
P/E - 2024 BMO Estimates	17.0x	17.2x
Passive Ownership 6/30/2021	25.0%	
Passive Ownership 6/30/2022	25.0%	
4 Week Short Interest Change	(0 bp)	
Days to Cover	1.9	
Consensus 1Q22 Estimate	$0.46	
4 Week Estimate Change	0%	

Source: BMO Capital Markets, FactSet

Exhibit 65: 1-YR Relative P/E Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 66: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

NextEra Energy

Exhibit 67: BMO 2Q22 Earnings Bridge

2Q21 Operating Earnings	**$0.71**
Merged Utilities	**$0.45**
New Investment/Growth Capital Employed	$0.03
Other, including share dilution	$0.00
Total Utilities	**$0.48**
NextEra Energy Resources	**$0.29**
NEER Wind Resource	($0.03)
NEER New Investments, net of monetizations	$0.01
Existing Generation & Storage Assets	$0.04
Customer Supply & Trading	$0.02
Gas Infrastructure	($0.02)
Other	($0.03)
Total NEER	**$0.29**
Corporate & Other	**($0.03)**
Share Dilution/Refinancing Activities, Net	$0.01
Other. Net	($0.01)
Total Corporate & Other	**($0.03)**
2Q22E Operating Earnings	**$0.74**

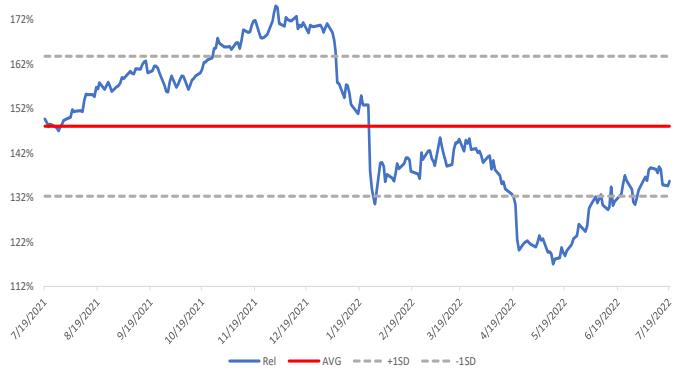
Source: BMO Capital Markets, Company Filings

Exhibit 68: BMO Earnings Preview Dashboard

	NEE	XLU
YTD Performance	(17.0%)	(3.9%)
1 Month Performance	9.5%	6.0%
1 Week Performance	(3.9%)	(2.1%)
P/E - 2024 BMO Estimates	23.3x	17.2x
Passive Ownership 6/30/2021	23.7%	
Passive Ownership 6/30/2022	24.3%	
4 Week Short Interest Change	2 bp	
Days to Cover	2.1	
Consensus 1Q22 Estimate	$0.75	
4 Week Estimate Change	(1%)	

Source: BMO Capital Markets, FactSet

Exhibit 69: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 70: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

NextEra Energy Partners

Exhibit 71: BMO 2Q22 Earnings Bridge

2Q21 Operating EBITDA & CAFD	Adjusted EBITDA $350	CAFD $151
New Projects ~2400MW acquired in 2021	105	$59
Wind Resource - 93% in 2Q21	$11	$11
Sale of gas pipeline	($5)	($1)
Higher Outstanding Debt, Debt Amortization, & CEPF Conversion, Net		($9)
Incremental IDR Fees Paid to GP	($6)	($6)
2Q22E	**$455**	**$204**

Source: BMO Capital Markets, Company Filings

Exhibit 72: BMO Earnings Preview Dashboard

	NEP	XLU
YTD Performance	(12.6%)	(3.9%)
1 Month Performance	6.2%	6.0%
1 Week Performance	(1.6%)	(2.1%)
Passive Ownership 6/30/2021	2.1%	
Passive Ownership 6/30/2022	1.9%	
4 Week Short Interest Change	27 bp	
Days to Cover	6.4	
Consensus 1Q22 Estimate	$452	
4 Week Estimate Change	0%	

Source: BMO Capital Markets, FactSet

NiSource, Inc.

Exhibit 73: BMO 2Q22 Earnings Bridge

1Q21 Operating Earnings	**$0.13**
Beginning Net Income	$53
Rate Relief/Riders (PA, KY, MD, OH, IN)	$23
Higher O&M	($19)
Higher D&A	($6)
Other Income - AFUDC, net of higher pension expense	($2)
Non-Controling Interest - Renewable Tax Equity	($4)
Other	$0
1Q22 Operating Net Income	**$46**
1Q22 Diluted Shares	441
1Q22E Operating Earnings	**$0.10**

Source: BMO Capital Markets, Company Filings

Exhibit 74: BMO Earnings Preview Dashboard

	NI	XLU
YTD Performance	2.8%	(3.9%)
1 Month Performance	6.5%	6.0%
1 Week Performance	(1.4%)	(2.1%)
P/E - 2024 BMO Estimates	16.6x	17.2x
Passive Ownership 6/30/2021	28.5%	
Passive Ownership 6/30/2022	32.3%	
4 Week Short Interest Change	77 bp	
Days to Cover	3.5	
Consensus 1Q22 Estimate	$0.13	
4 Week Estimate Change	(11%)	

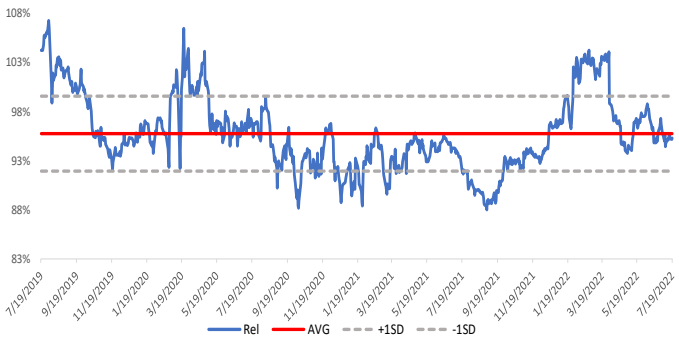
Source: BMO Capital Markets, FactSet

Exhibit 75: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 76: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

NRG Energy

Exhibit 77: BMO 2Q22 Earnings Bridge

2Q21 Consolidated EBITDA	**$656**
Texas Sub-Region	**$321**
Weather-related Volumes & Retail Margins	$10
Limestone Outage	($7)
Demand Response - Uri-Related Mitigation	($63)
Parish 7 & 8 Outage - Began 5/9/22	($85)
Coal Supply	($4)
Higher Cost of Out-Of-The-Money Hedges	($10)
ERCOT Ancillary Costs	($18)
Subtotal	**$145**
East, West & Other Sub-Region	**$335**
North East Asset Sale 12/6/21	($60)
PJM Asset Closure - 6/1/22	($26)
New York - Astoria Plant Impact	($10)
PJM Coal Asset Closure	($15)
Capacity Revenues - 1 Month	$2
East Coast Natural Gas Platform	$0
Coal Supply	($2)
Subtotal	**$224**
Direct Energy Acquisition	
Assumed Transaction Synergies	$6
Retail Growth	$4
Subtotal	**$10**
2Q22E EBITDA	**$380**

Source: BMO Capital Markets, Company Filings

Exhibit 78: BMO Earnings Preview Dashboard

	NRG	XLU
YTD Performance	(17.4%)	(3.9%)
1 Month Performance	(2.0%)	6.0%
1 Week Performance	(5.1%)	(2.1%)
P/E - 2024 BMO Estimates	07.4x	17.2x
Passive Ownership 6/30/2021	29.2%	
Passive Ownership 6/30/2022	30.9%	
4 Week Short Interest Change	3 bp	
Days to Cover	4.1	
Consensus 1Q22 Estimate	$462	
4 Week Estimate Change	(11%)	

Source: BMO Capital Markets, FactSet

Public Service Enterprise Group

Exhibit 79: BMO 2Q22 Earnings Bridge

2Q21 Operating Earnings	**$0.70**
PSE&G - Utility	**$0.61**
Normalized Weather	$0.00
Transmission	($0.02)
Electric Margin/SIP	$0.02
O&M	$0.00
D&A	($0.01)
Interest	($0.01)
Taxes and Other 2Q21	$0.02
Gas bad debt norm	($0.01)
Pension & Opeb	$0.01
PSE&G - Utility	**$0.61**
Carbon Free Infra and Other	**$0.09**
Fossil Lost Revenue	($0.23)
O&M	$0.11
D&A & Interest Savings	$0.10
Solar Source Sale	($0.02)
Normalized Taxes	$0.03
Recontracting	($0.04)
Parent Activity	($0.02)
Carbon Free Infra and Other	**$0.02**
Buyback	$0.01
2Q22E Operating Earnings	**$0.64**

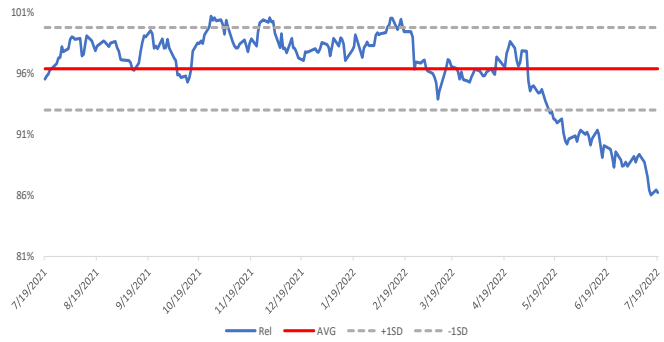
Source: BMO Capital Markets, Company Filings

Exhibit 80: BMO Earnings Preview Dashboard

	PEG	XLU
YTD Performance	(10.0%)	(3.9%)
1 Month Performance	1.5%	6.0%
1 Week Performance	(3.9%)	(2.1%)
P/E - 2024 BMO Estimates	15.7x	17.1x
Passive Ownership 6/30/2021	24.6%	
Passive Ownership 6/30/2022	26.4%	
4 Week Short Interest Change	(17 bp)	
Days to Cover	2.0	
Consensus 1Q22 Estimate	$0.66	
4 Week Estimate Change	(5%)	

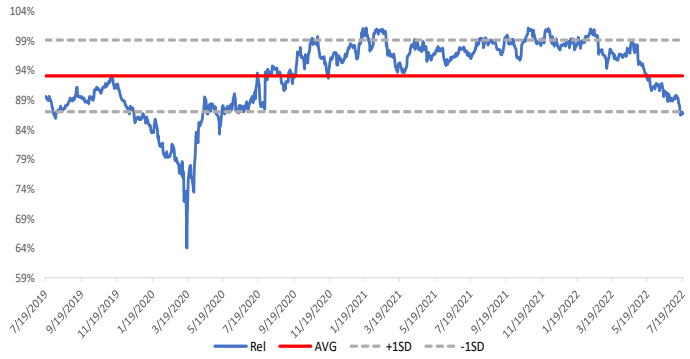
Source: BMO Capital Markets, FactSet

Exhibit 81: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 82: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Sempra Energy

Exhibit 83: BMO 2Q22 Earnings Bridge

2Q21 Operating Earnings	**$1.63**
SDG&E	**$186**
Margins	$5
FERC Formulaic Rates	$4
Regulatory Tax True Up	$0
Subtotal	**$195**
SoCalGas	**$94**
Margins	$1
Regulatory Tax True Up	$0
Subtotal	**$95**
Sempra Texas	**$138**
Rate base & customer growth and January TCOS increase ($27mm)	$45
Weather - CDD's + 40%	$20
Energy Effiencly	$0
Subtotal	**$202**
Infrastructure	**$181**
Combined Run Rate LNG & Mexico weighted for SIP ownership - 77%	$31
LNG Marketing Earnings	($16)
Other	$0
Higher Development Costs	($20)
Subtotal	**$176**
Parent & Other	**($82)**
Total Net Income	**$587**
Dividends for Series B Preferred Stock	$0
Adjusted Net Income	**$587**
Diluted Shares	**317**
2Q22E Operating Earnings	**$1.85**

Source: BMO Capital Markets, Company Filings

Exhibit 84: BMO Earnings Preview Dashboard

	SRE	XLU
YTD Performance	12.9%	(3.9%)
1 Month Performance	7.1%	6.0%
1 Week Performance	0.6%	(2.1%)
P/E - 2024 BMO Estimates	15.9x	17.1x
Passive Ownership 6/30/2021	23.5%	
Passive Ownership 6/30/2022	25.0%	
4 Week Short Interest Change	(15 bp)	
Days to Cover	1.7	
Consensus 1Q22 Estimate	$1.76	
4 Week Estimate Change	6%	

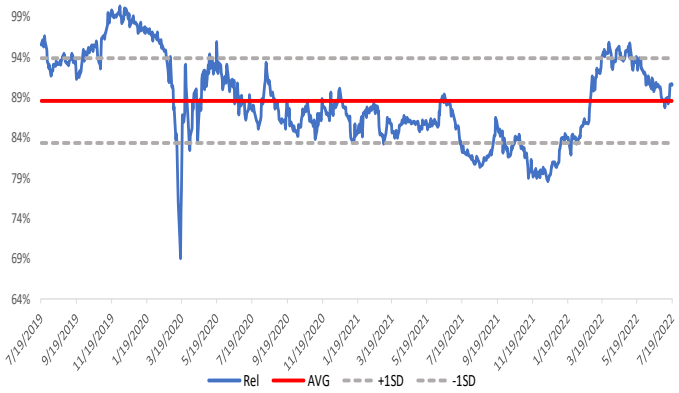
Source: BMO Capital Markets, FactSet

Exhibit 85: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 86: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Southern Company

Exhibit 87: BMO 2Q22 Earnings Bridge

2Q21 Operating Earnings	**$0.84**
Normalized Weather 2Q21	$0.02
2Q22 Weather	$0.02
Usage	$0.02
OPEX - D&A, Interest & Taxes	($0.07)
Gas Operations	$0.00
Southern Power	$0.02
Parent & Other	($0.01)
Divested Assets	($0.01)
2Q22E Operating Earnings	**$0.83**
Company Guidance	*$0.80*

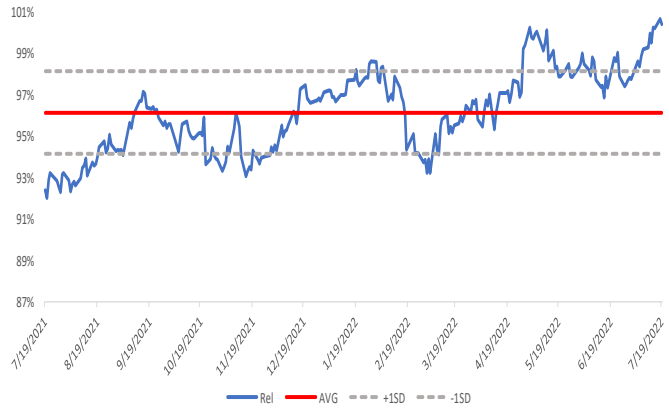
Source: BMO Capital Markets, Company Filings

Exhibit 88: BMO Earnings Preview Dashboard

	SO	XLU
YTD Performance	4.5%	(3.9%)
1 Month Performance	9.6%	6.0%
1 Week Performance	(0.1%)	(2.1%)
P/E - 2024 BMO Estimates	17.4x	17.2x
Passive Ownership 6/30/2021	22.8%	
Passive Ownership 6/30/2022	23.9%	
4 Week Short Interest Change	7 bp	
Days to Cover	2.5	
Consensus 1Q22 Estimate	$0.83	
4 Week Estimate Change	6%	

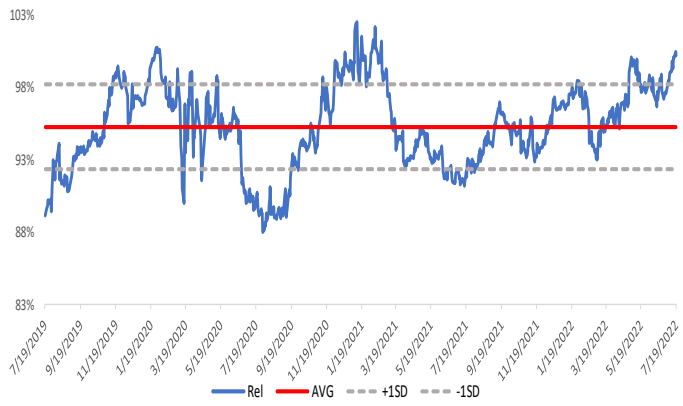
Source: BMO Capital Markets, FactSet

Exhibit 89: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 90: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Vistra Corp

Exhibit 91: BMO 2Q22 Earnings Bridge

2Q21 Operating EBITDA	**$825**
Absense of Uri-related fuel cost adjustments & bill credits to C&I customers	$84
Adjusted 2Q21 Operating EBITDA - Excluding Uri-related Impacts	**$909**
Wholesale Adjusted EBITDA	**$362**
Energy Margin - Shoulder/Maintance Season but higher volumes in late May/June	$45
Capacity Payments	($11)
SG&A - Higher Mainteance Costs due to higher 2Q utilitzation	($15)
Absense of Winter Storm Uri Self Help - Hedges/Generation O&M	($91)
Subtotal - Wholesale	**$290**
Retail Adjusted EBITDA	**$547**
Retail Margin - Higher 2H 2Q22 Volumes	$15
SG&A	($3)
C&I Bill Credits	($45)
Absense of Winter Storm Uri Self Help - Savings/Contract Optimization/Securitizatio	($109)
Subtotal - Retail	**$405**
2Q22E Operating EBITDA	**$695**

Source: BMO Capital Markets, Company Filings

Exhibit 92: BMO Earnings Preview Dashboard

	VST	XLU
YTD Performance	0.2%	(3.9%)
1 Month Performance	1.8%	6.0%
1 Week Performance	3.3%	(2.1%)
P/E - 2024 BMO Estimates		17.2x
Passive Ownership 6/30/2021	18.4%	
Passive Ownership 6/30/2022	20.7%	
4 Week Short Interest Change	(46 bp)	
Days to Cover	1.7	
Consensus 1Q22 Estimate	$749	
4 Week Estimate Change	3%	

Source: BMO Capital Markets, FactSet

WEC Energy Group

Exhibit 93: BMO 2Q22 Earnings Bridge

2Q21 Operating Earnings	**$0.87**
Normal Weather	($0.03)
Weather 2Q22	$0.02
Rates	$0.07
Infra	$0.01
D&A	($0.05)
Interest	$0.00
O&M	($0.01)
Gain Clean Energy Fund	($0.03)
2Q22E Operating Earnings	**$0.85**
Guidance	$0.82-0.84

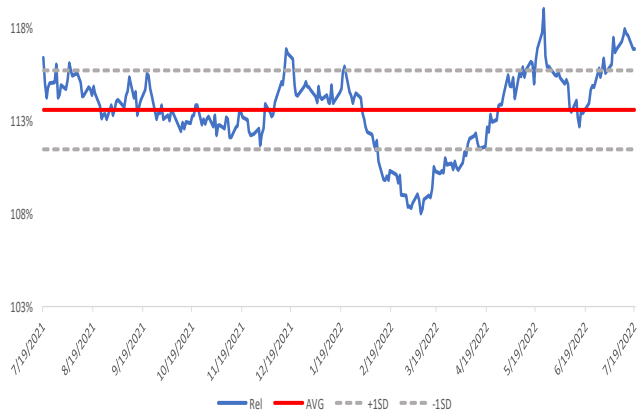
Source: BMO Capital Markets, Company Filings

Exhibit 94: BMO Earnings Preview Dashboard

	WEC	XLU
YTD Performance	1.8%	(3.9%)
1 Month Performance	9.3%	6.0%
1 Week Performance	(1.8%)	(2.1%)
P/E - 2024 BMO Estimates	20.3x	17.2x
Passive Ownership 6/30/2021	29.1%	
Passive Ownership 6/30/2022	30.9%	
4 Week Short Interest Change	14 bp	
Days to Cover	2.7	
Consensus 1Q22 Estimate	$0.85	
4 Week Estimate Change	0%	

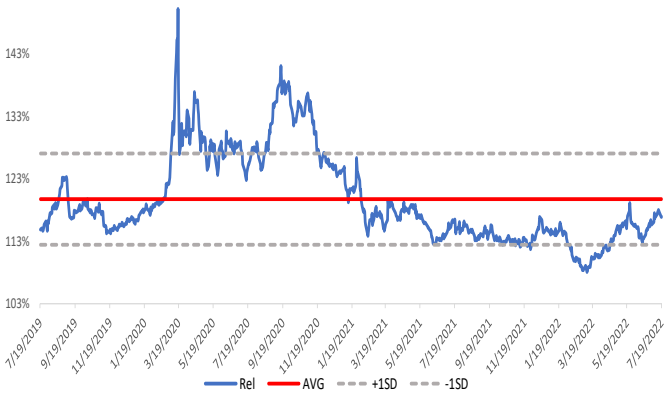
Source: BMO Capital Markets, FactSet

Exhibit 95: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 96: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Xcel Energy

Exhibit 97: BMO 2Q22 Earnings Bridge

2Q21 Operating Earnings	$0.58
Weather Norm 2Q21	($0.01)
Weather 2Q22	$0.01
AFUDC	$0.00
Prop Taxes	($0.01)
D&A	($0.06)
Riders	$0.02
O&M	($0.02)
Electric Margin (incl. PTCs/ETR)	$0.14
Gas Margin	$0.00
Increased Sales	$0.02
Interest	($0.01)
Share Dilution	($0.01)
CO Uri Dissallowance	($0.01)
Comanche Replacement Power	($0.01)
2Q22E Operating Earnings	**$0.61**

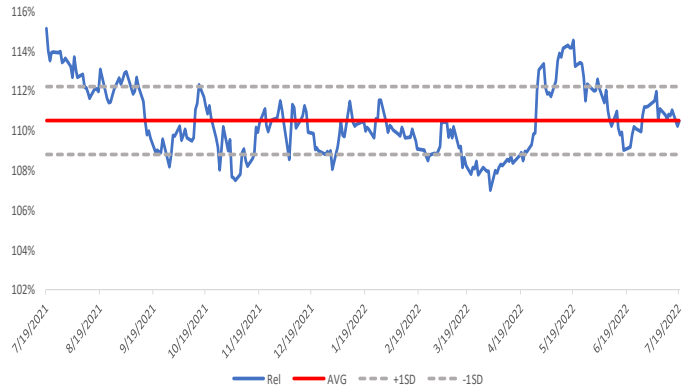
Source: BMO Capital Markets, Company Filings

Exhibit 98: BMO Earnings Preview Dashboard

	XEL	XLU
YTD Performance	1.3%	(3.9%)
1 Month Performance	7.3%	6.0%
1 Week Performance	(1.9%)	(2.1%)
P/E - 2024 BMO Estimates	18.8x	17.2x
Passive Ownership 6/30/2021	26.8%	
Passive Ownership 6/30/2022	26.5%	
4 Week Short Interest Change	(5 bp)	
Days to Cover	1.6	
Consensus 1Q22 Estimate	$0.60	
4 Week Estimate Change	(2%)	

Source: BMO Capital Markets, FactSet

Exhibit 99: 1-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 100: 3-YR Relative P/E vs. Regulated Universe (FY-2)



Source: BMO Capital Markets, FactSet

Exhibit 101: AEE Model Summary

Ameren Coporation (AEE)	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E
EPS By Segment								
Ameren Illinois	$1.25	$1.39	$1.52	$1.60	$1.84	$2.06	$2.27	$2.47
Union Electric	$1.96	$1.72	$1.75	$2.02	$2.03	$2.11	$2.14	$2.28
Ameren Transmission Company of Illinois	$0.31	$0.34	$0.34	$0.33	$0.33	$0.32	$0.32	$0.31
Parent & Other	($0.16)	($0.10)	($0.11)	($0.11)	($0.12)	($0.12)	($0.14)	($0.14)
Consolidated E.P.S.	**$3.37**	**$3.35**	**$3.50**	**$3.84**	**$4.07**	**$4.37**	**$4.59**	**$4.93**
Dividend per share	**$1.85**	**$1.92**	**$2.00**	**$2.10**	**$2.25**	**$2.43**	**$2.62**	**$2.83**
Payout Ratio total	54.8%	57.3%	57.1%	54.6%	55.3%	55.6%	57.2%	57.5%
Dividend Yield	2.1%	2.2%	2.3%	2.4%	2.6%	2.8%	3.0%	3.3%
Valuation Metrics								
Price to Earnings		25.8x	24.7x	22.5x	21.2x	19.8x	18.8x	17.5x
Price to Book Value	2.1x	2.3x	2.2x	2.0x	1.9x	1.8x	1.7x	1.6x
Funding Sources								
Cash Flow from Operations	$2,170	$2,170	$1,727	$2,215	$2,398	$2,545	$2,709	$2,875
Total Debt Financings, Net	$623	$790	$1,791	$1,410	$948	$990	$1,201	$860
Total Equity Financings, Net	$55	$68	$476	$810	$400	$400	$400	$400
Credit Metrics								
Total Debt/Capitlization	54%	54%	56%	56%	55%	55%	55%	55%
FFO/Total Debt	19%	19%	17%	16%	16%	16%	16%	16%
Forecast ROE's - Consolidated								
Ameren Illinois Electric		9.3%	8.3%	7.7%	8.2%	8.9%	9.6%	10.1%
Ameren Illinois Gas		10.0%	7.9%	8.5%	8.6%	9.1%	9.5%	9.9%
Ameren Illinois Transmission		10.2%	13.8%	13.6%	15.3%	15.8%	16.3%	16.7%
Union Electric		10.2%	9.3%	9.7%	9.0%	8.9%	8.7%	9.0%
Ameren Transmission Company of Illinois		10.4%	10.0%	9.9%	9.8%	9.8%	10.0%	10.1%

Source: BMO Capital Markets, Company Reports

Exhibit 102: AEP Model Summary

AEP Model Summary	2018	2019	2020	2021	2022E	2023E	2024E	2025E
EPS By Segment								
Vertical Integrated Utilities	$2.00	$2.17	$2.21	$2.24	$2.33	$2.45	$2.56	$2.73
Transmission & Distribution Utilities	$1.05	$1.00	$1.02	$1.14	$1.17	$1.22	$1.31	$1.41
Transmission Co	$0.75	$1.05	$1.03	$1.23	$1.31	$1.41	$1.54	$1.70
AEP Energy Supply	$0.28	$0.30	$0.36	$0.37	$0.39	$0.44	$0.49	$0.53
Coporate & Other	($0.14)	($0.27)	($0.18)	($0.24)	($0.21)	($0.23)	($0.32)	($0.43)
Consolidated E.P.S.	**$3.95**	**$4.24**	**$4.44**	**$4.74**	**$4.99**	**$5.29**	**$5.58**	**$5.94**
Dividend per share	**$2.53**	**$2.71**	**$2.84**	**$3.00**	**$3.15**	**$3.30**	**$3.47**	**$3.64**
Payout Ratio total	64.1%	63.9%	64.0%	63.2%	63.1%	62.5%	62.2%	61.3%
Dividend Yield				3.2%	3.4%	3.5%	3.7%	3.9%
Valuation Metrics								
Price to Earnings	18.9x	22.3x	23.5x	22.0x	20.9x	19.7x	18.7x	17.5x
Price to Book Value	1.9x	2.3x	2.5x	2.3x	2.2x	2.0x	2.0x	1.9x
Funding Sources								
Cash Flow from Operations	$5,223	$4,270	$3,833	$5,090	$5,510	$5,907	$6,240	$6,621
Total Debt Financings	$5,217	$5,465	$3,927	$5,107	$5,010	$4,435	$3,140	$4,925
Total Equity Financings	$74	$65	$155	$595	$2,198	$952	$102	$100
Credit Metrics								
Total Debt/Capitlization	57%	60%	62%	62%	60%	60%	60%	61%
FFO/Total Debt	18%	15%	13%	14%	14%	15%	14%	14%
Regulated Operations Performance - Realized ROE								
Appalachian Power Company	9.9%	9.8%	8.3%	8.1%	8.0%	7.7%	7.8%	7.8%
Indiana Michigan Power Company	11.6%	11.0%	11.5%	11.9%	11.8%	11.8%	11.4%	11.7%
Public Service Company of Oklahoma	6.0%	9.6%	8.4%	8.2%	8.3%	8.3%	8.5%	8.8%
Southwestern Electric Power Company	6.0%	6.3%	7.2%	7.5%	7.9%	8.4%	8.8%	9.1%
Kentucky Power Company	9.0%	7.4%	5.4%	5.7%	5.7%	6.0%	5.9%	5.9%
Wheeling Power Company	13.8%	8.8%	10.2%	10.3%	9.8%	8.7%	7.4%	7.8%
Kingsport Power Company	7.4%	10.9%	6.2%	6.0%	6.1%	5.9%	6.1%	6.3%
AEP Generating Company	9.8%	8.5%	5.6%	12.9%	25.2%	27.6%	30.4%	38.4%
AEP Texas Company	7.4%	6.9%	6.1%	6.5%	6.3%	6.2%	6.1%	6.1%
AEP Ohio	13.2%	10.8%	8.6%	8.4%	8.4%	8.4%	8.5%	8.5%
AEP Transmission Holdco	9.1%	11.0%	9.1%	9.9%	10.1%	10.3%	10.4%	10.6%

Source: BMO Capital Markets, Company Reports

Exhibit 103: AY Model Summary

AY Model Summary	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Segment Adjusted EBITDA							
Renewables	$604	$576	$603	$641	$663	$698	$735
Efficient Natural Gas & Heat	$109	$101	$100	$83	$103	$106	$108
Transmission Lines	$86	$87	$84	$88	$90	$92	$94
Water	$23	$32	$38	$39	$40	$41	$42
Adjusted EBITDA	$822	$796	$824	$852	$896	$936	$979
Cash Available for Distribution	$190	$201	$226	$239	$260	$281	$305
CAFD per Share	$1.88	$1.97	$2.03	$2.12	$2.27	$2.43	$2.62
DPS	$1.57	$1.66	$1.72	$1.78	$1.82	$1.94	$2.10
Dividend Yield	3.0%	5.0%	5.2%	5.4%	5.5%	5.9%	6.3%
Payout Ratio	83.4%	84.3%	84.4%	83.8%	80.1%	79.8%	80.2%
Enterprise Value	$7,887	$9,780	$9,664	$9,368	$9,331	$9,267	$9,179
EV/EBITDA				11.0x	10.4x	9.9x	9.4x
Funding Sources							
Cash Flow from Operations	$364	$438	$506	$515	$560	$603	$652
Total Debt Financings - Net	($244)	$159	($351)	($100)	($85)	($73)	($88)
Total Equity Financings	$30	$162	$189	$50	$50	$50	$0
Credit Metrics							
Corp Net Debt/CAFD pre Corp Debt Service		2.7x	3.5x	3.8x	3.8x	3.7x	3.8x

Source: BMO Capital Markets, Company Reports

Exhibit 104: CEG Model Summary

CEG Model Summary	2022E	2023E	2024E	2025E
Gross Margin				
Midwest	$3,154	$2,296	$1,498	$1,345
Mid-Atlantic	$3,170	$3,681	$2,742	$2,516
ERCOT	$282	$413	$280	$295
New York	$1,325	$1,071	$920	$959
New England	$64	$68	$29	$41
Other	$0	$164	$36	$207
Other Revenues	($200)	($175)	($175)	($175)
Direct Cost of Sales	($275)	($225)	($225)	($225)
Total Open Gross Margin	**$7,519**	**$7,293**	**$5,106**	**$4,964**
Contracted Revenues	$2,596	$3,151	$3,204	$3,204
Mark-to-Market of Hedges	($3,317)	($3,224)	($857)	($323)
Power New Business / To Go	$200	$400	$450	$450
Non-Power Margins Executed	$350	$150	$150	$150
Non-Power New Business / To Go	$100	$300	$350	$350
Total Gross Margin	**$7,448**	**$8,070**	**$8,404**	**$8,795**
Operating Expenses	$4,843	$4,982	$5,003	$5,027
EBITDA	**$2,605**	**$3,088**	**$3,401**	**$3,768**
Dividend per share	**$0.56**	**$0.68**	**$0.85**	**$1.14**
Dividend Growth		21%	26%	33%
Dividend Yield	1.1%	1.3%	1.6%	2.1%
FCF Per Share	**$3.31**	**$5.64**	**$8.37**	**$12.81**
Implied FCF/share growth		70.5%	48.5%	53.0%
Valuation Metrics				
EV/EBITDA	8.5x	6.7x	5.5x	4.3x
FCF Yield	6.2%	10.6%	15.8%	24.2%
Capital Return Assumed				
Total Shareholder Dividends	($180)	($198)	($218)	($240)
Share Buybacks	($250)	($1,400)	($1,900)	($2,200)
Debt Repayment - Net	($2,523)	$0	($15)	$0
Weighted Average Shares Outstanding	321	293	255	211
Credit Metrics				
Total Debt/Capitlization	24%	25%	26%	24%
FFO/Total Debt	61%	69%	74%	79%
EBITDA/Interest Expense	12.4x	14.7x	16.3x	18.0x
Net Debt/EBITDA	2.0x	1.6x	1.5x	1.3x

Source: BMO Capital Markets, Company Reports

Exhibit 105: CMS Model Summary

CMS Model Summary	2019	2020A	2021A	2022E	2023E	2024E	2025E
EPS By Segment							
Consumers Energy	$2.63	$2.84	$3.07	$3.31	$3.67	$4.04	$4.30
Enterprises, EnerBank, & Parent	($0.14)	($0.17)	($0.42)	($0.43)	($0.51)	($0.60)	($0.60)
Consolidated E.P.S.	**$2.49**	**$2.67**	**$2.65**	**$2.88**	**$3.16**	**$3.45**	**$3.70**
Dividend per share	**$1.53**	**$1.63**	**$1.74**	**$1.84**	**$1.98**	**$2.14**	**$2.31**
Payout Ratio total	61.4%	61.1%	65.7%	63.8%	62.7%	62.1%	62.6%
Dividend Yield	3.2%	3.3%	2.8%	2.8%	3.0%	3.3%	3.5%
Valuation Metrics							
Price to Earnings	25.2x	22.9x	24.5x	22.6x	20.6x	18.8x	17.6x
Price to Book Value	3.5x	2.9x	2.7x	2.6x	2.5x	2.4x	2.2x
Funding Sources							
Cash Flow from Operations	$1,790	$1,276	$1,819	$2,084	$2,272	$2,483	$2,617
Total Debt Financings	$1,490	$1,495	$100	$800	$1,575	$1,128	$765
Total Equity Financings	$12	$253	$26	$0	$0	$0	$250
Credit Metrics							
Total Debt/Capitalization	72%	71%	64%	65%	66%	67%	66%
FFO/Total Debt	18%	18%	8%	18%	17%	17%	17%
Regulated Operations Performance - Realized ROE							
Consumers Energy Electric	10.4%	10.0%	10.2%	10.0%	9.9%	10.2%	10.3%
Consumers Energy Gas	9.0%	9.0%	9.5%	10.0%	9.9%	10.2%	10.3%

Source: BMO Capital Markets, Company Reports

Exhibit 106: CNP Model Summary

CNP Model Summary	2020	2021	2022E	2023E	2024E
EPS By Segment					
Electric Utility	$0.80	$0.84	$0.85	$0.96	$1.00
Gas Utility	$0.54	$0.62	$0.65	$0.64	$0.68
Parent/Other	$0.16	($0.19)	($0.12)	($0.13)	($0.09)
Consolidated E.P.S.	**$1.49**	**$1.27**	**$1.37**	**$1.47**	**$1.59**
Dividend per share	**$0.60**	**$0.65**	**$0.69**	**$0.75**	**$0.81**
Payout Ratio total	40.2%	51.2%	50.4%	51.0%	50.9%
Payout Ratio % of Regulated earnings	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend Yield	2.6%	2.8%	3.0%	3.2%	3.5%
Valuation Metrics UP&O					
Price to Earnings	15.6x	18.3x	16.9x	15.8x	14.6x
Price to Book Value	1.5x	1.6x	1.6x	1.5x	1.4x
Funding Sources					
Cash Flow from Operations	$1,995	$1,070	$2,188	$3,323	$2,474
Total Debt Financings	($1,686)	$1,920	$823	$192	$1,467
Total Equity Financings	$672	$0	$25	$75	$75
Credit Metrics					
Total Debt/Capitlization	62%	64%	64%	63%	63%
FFO/Total Debt	14%	14%	14%	14%	14%
EBITDA/Interest Expense	3.8x	2.1x	4.1x	6.8x	5.0x
Regulated Operations Performance - Realized ROE					
CEHE	10.2%	11.0%	10.5%	10.8%	10.4%
Indiana Integrated Electric	10.7%	10.5%	10.6%	10.2%	9.5%
Gas Distribution (Combined)	8.3%	9.9%	10.6%	9.9%	9.4%

Source: BMO Capital Markets, Company Reports

Exhibit 107: D Model Summary

D Model Summary	2020	2021	2022	2023	2024	2025
EPS By Segment						
Virginia Electric & Power Co.	$2.28	$2.37	$2.64	$2.82	$3.04	$3.27
Dominion Southeast Energy Group	$0.51	$0.54	$0.64	$0.66	$0.71	$0.74
Gas Distribution	$0.67	$0.74	$0.83	$0.86	$0.94	$1.03
Contracted Assets	$0.48	$0.53	$0.49	$0.54	$0.55	$0.56
Parent & Other	($0.40)	($0.33)	($0.47)	($0.49)	($0.56)	($0.62)
Consolidated E.P.S.	**$3.54**	**$3.86**	**$4.12**	**$4.38**	**$4.69**	**$4.98**
Dividend per share	**$3.45**	**$2.52**	**$2.67**	**$2.83**	**$3.00**	**$3.18**
Payout Ratio total	97%	65%	65%	65%	64%	64%
Dividend Yield	4.4%	3.2%	3.4%	3.6%	3.8%	4.1%
Valuation Metrics						
Price to Earnings	22.1x	20.2x	18.9x	17.8x	16.6x	15.7x
Price to Book Value	2.4x	2.2x	2.0x	1.9x	1.8x	1.7x
Funding Sources						
Cash Flow from Operations	$5,227	$4,037	$6,838	$7,405	$8,007	$8,621
Total Debt Financings	$6,577	$6,400	$4,000	$6,700	$5,650	$6,000
Total Equity Financings	($2,921)	$192	$400	$800	$800	$800
Credit Metrics						
Total Debt/Capitlization	58%	58%	57%	58%	59%	59%
FFO/Total Debt	6%	15%	15%	15%	14%	14%
EBITDA/Interest Expense	3.6x	3.8x	3.6x	3.5x	3.4x	3.3x
Regulated Operations Performance - Realized ROE						
Virginia Electric & Power Co.	14%	13%	14%	13%	12%	12%
Dominion South Carolina	10%	11%	11%	12%	12%	12%
Dominion East Ohio	10%	10%	11%	12%	13%	15%
Hope Gas	16%	17%	20%			
Questar Gas	8%	8%	9%	9%	10%	11%
Public Service of North Carolina	11%	10%	11%	12%	14%	16%

Source: BMO Capital Markets, Company Reports

Exhibit 108: DTE Model Summary

DTE Electric (DTE)	2020A	2021A	2022E	2023E	2024E	2025E
EPS By Segment						
DTE Electric	$4.21	$4.54	$4.66	$4.70	$5.07	$5.47
DTE Gas	$1.01	$1.09	$1.19	$1.27	$1.39	$1.51
Power & Industrial Projects	$0.78	$0.86	$0.45	$0.47	$0.51	$0.56
Energy Trading	$0.20	$0.23	$0.11	$0.10	$0.10	$0.10
Parent & Other	($0.62)	($0.73)	($0.52)	($0.32)	($0.43)	($0.53)
Consolidated E.P.S.	**$5.58**	**$5.99**	**$5.88**	**$6.21**	**$6.65**	**$7.12**
Utility	93.6%	94.1%	99.4%	96.0%	97.2%	98.1%
Non-Utility	6.4%	5.9%	0.6%	4.0%	2.8%	1.9%
Dividend per share	**$4.05**	**$3.82**	**$3.53**	**$3.78**	**$4.04**	**$4.33**
Payout Ratio total	73%	64%	60%	61%	61%	61%
Dividend Yield	3.3%	3.1%	2.8%	3.0%	3.3%	3.5%
Forecast ROE's - Consolidated						
DTE Electric	9.3%	9.3%	8.8%	8.6%	8.7%	8.9%
DTE Gas	7.9%	7.8%	8.0%	8.3%	8.6%	8.9%

Source: BMO Capital Markets, Company Reports

Exhibit 109: DUK Model Summary

Duke Energy (DUK)	2021A	2022E	2023E	2024E	2025E
EPS By Segment					
Duke Energy Carolinas	$1.87	$1.97	$2.08	$2.19	$2.31
Duke Energy Progress	$1.08	$1.19	$1.32	$1.44	$1.56
Duke Energy Florida	$1.12	$1.19	$1.25	$1.31	$1.39
Duke Energy Indiana	$0.62	$0.52	$0.55	$0.59	$0.63
Duke Energy Ohio Electric	$0.20	$0.21	$0.24	$0.26	$0.28
Electric Utilities & Infrastructure Eliminations/Adjustments	$0.14	$0.14	$0.14	$0.14	$0.14
Duke Energy Ohio Gas	$0.17	$0.17	$0.18	$0.18	$0.19
Piedmont Natural Gas	$0.40	$0.47	$0.55	$0.60	$0.66
Midstream/Eliminations/Adjustments	$0.01	$0.01	$0.01	$0.01	$0.01
Commercial Renewables	$0.34	$0.35	$0.34	$0.34	$0.33
Parent & Other	($0.71)	($0.79)	($0.88)	($0.90)	($0.95)
Consolidated E.P.S.	**$5.24**	**$5.44**	**$5.77**	**$6.15**	**$6.55**
Growth	*2.3%*	*3.9%*	*6.0%*	*6.7%*	*6.5%*
EPS by Segment Group					
Electric Utilities & Infrastructure	$5.03	$5.23	$5.58	$5.93	$6.32
Gas Utilities & Infrastructure	$0.58	$0.65	$0.73	$0.79	$0.85
Commercial Renewables	$0.34	$0.35	$0.34	$0.34	$0.33
Parent & Other	($0.71)	($0.79)	($0.88)	($0.90)	($0.95)
Consolidated E.P.S.	**$5.24**	**$5.44**	**$5.77**	**$6.15**	**$6.55**
Payout Metrics					
Dividend per share	**$3.91**	**$4.01**	**$4.11**	**$4.21**	**$4.31**
Payout Ratio total	75%	74%	71%	68%	66%
Dividend Yield	3.6%	3.7%	3.8%	3.9%	4.0%
Valuation Metrics					
Price to Earnings	20.8x	20.0x	18.9x	17.7x	16.6x
Price to Book Value	1.4x	1.4x	1.3x	1.3x	1.3x
Sources of Funds					
Cash Flow from Operations	$9,013	$9,625	$10,271	$10,938	$11,598
Total Debt Financings, Net	$3,540	$5,200	$4,328	$3,731	$3,621
Total Equity Financings, Net	$500	$500	$500	$500	$0
Credit Metrics					
Total Debt/Capitlization	56.8%	58.1%	58.9%	59.3%	59.8%
Parent Debt - % of Total	30.6%	31.7%	32.6%	32.8%	33.4%
FFO/Total Debt	14%	14%	14%	14%	14%
EBITDA/Interest Expense	4.8x	4.8x	4.8x	4.9x	5.0x

Source: BMO Capital Markets, Company Reports

Exhibit 110: ES Model Summary

Eversource Energy (ES)	2020A	2021A	2022E	2023E	2024E	2025E
EPS By Segment						
Connecticut Light & Power	$1.33	$1.40	$1.41	$1.45	$1.56	$1.64
Public Service of New Hampshire	$0.43	$0.44	$0.45	$0.50	$0.54	$0.58
NSTAR Electric	$1.30	$1.38	$1.45	$1.56	$1.66	$1.76
NSTAR Gas	$0.15	$0.21	$0.23	$0.29	$0.33	$0.37
Yankee Gas	$0.20	$0.22	$0.24	$0.26	$0.30	$0.33
EGMA		$0.17	$0.20	$0.24	$0.27	$0.31
Aquarion Water Company	$0.11	$0.11	$0.15	$0.16	$0.18	$0.19
Offshore Wind					$0.05	$0.12
Parent & Other W/O Offshore Wind	$0.01	($0.04)	($0.03)	($0.09)	($0.19)	($0.23)
Consolidated E.P.S.	**$3.55**	**$3.86**	**$4.10**	**$4.37**	**$4.69**	**$5.08**
Dividend per share	**$2.27**	**$2.41**	**$2.55**	**$2.70**	**$2.87**	**$3.04**
Payout Ratio total	63.9%	62.4%	62.2%	61.8%	61.1%	59.8%
Dividend Yield	2.8%	2.9%	3.1%	3.3%	3.5%	3.7%
EBITDA/Interest Expense	5.8x	5.7x	6.0x	6.0x	6.0x	6.1x
Forecast Consolidated ROE's						
Connecticut Light & Power	11.2%	10.9%	10.2%	10.0%	10.4%	10.5%
Public Service of New Hampshire	10.8%	10.0%	9.6%	9.8%	9.9%	10.0%
NSTAR Electric	11.4%	11.3%	11.0%	11.0%	11.0%	11.1%
NSTAR Gas	9.8%	11.2%	10.5%	10.9%	10.8%	11.0%
Yankee Gas	9.2%	9.1%	8.8%	8.7%	9.0%	9.2%
EGMA		9.9%	10.1%	10.4%	10.3%	10.8%
Aquarion Water Company	10.5%	6.6%	8.3%	8.4%	8.4%	8.4%

Source: BMO Capital Markets, Company Reports

Exhibit 111: ETR Model Summary

ETR Model Summary	2020	2021	2022	2023	2024
EPS By Segment					
Arkansas	$1.19	$1.53	$1.51	$1.62	$1.78
Louisiana	$3.48	$3.12	$3.37	$3.54	$3.76
Mississippi	$0.68	$0.83	$0.87	$0.91	$0.97
New Orleans	$0.25	$0.16	$0.14	$0.18	$0.18
Texas	$1.05	$1.12	$1.23	$1.29	$1.41
System Resources	$0.49	$0.55	$0.47	$0.46	$0.42
Entergy Wholesale Commodities	($0.32)	($0.86)	$0.66	$0.00	$0.00
Parent and Other	($1.42)	($1.24)	($1.23)	($1.28)	($1.30)
Consolidated E.P.S.	**$5.34**	**$5.16**	**$7.02**	**$6.72**	**$7.23**
Segment EPS (actual/as reported) + BMO Forecast					
Utility	$7.08	$7.26	$7.59	$8.01	$8.53
Parent and Other	($1.42)	($1.24)	($1.23)	($1.28)	($1.30)
Utilty and Parent Non-Recurring adjustments	($1.57)	$0.00	$0.00	$0.00	$0.00
Ongoing E.P.S (Excludes EWC)	**$5.66**	**$6.02**	**$6.36**	**$6.72**	**$7.23**
Payout Metrics					
Dividends	**$3.74**	**$3.86**	**$4.09**	**$4.33**	**$4.59**
Payout Ratio total	70.1%	74.7%	58.2%	64.5%	63.6%
Payout Ratio % of Regulated earnings	66.1%	64.0%	64.3%	64.5%	63.6%
Dividend Yield	3.1%	3.2%	3.4%	3.6%	3.8%

Source: BMO Capital Markets, Company Reports

Exhibit 112: EXC Model Summary

EXC Model Summary	2020A	2021E	2022E	2023E	2024E	2025E
EPS By Segment				$0.26		
EXC Gen	$1.44					
Com Ed	$0.66	$0.79	$0.85	$0.93	$0.98	$1.04
PECO	$0.47	$0.56	$0.59	$0.63	$0.68	$0.72
BGE	$0.37	$0.42	$0.44	$0.48	$0.52	$0.55
PHI	$0.52	$0.58	$0.65	$0.69	$0.78	$0.85
Parent & Other	($0.24)	($0.26)	($0.27)	($0.31)	($0.35)	($0.38)
Consolidated E.P.S.	**$3.22**	**$2.10**	**$2.25**	**$2.41**	**$2.60**	**$2.78**
Growth				7.5%	7.8%	6.8%
Dividend per share	**$1.53**	**$1.53**	**$1.35**	**$1.44**	**$1.53**	**$1.63**
Growth				6.5%	6.5%	6.5%
Implied Payout Ratio	47.6%	73.0%	60.1%	59.5%	58.8%	58.7%
Dividend Yield	3.5%	3.5%	3.1%	3.3%	3.5%	3.7%
Valuation Metrics						
Price to Earnings	12.9x	19.8x	18.5x	17.2x	15.9x	14.9x
Price to Book Value	1.2x	1.8x	1.7x	1.6x	1.6x	1.5x
Funding Sources						
Cash Flow from Operations	$4,235	$7,906	$5,416	$5,763	$6,142	$6,469
Total Debt Financings	$8,168	$3,075	$4,300	$3,275	$3,350	$3,110
Total Equity Financings	$45	$0	$0	$250	$250	$250
Credit Metrics						
Total Debt/Capitlization	55%	60%	60%	61%	61%	60%
FFO/Total Debt	21%	24%	15%	15%	15%	16%
EBITDA/Interest Expense	7.0x	6.3x	5.0x	5.0x	5.1x	5.1x
Exelon Target Metrics ('22-24 Average)			13-14%	13-14%	13-14%	13-14%
S&P/Moody's Downgrade Thresholds			12.0%	12.0%	12.0%	12.0%
Regulated Operations Performance - Realized ROE (1)						
ComEd	8.7%	9.6%	9.5%	9.8%	9.8%	10.0%
PECO	11.0%	11.8%	11.2%	10.9%	10.8%	10.6%
BGE	9.7%	10.2%	9.8%	9.9%	10.0%	9.9%
PHI	9.1%	9.4%	9.7%	9.6%	10.1%	10.2%

Source: BMO Capital Markets, Company Reports

Exhibit 113: LNT Model Summary

Alliant Energy (LNT)	2020A	2021A	2022E	2023E	2024E	2025E
EPS By Segment						
Interstate Power & Light	$1.30	$1.40	$1.47	$1.54	$1.58	$1.66
Wisconsin Power & Light	$1.00	$1.07	$1.13	$1.25	$1.41	$1.53
ATC	$0.14	$0.12	$0.13	$0.14	$0.14	$0.15
Parent & Other	($0.01)	$0.04	$0.02	($0.01)	($0.03)	($0.05)
Consolidated E.P.S.	**$2.43**	**$2.63**	**$2.76**	**$2.92**	**$3.10**	**$3.29**
	5.1%	8.1%	4.9%	6.1%	6.0%	6.2%
Dividend per share	**$1.52**	**$1.61**	**$1.71**	**$1.81**	**$1.92**	**$2.04**
Payout Ratio total	62%	61%	62%	62%	62%	62%
Dividend Yield	2.7%	2.8%	3.0%	3.2%	3.4%	3.6%
Valuation Metrics						
Price to Earnings	23.4	21.6	20.6	19.4	18.3	17.3
Price to Book Value	2.2	2.2	2.1	2.0	1.9	1.8
Funding Sources						
Cash Flow from Operations	$501	$582	$1,296	$1,363	$1,476	$1,549
Total Debt Financings, Net	$645	$718	$575	$626	$670	$449
Total Equity Financings, Net	$247	$28	$25	$25	$25	$25
Credit Metrics						
Total Debt/Capitlization	55%	57%	57%	58%	59%	58%
FFO/Total Debt		6%	16%	15%	16%	16%
Forecast ROE's - Consolidated						
Interstate Power & Light	10.6%	10.1%	10.1%	10.5%	10.5%	10.8%
Wisconsin Power & Light	11.1%	10.6%	10.4%	10.7%	10.4%	11.0%

Source: BMO Capital Markets, Company Reports

Exhibit 114: NEE Model Summary

NEE Model Summary	2020	2021	2022	2023	2024	2025
EPS By Segment						
Florida Power & Light	$1.34	$1.49	$1.59	$1.77	$1.98	$2.09
Gulf Power	$0.12	$0.14	$0.15	$0.17	$0.17	$0.19
NextEra Energy Resources	$0.99	$1.12	$1.36	$1.41	$1.50	$1.62
NEET	$0.03	$0.03	$0.06	$0.06	$0.06	$0.06
Corporate & Other	($0.18)	($0.23)	($0.29)	($0.30)	($0.30)	($0.31)
Consolidated E.P.S.	**$2.31**	**$2.55**	**$2.87**	**$3.11**	**$3.40**	**$3.65**
Dividend per share	**$1.40**	**$1.54**	**$1.70**	**$1.87**	**$2.06**	**$2.25**
Payout Ratio total	60.7%	60.5%	59.2%	60.1%	60.5%	61.8%
Dividend Yield	2.1%	2.3%	2.5%	2.8%	3.1%	3.4%
Valuation Metrics						
Price to Earnings	29.0x	26.3x	23.4x	21.5x	19.7x	18.4x
Price to Book Value	2.7x	2.6x	2.6x	2.5x	2.4x	2.3x
Funding Sources						
Cash Flow from Operations	$7,883	$8,405	$9,628	$10,292	$10,588	$11,185
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	11.4%	11.4%	11.3%	11.7%	11.8%	11.7%
NextEra Energy Resources Performance						
Adj. EBITDA	$5,728	$5,845	$8,021	$8,399	$8,663	$9,097

Source: BMO Capital Markets, Company Reports

Exhibit 115: NEP Model Summary

NEP Model Summary	2019	2020	2021	2022	2023	2024	2025
Adjusted EBITDA	$1,104	$1,263	$1,360	$1,715	$1,856	$1,978	$2,128
Cash Available for Distribution	$366	$570	$584	$680	$730	$788	$838
Distribution to Unit Holders	**$2.04**	**$2.34**	**$2.69**	**$3.10**	**$3.56**	**$4.09**	**$4.71**
Distribution Yield	4%	4%	3%	4%	4%	5%	6%
Funding Sources							
Cash Flow from Operations	$346	$665	$184	$242	$233	$192	$153
Total Debt Financings	$3,380	$705	$440	$680	$680	$1,630	$1,325
Total Equity Financings	$1,765	$705	($262)	($333)	$0	($280)	$0
Credit Metrics							
Debt/EBITDA	3.8x	2.7x	2.9x	2.7x	2.7x	3.0x	3.2x

Source: BMO Capital Markets, Company Reports

Exhibit 116: 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	$1.09	$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**	**$1.37**	**$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%	64.4%	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	21.5x	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	$1,426	$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%

Source: BMO Capital Markets, Company Reports

Exhibit 117: NRG Model Summary

NRG Model Summary	2020A	2021A	2022E	2023E	2024E
EBITDA by Segment					
Wholesale	$1,013	$839	$499	$576	$557
Retail	$990	$1,075	$1,502	$1,775	$1,854
Consolidated	**$2,004**	**$1,914**	**$2,000**	**$2,351**	**$2,411**
Adj. FCF (NRG Basis)	$1,400	$1,472	$1,560	$1,913	$2,005
FCF Before Growth (NRG Basis)	$1,223	$1,137	$1,220	$1,598	$1,690
Dividend Per Share	**$1.20**	**$1.30**	**$1.40**	**$1.51**	**$1.63**
Implied Dividend Growth	900.0%	8.0%	8.0%	8.0%	8.0%
Dividend Yield	2.9%	3.2%	3.4%	3.7%	4.0%
FCF Per Share	**$4.97**	**$4.74**	**$5.37**	**$7.88**	**$9.50**
Implied FCF/share growth	11.3%	-4.5%	13.3%	46.6%	20.6%
FCF Yield	12.1%	11.6%	13.1%	19.2%	23.2%
Valuation Metrics					
EV/EBITDA	7.4x	9.0x	8.0x	6.2x	5.5x
FCF Yield	12.1%	11.6%	13.1%	19.2%	23.2%
Captital Return Assumed					
Total Shareholder Dividends	$295	$311	$318	$307	$290
Share Buybacks	$450	$60	$940	$1,000	$1,000
Debt Repayment	$0	$1,300	$0	$83	$600
Credit Metrics					
FFO/Total Debt	17.5%	26.4%	23.6%	27.4%	30.0%
EBITDA/Interest Expense	4.0x	5.6x	5.1x	5.7x	6.2x
Net Debt/EBITDA	2.5x	3.1x	3.3x	2.8x	2.7x
NRG Weighted Average Shares Outstanding	246	240	227	203	178

Source: BMO Capital Markets, Company Reports

Exhibit 118: PEG Model Summary

PEG Model Summary	2020	2021	2022	2023	2024	2025
EPS By Segment						
PSE&G	$2.62	$2.89	$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**	**$3.65**	**$3.43**	**$3.67**	**$3.86**	**$4.08**
UP&O	**$2.58**	**$2.86**	**$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%	55.9%	63.0%	62.4%	62.9%	63.0%
Payout Ratio % of Regulated earnings	74.9%	70.6%	71.2%	69.9%	69.3%	68.9%
Dividend Yield	3.3%	3.4%	3.6%	3.8%	4.0%	4.3%
Valuation Metrics						
Price to Earnings	17.3x	16.6x	17.6x	16.5x	15.7x	14.8x
Price to Book Value	1.9x	1.8x	1.8x	1.7x	1.6x	1.6x
Funding Sources						
Cash Flow from Operations	$3,102	$3,131	$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%	12.0%	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 Reports

Exhibit 119: SO Model Summary

SO Model Summary	2020	2021	2022	2023	2024	2025
EPS By Segment						
Georgia Power	$1.71	$1.74	$1.81	$1.95	$2.19	$2.33
Alabama Power	$1.08	$1.16	$1.23	$1.31	$1.37	$1.42
Mississippi Power	$0.14	$0.15	$0.16	$0.16	$0.17	$0.18
Southern Co. Gas	$0.53	$0.56	$0.60	$0.63	$0.66	$0.70
Southern Power	$0.20	$0.25	$0.26	$0.28	$0.29	$0.31
Parent & Other	($0.43)	($0.46)	($0.51)	($0.53)	($0.53)	($0.53)
Consolidated E.P.S.	**$3.23**	**$3.39**	**$3.55**	**$3.80**	**$4.14**	**$4.41**
EPS By Segment Group						
Electric T&D	$2.93	$3.04	$3.20	$3.42	$3.72	$3.93
Gas LDC	$0.37	$0.39	$0.32	$0.36	$0.39	$0.42
Infrastructure and Marketing	$0.36	$0.42	$0.54	$0.54	$0.56	$0.59
Parent & Other	($0.43)	($0.46)	($0.51)	($0.53)	($0.53)	($0.53)
Consolidated E.P.S.	**$3.23**	**$3.39**	**$3.55**	**$3.80**	**$4.14**	**$4.41**
Payout Metrics						
Dividend per share	**$2.54**	**$2.62**	**$2.70**	**$2.78**	**$2.86**	**$2.95**
Payout Ratio total	78.7%	77.3%	76.0%	73.2%	69.2%	66.9%
Payout Ratio % of Regulated earnings	73.5%	72.7%	71.1%	68.7%	65.3%	63.7%
Dividend Yield	4.1%	4.3%	4.4%	4.5%	4.7%	4.8%

Source: BMO Capital Markets, Company Reports

Exhibit 120: SRE Model Summary

Sempra Energy (SRE) Model	2019A	2020A	2021A	2022E	2023E	2024E	2025E
EPS By Segment							
San Diego Gas & Electric	$2.72	$2.82	$2.62	$2.65	$2.80	$2.90	$3.01
Southern California Gas	$2.27	$2.52	$2.30	$2.32	$2.51	$2.75	$2.99
Texas Utilities	$1.87	$1.98	$1.97	$2.19	$2.36	$2.62	$2.85
South American Utilities	$0.00						
Sempra Mexico - IEnova	$0.90	$0.89	$0.96	$1.13	$1.14	$1.14	$1.13
Sempra LNG	($0.02)	$1.09	$1.60	$1.08	$1.13	$1.11	$1.10
Parent & Other	($1.86)	($1.58)	($1.02)	($0.82)	($0.89)	($0.96)	($0.98)
Discontinued Operations	$0.90	$0.32					
Consolidated E.P.S.	**$6.78**	**$8.03**	**$8.43**	**$8.55**	**$9.05**	**$9.55**	**$10.10**
Growth		*18.6%*	*4.9%*	*1.5%*	*5.8%*	*5.5%*	*5.8%*
Dividend per share	**$3.87**	**$4.18**	**$4.40**	**$4.58**	**$4.85**	**$5.15**	**$5.45**
Growth		*8.0%*	*5.3%*	*4.1%*	*6.0%*	*6.0%*	*6.0%*
Payout Ratio total	57.1%	52.0%	52.2%	53.5%	53.6%	53.9%	54.0%
Dividend Yield	2.6%	2.8%	2.9%	3.0%	3.2%	3.4%	3.6%
Funding Sources							
Cash Flow from Operations	$3,088	$2,591	$3,685	$3,733	$3,938	$4,105	$4,295
Total Debt Financings, Net	$1,285	($1,572)	$1,500	$2,387	$1,073	$1,460	$1,543
Total Equity Financings, Net	$1,804	($555)	$1,745	$100	$0	$0	$0
Credit Metrics							
Total Debt/Capitlization	54%	49%	51%	52%	51%	51%	50%
FFO/Total Debt	14%	14%	18%	17%	17%	17%	18%
EBITD/Interest Expense	3.0x	2.9x	3.2x	3.1x	3.1x	3.1x	3.1x
Forecast Consolidated ROE's							
San Diego Gas & Electric	15.1%	13.3%	12.3%	10.7%	10.5%	10.3%	10.3%
Southern California Gas	18.4%	17.3%	15.2%	13.3%	13.0%	13.1%	13.3%
Texas Utilities	10.9%	10.0%	9.8%	10.0%	9.7%	9.9%	10.1%

Source: BMO Capital Markets, Company Reports

Exhibit 121: VST Model Summary

VST Model Summary	2020A	2021A	2022E	2023E	2024E
EBITDA					
Wholesale	$2,783	$1,159	$2,436	$2,520	$2,455
Retail	$983	$912	$799	$1,009	$1,131
Asset Closure	($81)	($130)	($85)	($80)	($85)
VST Adj EBITDA (Excludes asset Closure)	**$3,766**	**$2,071**	**$3,235**	**$3,530**	**$3,585**
VST EBITDA (Includes asset Closure)	**$3,685**	**$1,941**	**$3,150**	**$3,450**	**$3,500**
Adj. FCF (VST Basis)	$3,510	$1,395	$2,629	$2,982	$3,104
FCF Before Growth (VST Basis)	$2,582	$767	$1,962	$2,317	$2,439
Dividend Per Share	**$0.54**	**$0.60**	**$0.71**	**$0.82**	**$0.92**
Implied Dividend Growth	8.0%	11.1%	18.5%	15.3%	12.2%
Dividend Yield	2.5%	2.7%	3.2%	3.7%	4.2%
FCF Per Share	**$4.50**	**$1.48**	**$5.52**	**$6.98**	**$7.98**
Implied FCF/share growth	7.6%	-67.0%	272.0%	26.5%	14.3%
FCF Yield	20.6%	6.8%	25.2%	31.9%	36.4%
Valuation Metrics					
EV/EBITDA	5.4x	10.1x	5.6x	4.5x	3.8x
FCF Yield	20.6%	6.8%	25.2%	31.9%	36.4%
Captital Return Assumed					
Total Shareholder Dividends	($266)	($283)	($300)	($297)	($297)
Share Buybacks	$0	($461)	($1,720)	($1,000)	($1,000)
Debt Repayment	($1,008)	$0	($10)	($68)	($1,545)
Credit Metrics					
Net Det/EBITDA	2.4x	4.6x	2.9x	2.3x	1.9x
FFO/Total Debt	29.5%	12.1%	31.6%	38.9%	46.9%
EBITDA/Interest Expense	5.7x	2.4x	5.5x	6.3x	7.1x
Net Debt/Interest Expense	2.5x	6.0x	2.8x	2.3x	2.0x
VST Weighted Average Shares Outstanding	491	472	422	362	322

Source: BMO Capital Markets, Company Reports

Exhibit 122: WEC Model Summary

WEC	2020A	2021A	2022E	2023E	2024E	2025E
EPS By Segment						
WE	$1.16	$1.23	$1.27	$1.35	$1.49	$1.64
WPS	$0.70	$0.74	$0.77	$0.81	$0.89	$0.97
WG	$0.26	$0.26	$0.27	$0.29	$0.31	$0.34
PGL	$0.59	$0.64	$0.69	$0.71	$0.73	$0.75
NSG	$0.05	$0.06	$0.07	$0.07	$0.07	$0.07
UMERC	$0.07	$0.07	$0.07	$0.07	$0.07	$0.07
MERC & MGU	$0.12	$0.14	$0.14	$0.14	$0.14	$0.14
Electric Transmission	$0.36	$0.30	$0.32	$0.34	$0.35	$0.35
Non-Utility Energy Infrastructure	$0.82	$0.95	$1.00	$1.12	$1.17	$1.22
Parent & Other	($0.34)	($0.27)	($0.30)	($0.30)	($0.32)	($0.34)
Consolidated E.P.S.	**$3.79**	**$4.11**	**$4.29**	**$4.58**	**$4.89**	**$5.21**
	5.9%	8.4%	4.4%	6.9%	6.7%	6.5%
Dividend per share	**$2.53**	**$2.71**	**$2.91**	**$3.10**	**$3.30**	**$3.52**
Payout Ratio total	67%	66%	68%	68%	67%	67%
Dividend Yield	2.5%	2.7%	2.9%	3.1%	3.3%	3.5%
Valuation Metrics						
Price to Earnings	26.3	24.3	23.2	21.7	20.4	19.1
Price to Book Value	2.6	2.5	2.4	2.3	2.2	2.1
Funding Sources						
Cash Flow from Operations	$2,196	$2,681	$2,818	$2,991	$3,156	$3,332
Total Debt Financings, Net	$1,553	$610	$1,835	$1,142	$1,145	$980
Total Equity Financings, Net	($55)	$0	$0	$0	$0	$0
Credit Metrics						
Total Debt/Capitlization	58%	59%	60%	60%	60%	62%
FFO/Total Debt	15%	15%	14%	14%	15%	14%
Forecast ROE's - Consolidated						
WE	11%	11%	10%	10%	10%	10%
WPS	11%	11%	11%	10%	11%	11%
WG	10%	9%	9%	8%	8%	8%
PGL	11%	11%	11%	10%	10%	9%
NSG	11%	12%	12%	11%	11%	11%
UMERC	10%	10%	11%	10%	11%	11%
MERC & MGU	12%	12%	11%	10%	9%	8%

Source: BMO Capital Markets, Company Reports

Exhibit 123: XEL Model Summary

XEL Model Summary	2021A	2022E	2023E	2024E	2025E
EPS By Segment					
Northern States Power - MN	$1.17	$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.	**$2.96**	**$3.18**	**$3.42**	**$3.66**	**$3.87**
Dividend per share	**$1.83**	**$1.94**	**$2.06**	**$2.18**	**$2.31**
Payout Ratio total	61.8%	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	21.1x	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	$3,525	$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%

Source: BMO Capital Markets, Company Reports

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Hold	Market Perform	45.0 %	19.1 %	43.5 %	42.3 %	38.1 %	37.5%
Sell	Underperform	1.6 %	44.4 %	3.7 %	1.4 %	2.4 %	4.8%

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Inflation Reduction Act officially signed in to law

President Biden signed the Inflation Reduction Act (IRA) into law. Solid outperformance across exposed sectors including utilities and clean tech have resulted in upside largely priced in, though certain nuances remain to be filled in. We continue to see the alternative minimum tax (AMT) as a top of mind debate – expectations are that companies won't see an earnings impact, but rather impact to cash flow. Companies should have the ability to set up deferred tax assets as long as they can foresee that tax income and book income will normalize over time. In addition to AMT, we note there are other provisions that could impact gas utilities to a varying extent. Specifically, we are focused on the methane fee that would raise distribution customer bills by +1-3% (much lower than the first rumblings of a methane fee which the American Gas Association [AGA] forecast would impact customer bills by +34%). The hydrogen and renewable natural gas (RNG) provisions in the text are also constructive. We remain positive on the more pure play gas utilities and have some skepticism on those that are more exposed to the constructive pieces of the bill like the hydrogen and RNG credits due to uncertainties about implementation, final rulemaking, etc. Expect additional guidance and rulemaking detail to emerge over coming months now that the IRA has been passed into law, with an overall constructive bias for the sector.

FE: US requests stay of PUCO investigation

On August 16th the United States Attorney (Attorney) docketed a letter requesting that the Public Utilities Commission of Ohio (PUCO) stay all discovery requests in the pending PUCO proceedings related to FirstEnergy (FE) legacy investigations (Dockets 20-1502-EL-UNC, 17-974-EL-UNC, 17-2474-EL-RDR, 20-1629-EL-RDR). The Attorney stated that it "believes that continued discovery in the PUCO Proceedings may directly interfere with or impede the United States' ongoing investigations" related to alleged corruption surrounding the Ohio House Bill 6 and PUCO actions. The Attorney has requested a six month stay with the right to extend the stay if needed.

The request from the Attorney is a negative development, at a minimum introducing further delay on the already elongated proceeding and casting further uncertainty. Maintain Neutral on shares of FE, which trade approximately at fair value relative to peers, in our view. The Ohio legacy issues are a small overhang but the primary area of investor discussion of late has been the sustainability of 2023 cost cuts that management is targeting to offset the potential pension expense headwinds.

ETR: Management transition announced, CFO to take over

Entergy announced that current CEO Leo Denault is stepping down in 2023 and current CFO Drew Marsh will formally take over the top job November 1. The transition does not come as a surprise given the outgoing CEO's length of tenure with the company. We view the decision to announce a successor as an internal promotion constructively and supportive of the current strategic direction for the company, with no abrupt pivots on the horizon. Maintain Buy on Entergy.

17 August 2022

Equity
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IRA: Inflation Reduction Act

LDC: Local Distribution Company

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NI: Pablo Vegas leaving NI for ERCOT

NiSource (NI) announced that Executive Vice President (EVP), and Group President, NiSource Utilities, Pablo Vegas is leaving NI to become the next CEO of the Electric Reliability Council of Texas (ERCOT), effective October 1. Vegas has been with NiSource since 2016 and has held a number of roles during his tenure. He will replace interim CEO Brad Jones. News reports state that Vegas will make just under $1M in salary at ERCOT with the opportunity to earn more than $2.4M per year. This compares to ~$1.15M in salary and bonus plus $2.3M in stock awards at NI. We note that he will also be leaving behind a change of control provision north of ~$9.2M should the strategic review result in a full company sale.

That said, many saw Vegas as next in line for CEO at NI post-Joe Hamrock, but the NI Board went in a different direction in hiring of Lloyd Yates as CEO. With both AEP's and NI's successors announced of late we see the decision as aligning.

Our base case scenario for the strategic review and November Analyst Day is not a full sale of the company; rather, we expect an extension of the elevated growth path through addition of new generation resources in 2024-2026+ with the potential for a smaller LDC sale to help finance any incremental capex. We believe shares remain overly discounted relative to the growth rate and potential for an extended growth path - we think there is opportunity for management to implement efficiencies in the business to support the earned ROE in between rate cases. Maintain Buy.

SWX: Icahn boost stake in SWX post-strategic update

A regulatory filing noted that Carl Icahn boosted his stake in Southwest Gas Holdings (SWX) by ~710k shares to ~8.7% of the company from Aug. 3-Aug. 15. The open market transactions are pursuant to a Rule 10b5-1 Purchase Plan entered into by Icahn Partners and Icahn Master with a third party.

The data point is bullish for the still ongoing strategic review process on Centuri and MountainWest as well as the outlook for shares, in our view. Investors questioned whether Icahn would remain in shares following the announcement that the Board unanimously decided to move forward with a standalone path for the utility, but as we have stated in the past, we see Icahn as a longer-term shareholder in SWX. We continue to believe that there is upside potential from current discounted valuation levels based on the strategic review and a refocus on improving the core utility. Maintain Buy.

US Module Manufacturing: Hanwha Q Cells Explores 9 GW Facility... we expect more to come

On August 15th, multiple sources reported on the possibility of Hanwha Q Cells building a US module manufacturing facility in Texas, South Carolina, or Georgia. Although Hanwha has not yet announced details for its latest greenfield development, documents were filed in the Texas public records, which outlined potential site specifications and location details. The vertically integrated facility would have 9 GW of annual capacity, covering ingot, wafer, cell, and module, as well as ship in raw materials, including glass, frame, back sheet, and polysilicon. The facility development is estimated to require +$1.8 bn of investment. Hanwha (parent company of Hanwha Q Cells) controls the Moses Lake polysilicon manufacturing facility, located in Washington, which has annual capacity of 20k metric tons (MT). Hanwha has previously announced plans to retrofit and restart the Moses Lake facility in 2023. Assuming 3g of polysilicon/W, the 9 GW greenfield facility would consume 27k MT of polysilicon annually. Moreover, Hanwha has an existing US module assembly facility located in Georgia with annual capacity of 1.7 GW. Hanwha previously announced plans to add another 1.4 GW of capacity to its existing Georgia facility. Together, Hanwha would have 12.1 GW of solar panel assembly capacity in the US.

We expect this announcement will be the first of many outlining plans for US module manufacturing, following the passage and enactment of the Inflation Reduction Act (IRA),

which includes lucrative incentives for domestic module manufacturing. We view this announcement positively for our US residential installers, who regularly install Hanwha Q Cells modules and would presumably have expanded supply.

We stress investors are quite intrigued by US manufacturing angles – whether tied to MAXN, FSLR or otherwise. Look for more such announcements. Potential capital raises to boot as well.

EXC: 8K revises the negative cash tax impact from IRA

Exelon Corp (EXC) filed an 8-K on Wednesday, August 17 that revised down the company's estimated cash tax impact related to the 15% corporate alternative minimum tax detailed in the Inflation Reduction Act (IRA). EXC currently estimates **$200Mn** negative cash flow **impact per year 2023+**, lower than $300Mn per year disclosed during 2Q22 earnings. EXC continues to assess the impact of the IRA on financial statements, and we await updates from the US Treasury on how the alternative minimum tax base may impact financials. See details on cash tax headwind here: Exelon: Potential tax increase spooks investors; EXC well-positioned to mitigate. Reit. Buy 04 August 2022). **We await company commentary on the drivers for EXC decreasing cash tax impact estimate to +$200Mn versus +$300Mn impact disclosed prior.**

While a net positive relative to the earlier $300Mn disclosure, we note EXC was one of the few utilities that flagged a negative headwind due to the minimum corporate tax during 2Q22 earnings. Management's emphasis on IRA tax implications was surprising compared to many utility peers signaling strong support for the bill. We continue to assess the minimum tax impact on other Investor Owned Utilities, and note the $300Mn disclosed as of earnings likely did not incorporate offsets. Reiterate Buy on shares of EXC as we continue to view EXC as a premium utility with above-average growth and below-average risk.

Exhibit 1: Stocks mentioned in this report
Stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
ETR	ETR US	Entergy Corp.	US$ 122.22	B-1-7
EXC	EXC US	Exelon Corp	US$ 46.69	B-1-7
FE	FE US	FirstEnergy	US$ 41.02	B-2-7
NI	NI US	NiSource Inc	US$ 31.58	A-1-7
SWX	SWX US	Southwest Gas	US$ 80.01	B-1-7

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

Entergy (ETR)
Our $131 Price Objective (PO) is based on a sum-of-the-parts analysis. The 2024E electric utilities average P/E of 17.3x (vs 17.1x previously) is grossed-up +5%, to 18x, to reflect capital appreciation across the sector. We apply in-line P/E multiples to the subsidiaries except for +2x Texas to reflect the constructive regulation environment and -1x New Orleans based upon historical contentious proceedings. We net out 50% of the parent HoldCo long-term debt and apply a P/E multiple to 50% of the interest expense.

Risks to achievement of our Price Objective is 1) changing rate-making mechanisms or unexpected regulatory outcomes, 2) earned return on equities by jurisdiction, 3) hurricanes and other weather events, 4) nuclear accidents, safety events, or other incidents, 5) interest rates fluctuations, 6) equity issuances relative to management's forecast and access to capital markets, 7) ability to deploy regulated capital

expenditures, 8) pension fund performance and 9) costs and operational volumes at the wholesale commodity subsidiary.

Exelon (EXC)
Our $55 PO is based on an sum of the parts valuation. Our base electric peer 2024 P/E multiple of 18.0x is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply a 2x premium across EXC utilities ComEd, PECO, BGE, PHI given increasing comfort around the consolidated profile, above-average growth prospects and below average risks.

Risks to achievement of the rating and price objective include: 1) Adverse regulatory, political, and legislative outcomes, 2) inability to deploy the guided capital expenditures, 3) equity needs that differ from guidance, 4) storms and other natural disasters, 5) inability to control operating costs, 6) changes in effective tax rates, and 7) changes in credit rating agency metric requirements.

FirstEnergy (FE)
Our PO of $41 is based on a sum-of-the-parts valuation. Our multiples are driven by relative P/E premiums/discounts to the 2024E regulated peer multiple (17.4x). 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 apply -2x discount to the distribution utilities to reflect rate review risk and the below-average balance sheet. 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.

Upside/downside risks are 1) unexpected regulatory outcomes, 2) ability to earn the allowed ROEs and/or other changes in regulatory earnings, 3) pension liabilities, 4) investigation revelations, 5) equity needs versus forecasts, 6) capital expenditures, 7) pension plan returns, discount rate changes, and interest/service costs associated with the plan.

NiSource Inc (NI)
Our $34 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 16.9x for gas and 18.2x for electric with a 1.0x premium for the gas utilities and a 2.0x premium for the electric gas utilities given strong growth rates and incremental renewable buildout, with capex potentially beginning in '24-'26, but acknowledge industrial gen load migration risk. While there still could be some near-term headwinds for solar, we are confident in mgmt. ability to manage and mitigate the impacts.

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.

Southwest Gas Holdings (SWX)
Our $88 PO is based on our 2024E Sum-of-the-parts (SOTP) analysis. We apply a 17.0x our 24E 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 all of the utilities, we apply a 3x discount on Arizona and a 2x discount on California

and Nevada. Additionally, we value the FERC regulated MountainWest and Great Basin Pipeline separately on a midstream peer group average FY24E EV/EBITDA multiple of 9.5x and net out associated debt. We apply a 1x discount on MountainWest to reflect lower growth opportunities vs peers - this is a 17% discount to SWX's purchase price. For the infrastructure services segment, we apply 8.4x FY24E EV/EBITDA multiple (based on peer consensus multiples), which is a 0.5x premium to the business' closest industrial comps given higher margins and a more stable customer base. 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 to achieving the Price Objective 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.

Analyst Certification

We, Julien Dumoulin-Smith and Paul Zimbardo, 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.

North America - Utilities and Alt Energy 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
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO 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
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Dominion Energy	D	D US	Paul Zimbardo
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Ryan Greenwald
	Exelon	EXC	EXC US	Paul Zimbardo
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG 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
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith

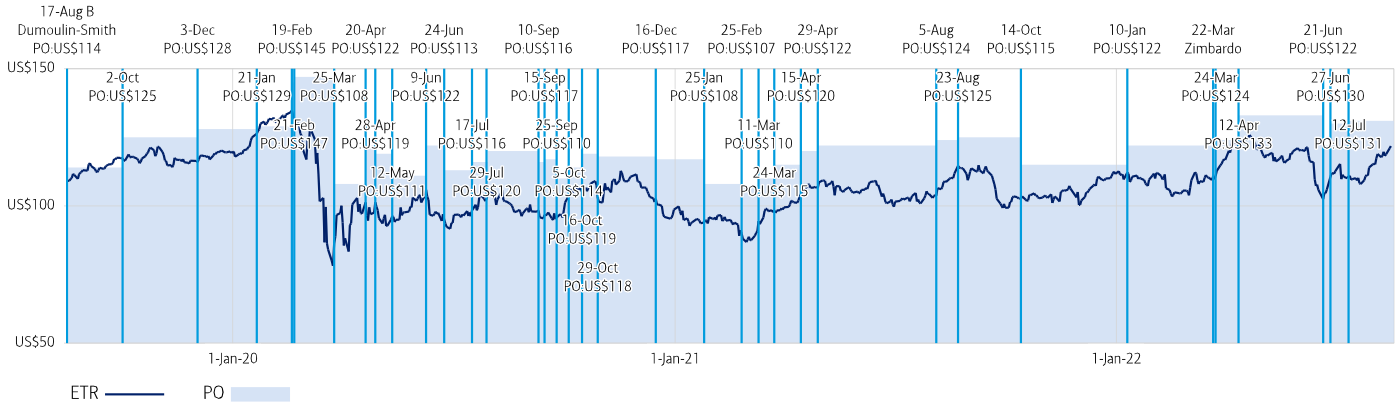
North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	American Water Works	AWK	AWK US	Ryan Greenwald
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Paul Zimbardo
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	Fluence Energy	FLNC	FLNC 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
	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
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
RSTR				
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

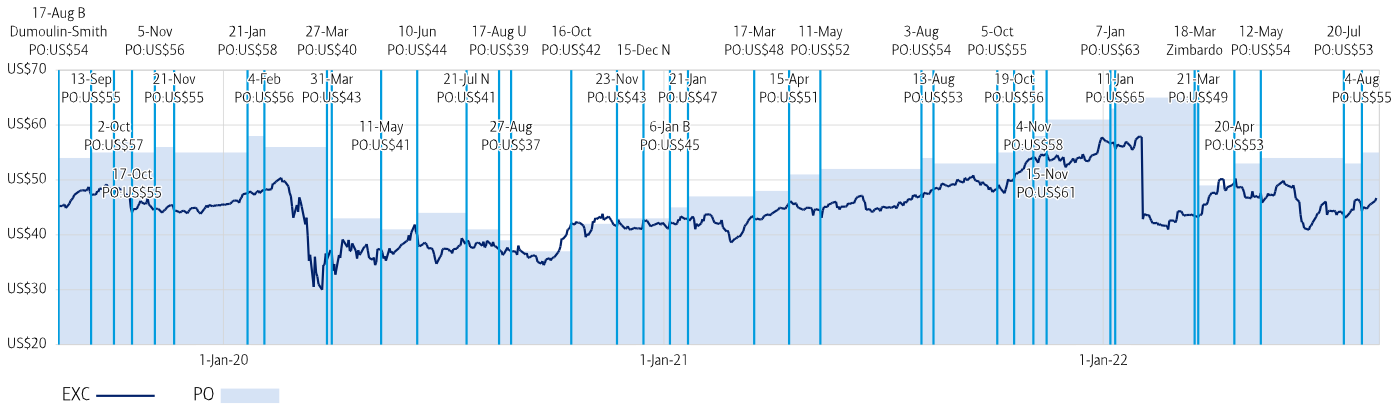
Entergy Corp. (ETR) Price Chart



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.

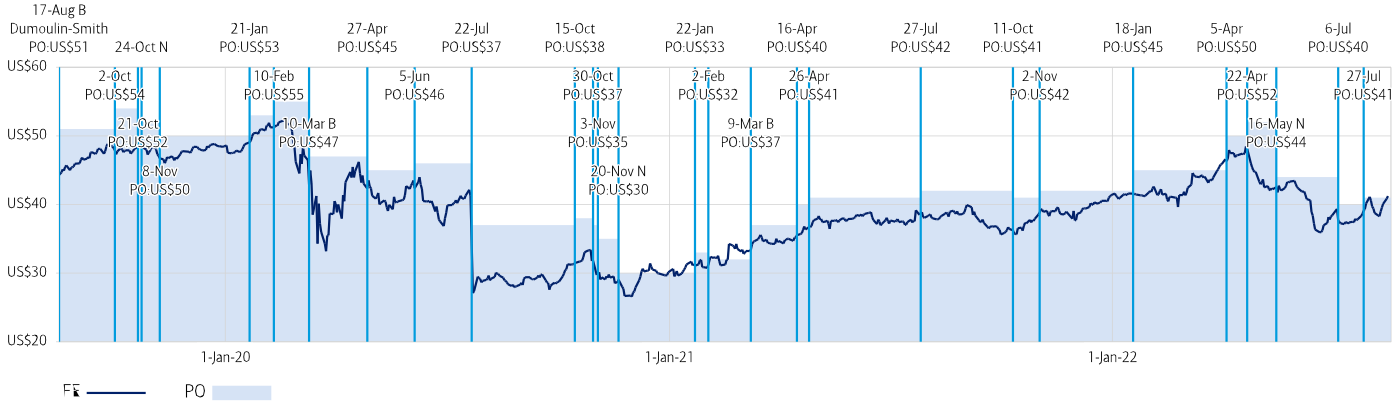
Exelon Corp (EXC) Price Chart



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.

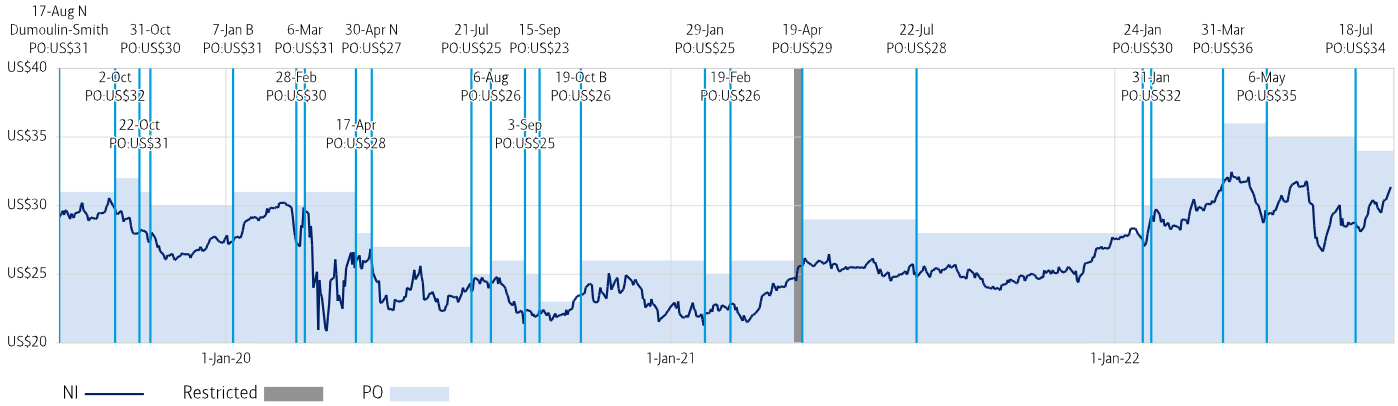
FirstEnergy (FE) Price Chart



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.

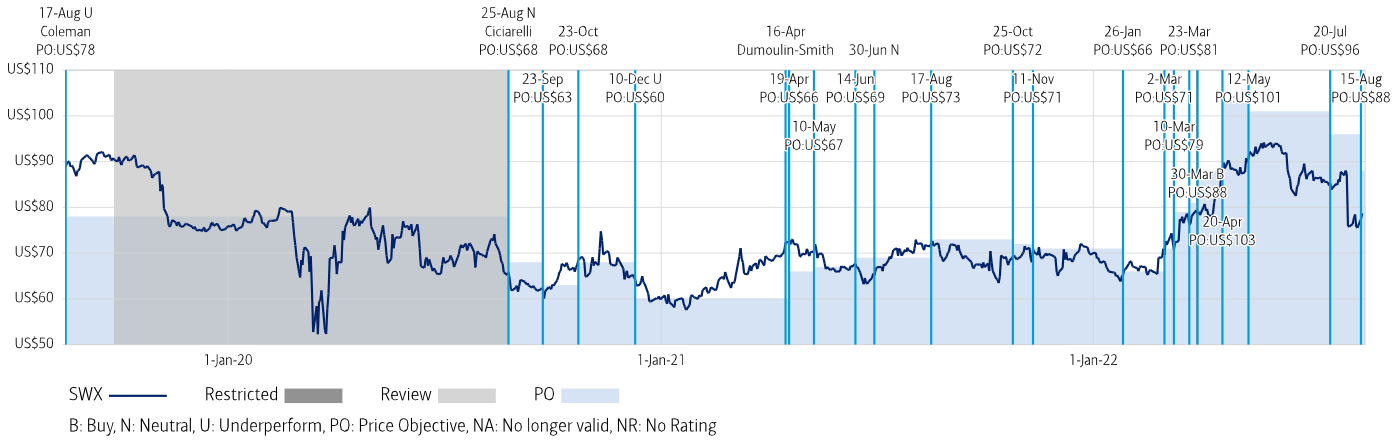
NiSource Inc (NI) Price Chart



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.

Southwest Gas (SWX) 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.

Equity Investment Rating Distribution: Energy Group (as of 30 Jun 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	75	58.59%	Buy	60	80.00%
Hold	34	26.56%	Hold	26	76.47%
Sell	19	14.84%	Sell	9	47.37%

Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	76	49.35%	Buy	56	73.68%
Hold	39	25.32%	Hold	31	79.49%
Sell	39	25.32%	Sell	24	61.54%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1838	54.69%	Buy	1121	60.99%
Hold	757	22.52%	Hold	475	62.75%
Sell	766	22.79%	Sell	369	48.17%

[R1] 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.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2] 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.

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The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Entergy, Exelon Corp., FirstEnergy Corp, NiSource Inc, Southwest Gas.
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BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: Entergy, Exelon Corp., FirstEnergy Corp, NiSource Inc, Southwest Gas.
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The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

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BKH: Seeking minority stake for gas LDC

A well-known recent media SparkSpread article suggested that Black Hills (BKH) is seeking a minority partner for their natural gas utility vertical, citing two sources familiar with the matter. The news follows earlier attractive valuation markers for numerous private gas transactions and investor inquiries that the company could extract value from a minority sell down or full divestment while improving the more stretched balance sheet. *With* public *gas LDCs again trading at a ~9% large discount to electric peers in the market, we expect the latest media reports to be well received by investors. Proceeds could eliminate equity needs while providing latitude to pay down debt and* provide latitude to *reallocate capital to a wide range of opportunities becoming increasingly visible. We reiterate our Buy rating on shares of BKH, seeing elevated rate base opportunities at an attractive valuation and a strategic kicker.*

DUK: SC Progress rate case filing seeks +9% rev

Duke Energy's (DUK) Duke Energy Progress (DEP) subsidiary filed its latest rate case with the Public Service Commission of South Carolina (PSCSC) on September 1st seeking a revenue requirement increase of $53m in year 1 and a cumulative increase of $68m in year 2, with the first year increase representing +9% and an additional +2.4% in the second year. The request is predicated on an ROE of 10.2% & 53.0% equity layer - this compares against DEP's last rate case filing in South Carolina in 2018 which requested an ROE and equity layer of 10.5% & 53.0% respectively, and resulted in a fully litigated outcome with 9.5% authorized ROE and 53.0% equity. Main components of the revenue requirement increase include $775m for two new combined cycle generating units, $368m for new capital including advanced metering infrastructure (AMI), and recovery of $108m of coal ash compliance costs accrued from 2018 through the first eight months of 2022. The procedural schedule set intervener testimony to be due on Dec 1, evidentiary hearings in early Jan, and a final order due on Mar 1. *The regulatory climate has been notably subdued in SC after a turbulent number of years and we look for the latest updates. Maintain Buy on DUK given attractive valuation at present levels.*

NI: PA rate case settlement at 55% of request

The parties in NiSource's (NI) pending PA Columbia gas rate case filed the previewed proposed settlements including +$44.5Mn revenue increase versus +$82Mn initial request (Docket R-2022-303121). This further compares with intervenor positions such as the Bureau of Investigation & Enforcement (I&E) for +$34Mn and Office of Consumer Advocates -$15Mn. The timeline for the rate case could be truncated with the settlement but we had expected an administrative law judge (ALJ) recommendation in October followed by a final decision in December with new rates effective for 2023. *Many of the key terms of the settlement were redacted but receiving ~55% of the initial request is a reasonable outcome and helps to reduce uncertainty in another proceeding. Pennsylvania rate cases have been less predictable in recent years and it is encouraging to see a settlement. We continue to believe shares remain overly discounted relative to the growth rate and potential for an extended growth path. In certain jurisdictions we believe there is opportunity for management to implement efficiencies to support the earned ROE in between rate cases as well as reduce some elements of corporate friction historically observed. Maintain Buy.* **See full report for MAXN CEO update.**

08 September 2022

Equity
United States
Electric Utilities

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LDC: Local Distribution Company (natural gas utility)
PSC: Public Service Commission

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MAXN CEO Stepping Down, CRO Mark Babcock In

In a morning release Maxeon Solar (MAXN) announced that CEO Jeff Waters will step down as of September 15th. In leaving, Mr. Waters will receive a lump sum payment equivalent to his annual base salary, provisions for benefits and acceleration of 167k restricted stock units with a current equivalent value of $3.5mm. Chief Revenue Officer Mark Babcock will take over as interim CEO while MAXN has retained the services of an outside firm for a permanent replacement.

Our follow up discussions suggest that the decision to part ways was mutual between the Board of Directors and Mr. Waters noting that his primary goals for the business are now broadly complete. With a legacy in the SunPower organization, Mr. Waters oversaw MAXN's spin out and the series of transformation efforts occurring throughout 2021/22 inclusive of a geographic manufacturing reset. We understand a permanent replacement will likely be reflective of a new set of commercial goals for the business which are principally hinged on building out brand recognition through product expansions efforts in the existing dealer network ex-US and new opportunities to target the US residential market directly in 2023 post SPWR exclusivity breakup. We continue to see positioning on MAXN as uniquely favorable into 2023 with positive data points set to compound as a clear IRA winner in its utility scale business alongside a historic opportunity to capitalize on demand for premium panels in the residential business in high value markets that will include now include the US.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Alt Energy: Tallying up solar manufacturing plans post IRA – So far, not so good for utility scale	Julien Dumoulin-Smith	08 September 2022
US Utilities & IPPs: Why We're Ever More Positive on Nuclear: Not a Renaissance But a Clear New Day	Julien Dumoulin-Smith	08 September 2022
US Utilities & IPPs: Power Points: EIA Electric Incident Report, PEG Pension, WTRG, LNG EPA	Julien Dumoulin-Smith	07 September 2022
US Utilities & Clean Tech: Fall Preview: Positioning for the litany of updates	Julien Dumoulin-Smith	07 September 2022
Fall 2022: Utilities Marketing Presentation	Julien Dumoulin-Smith	07 September 2022
US Alt Energy: Feedback on H2 deep dive: Optimization in focus, is pink the best shade of green?	Julien Dumoulin-Smith	07 September 2022
US Utilities & IPPs: Power Points: CA Resource Adequacy, AES Chilean referendum, NEE, CEG	Julien Dumoulin-Smith	06 September 2022
US Clean Tech: RUN & NOVA Clear IRA Winners; Flowing through the ITC, headwinds alleviated	Julien Dumoulin-Smith	06 September 2022

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

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
BKH	BKH US	Black Hills	US$ 77.58	B-1-7
DUK	DUK US	Duke Energy	US$ 110.25	A-1-7
NI	NI US	NiSource Inc	US$ 30.44	A-1-7
MAXN	MAXN US	Maxeon	US$ 21.22	C-1-9

Source: BofA Global Research

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Price objective basis & risk

Black Hills Corporation (BKH)
Our $87 PO is based on a SoTP valuation. Gas Utilities: We apply the 17.3x peer P/E multiple on 2024E EPS. Electric Utilities: We apply the 18.8x peer P/E multiple on 2024E EPS. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector with a 1x premium given elevated growth among SMIDs. 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 EV/EBITDA 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

Duke Energy (DUK)
Our $121 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 4x 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 18.1x and the gas utilities at peer group multiples of 16.8x 2024E 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 2024E EV/EBITDA basis. We use 9.0x multiples for midstream and transmission segments. 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.

Maxeon Solar Technologies (MAXN)
Our $25/sh PO is based on a Sum of the Parts (SOTP) valuation by attributing value to MAXN's the Solar Panels biz.and the Beyond the Panels biz.

SOTP:
We value the module biz by using '23 EV/EBITDA multiple of 14x, a 1x premium to the peer avg. given MAXN's higher efficiency panels and relative immunity to c-Si supply chain fluctuations and CBP WRO uncertainty compared to the peers.We note this as average vs more direct US exposed and high efficiency comps (not inclusive of Chinese). The Beyond the Panel biz is valued at 27x which is the average of microinverter/storage comps which reflects MAXN's advantaged global dealer channel and branding power in lieu of direct vertical integration.

Downside risks: (1) execution risks around Max 7 and P-Series scale up plans, (2) Risks associated with freight and commodity inflation impacting c-Si peers broadly, (3) Inflation and rising cost of inputs causing customers to shift the projects out in the future, (4) Rising cost of equity and tax equity scarcity leading to contraction in utility solar installations

Upside risks: (1) Beyond the Panel strategy leading to above expected revenue and EBITDA upside, (2) Investment Tax Credit (ITC) extension and direct-pay provision leading to a rapid uptick in US P-Series sales, (3) MAXN is able to navigate polysilicon cycle better than peers, (4) reduction in discount rates attributed by equity investors

NiSource Inc (NI)
Our $34 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 16.9x for gas and 18.2x for electric with a 1.0x premium for the gas utilities and a 2.0x premium for the electric gas utilities given strong growth rates and incremental renewable buildout, with capex potentially beginning in '24-'26, but acknowledge industrial gen load migration risk. While there still could be some near-term headwinds for solar, we are confident in mgmt. ability to manage and mitigate the impacts.

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.

Analyst Certification

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North America - Utilities and Alt Energy 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
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE 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
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Dominion Energy	D	D US	Paul Zimbardo
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Ryan Greenwald
	Exelon	EXC	EXC US	Paul Zimbardo
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG 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
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith

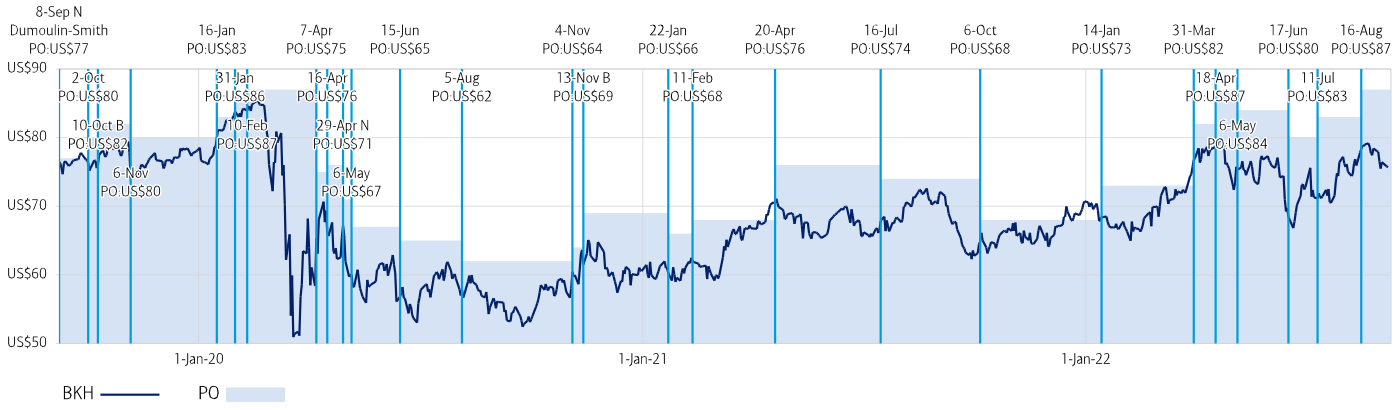
North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	American Water Works	AWK	AWK US	Ryan Greenwald
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Paul Zimbardo
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	Fluence Energy	FLNC	FLNC 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
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE 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
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
RSTR				
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

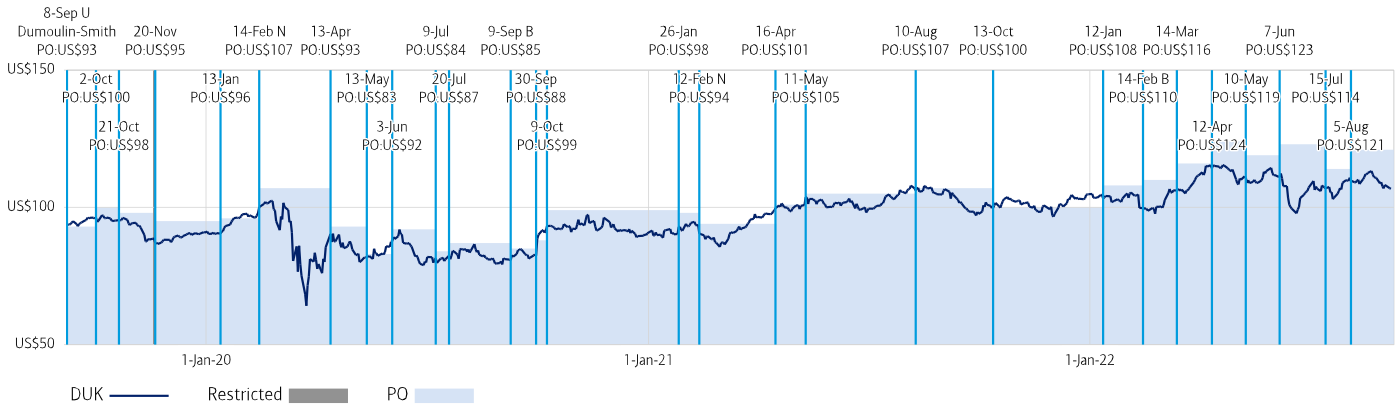
Black Hills (BKH) Price Chart



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.

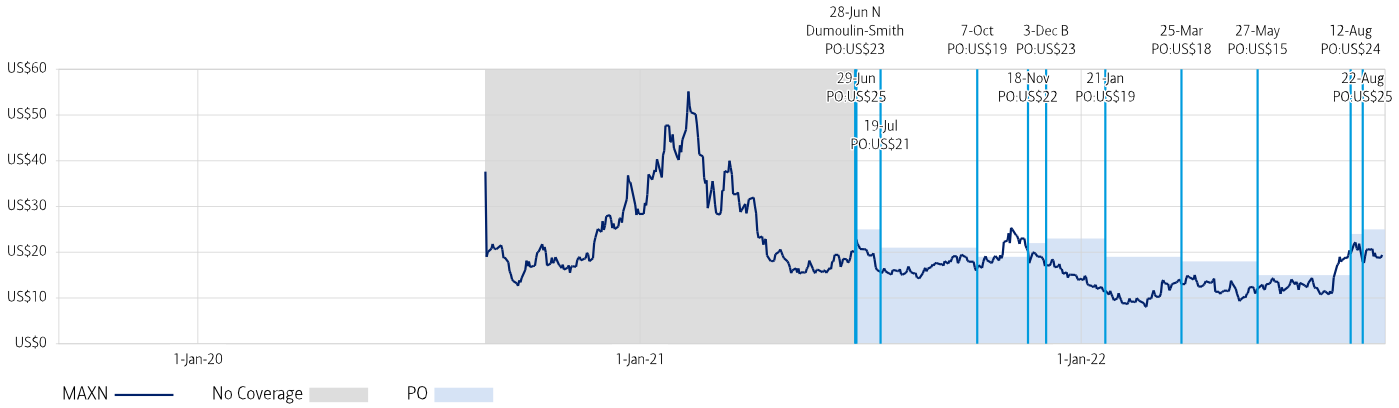
Duke Energy (DUK) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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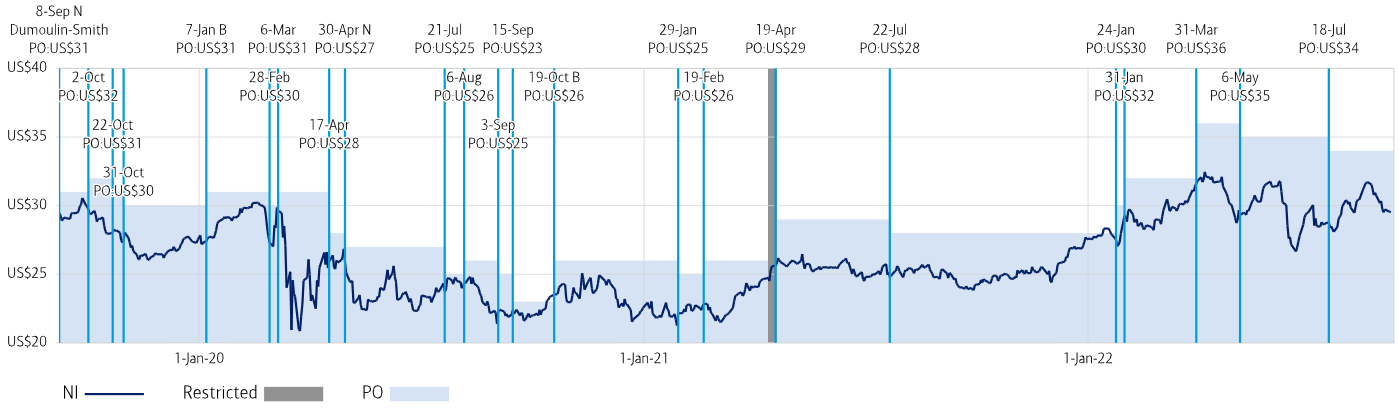
Maxeon (MAXN) Price Chart



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NiSource Inc (NI) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Alternative Energy Group (as of 30 Jun 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	6	42.86%	Buy	5	83.33%
Hold	3	21.43%	Hold	2	66.67%
Sell	5	35.71%	Sell	4	80.00%

Equity Investment Rating Distribution: Energy Group (as of 30 Jun 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	75	58.59%	Buy	60	80.00%
Hold	34	26.56%	Hold	26	76.47%
Sell	19	14.84%	Sell	9	47.37%

Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	76	49.35%	Buy	56	73.68%
Hold	39	25.32%	Hold	31	79.49%
Sell	39	25.32%	Sell	24	61.54%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1838	54.69%	Buy	1121	60.99%
Hold	757	22.52%	Hold	475	62.75%
Sell	766	22.79%	Sell	369	48.17%

[R1] 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.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2] 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.

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In-line quarter; Analyst Day scheduled for November

NiSource (NI) reported 2Q22 adj. EPS of $0.12 vs BofAe of $0.10, Street of $0.12, and 2Q21 EPS of $0.13. YoY results reflect higher operating costs, some dilution partially offset by continued investment. Importantly, though expected by us, NI reiterated its near-term and long-term growth targets, including FY22 adj. EPS guidance of $1.42-$1.48 and the 7-9% growth to 2024 off of a 2021 actual base. The capital and financing plans were maintained, and management continues to expect FY22 capex of $2.4B-$2.7B. Importantly, management commented that the pause on solar tariffs adds to confidence and clarity on the revised timelines and maintained the latitude outlined on the 1Q call, including pulling forward tracked capex, cutting O&M, and lowering financing cost. Regulatory processes across jurisdictions continue to churn – OH extended once again to make way for (still ongoing) settlement discussions. The fall Analyst Day is scheduled for "November," where we expect more detail on the strategic review in addition to more clarity on the longer-term growth prospects, including details on cost-cutting ability and the up to $750M in incremental capex stemming from the 2021 integrated resource plan (IRP). We maintain our Buy rating, as we see upside from **1)** longer-term earnings revision potential based on more timely solar projects and incremental capex from the 2021 IRP and **2)** multiple expansion from potential simplification through the strategic review.

Waiver increases latitude on the longer-term growth

NI maintained the potential 2024 EPS impacts of delays to solar projects expected to be placed into service in 2022 and 2023. Management called out a drag of ($0.09-$0.10) based on renewables delays, assuming ~$1B is placed in service in 2023 and the other ~$1B is placed in service in 2024+. The offsets include 1) pulling forward $400M-$500M in tracked capex/other investments, leading to +$0.04-$0.05 (in line with BofA), 2) accelerating O&M savings +$0.03-$0.04, and 3) assuming less financing needs associated with the delayed projects +$0.01-$0.02. The sum of the mitigation measures fully offsets the impact of the potential 6- to 18-month delay, as announced on the 1Q call. That said, we believe that the projects will come in at the short end of the range. NextEra Energy (NEE), a supplier of some of the projects, has stated that the investigation and subsequent executive order waiving new tariffs on imports had an average impact of ~6 months. **Therefore, we see more flexibility in the 7-9% growth rate as well as the potential for elevated EPS through time if the projects are delivered faster than expected.**

Regulatory processes continue to churn; OH pushed again

NI continues to work with stakeholders to reach an agreement in the Ohio rate case – the schedule was once again extended to October (hearing previously scheduled for early August) to make way for settlement negotiations (ongoing since May). We look for commentary on the call on how the delay plays with FY22 guidance. Settlement negotiations are ongoing in Pennsylvania, and an order is expected in 4Q22. We believe that there is room to reach a constructive middle ground in the case based on historical precedent. A final order was recently reached in the NIPSCO gas case, and new rates are effective in September 2022 and March 2023. A case in MD is ongoing, though we note that it is NI's smallest utility and a minor driver of shares.

03 August 2022

Equity

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Stock Data

Price	30.10 USD
Price Objective	34.00 USD
Date Established	18-Jul-2022
Investment Opinion	A-1-7
52-Week Range	23.65 USD - 32.59 USD
Mrkt Val (mn) / Shares Out (mn)	12,215 USD / 405.8
Average Daily Value (mn)	132.71 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2022E)	10.1%
Net Dbt to Eqty (Dec-2021A)	134.5%
ESGMeter™	High

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NIPSCO: Northern Indiana Public Service Co.

O&M: operations and maintenance

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Price objective basis & risk

NiSource Inc (NI)
Our $34 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 16.9x for gas and 17.4x for electric with a 1.0x premium for the gas utilities and a 2.0x premium for the electric gas utilities given strong growth rates and incremental renewable buildout, with capex potentially beginning in '24-'26, but acknowledge industrial gen load migration risk. While there still could be some near-term headwinds for solar, we are confident in mgmt. ability to manage and mitigate the impacts.

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.

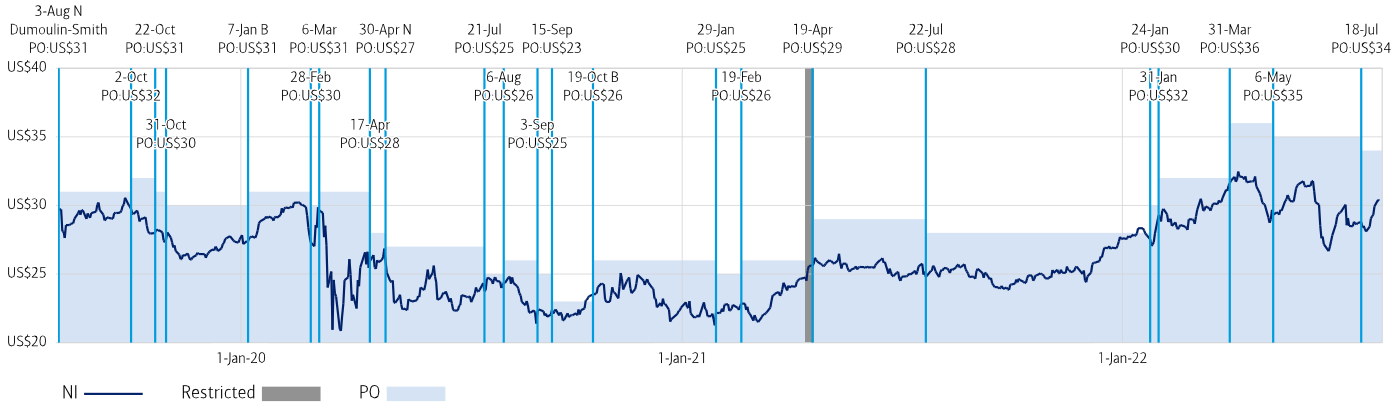
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NiSource Inc (NI) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Energy Group (as of 30 Jun 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	75	58.59%	Buy	60	80.00%
Hold	34	26.56%	Hold	26	76.47%
Sell	19	14.84%	Sell	9	47.37%

Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	76	49.35%	Buy	56	73.68%
Hold	39	25.32%	Hold	31	79.49%
Sell	39	25.32%	Sell	24	61.54%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1838	54.69%	Buy	1121	60.99%
Hold	757	22.52%	Hold	475	62.75%
Sell	766	22.79%	Sell	369	48.17%

[R1] 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.

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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